



长城汽车
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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
Annual Report



IMPORTANT NOTICE

I. The Board, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the information in this annual 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. Director(s) absent from the Board meeting

Position of the director(s) absent from the Board meeting	Name of the director(s) absent from the Board meeting	Reasons for being absent from the Board meeting	Representative
Director	Yang Zhi Juan (Executive director)	Work commitment	Liu Ping Fu
Director	He Ping (Non-executive director)	Work commitment	Niu Jun
Independent director	Lu Chuang (Independent non-executive director)	Work commitment	Ma Li Hui

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

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

IV. Wei Jian Jun, person-in-charge of the Company, 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 annual report.

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

As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit of the Company and net profit attributable to shareholders of the Company in 2014 amounted to RMB8,041,196,445.17 and RMB8,041,535,517.60 respectively. The Company proposed to declare a cash dividend of RMB2,433,938,400.00 at RMB0.80 per share (tax inclusive) for the year ended 31 December 2014. This proposal is subject to the approval by the shareholders in the 2014 annual general meeting of the Company.

VI. Risks relating to forward-looking statements

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

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

No

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

No

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Great Wall Motor Company Limited

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Section 1 Definitions and Reminder of Material Risks

I. DEFINITIONS

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

Definitions for commonly used terms

“Company” or “Great Wall Motor”	Great Wall Motor Company Limited (長城汽車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“Group”	the Company and its subsidiaries;
“Reporting Period” or “Current Period” or “the Year”	twelve months ended 31 December 2014;
“Board”	the board of directors of the Company;
“PRC”	the People’s Republic of China;
“CSRC”	China Securities Regulatory Commission;
“SFC”	The Securities and Futures Commission in Hong Kong;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“MOF”	Ministry of Finance of the PRC;
“Articles”	articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
“Company Law”	Company Law of the PRC;
“Securities Laws”	securities laws of the PRC;
“ASBE”	China Accounting Standards for Business Enterprises (CASBE);
“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;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time;
“Competing Business”	a business that is identical with or similar to the principal business and other businesses of the Company;
“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);

Section 1 Definitions and Reminder of Material Risks

“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);

“A Shareholder(s)” holders of A Share(s); and

“H Shareholder(s)” holders of H Share(s);

II. REMINDER OF MATERIAL RISKS

This report contains the description of the possible risks related to the Company. Please refer to the “Potential risks” under “Discussion and Analysis of the Board Concerning the Future Development of the Company” in item II of Section 6 headed “Report of the Board” of this report.

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 annual report	www.sse.com.cn
Place for inspection of the Company's annual report	Securities & Legal Affairs Department of Great Wall Motor Company Limited No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC www.hkexnews.hk
Website designated by the Hong Kong Stock Exchange for publishing this annual report	www.gwm.com.cn
The Company's website for publishing this annual report	

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

(I) Basic information

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

(II) Details of the initial registration of the Company

For details of the initial registration of the Company, please refer to "Other Relevant Information" in the section headed "Corporate Profile" of the 2011 annual report of the Company published on the website of Shanghai Stock Exchange (as the report was issued in respect of the Company's A shares, it was published on the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement).

(III) Changes in the principal businesses since the listing of the Company

There has been no change in the principal businesses of the Company since its listing.

(IV) Changes of controlling shareholder since the listing of the Company

Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) has been the controlling shareholder of the Company since the listing of A Shares of the Company. There has been no change since then.

Section 2 Corporate Profile

VII. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name Office address Names of the signing accountants	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F, 222 Yan An Road East, Huangpu District, Shanghai Xu Zhao Hui Zhang Luan Qing
Sponsor performing continuous supervisory duty during the Reporting Period	Name Office address Names of the signing representatives of the sponsor	Guotai Junan Securities Co. Ltd. 618, Shangcheng Road, Pudong New District, Shanghai Shui Yao Dong Zhang Ning (changed from Mr. Ceng Jian to Mr. Zhang Ning with effect from 19 June 2014)
	Term of continuous supervision Description of continuous supervision	28 September 2011 to 31 December 2014 As of 31 December 2014, the Company's proceeds raising project was completed and the proceeds were ready for use. Pursuant to the Administrative Measures for Raising Proceeds by Companies Listed on Shanghai Stock Exchange (上海證券交易所上市公司募集資金管理辦法), the remaining proceeds and the related interests would be used as liquidity and the account for depositing proceeds would be cancelled. The proceeds were fully utilised and the continuous supervision came to an end.

VIII. OTHERS

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 (Beijing)
H Share Registrar and Transfer Office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
A Share Registrar and Transfer Office	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 3/F, China Insurance Building, 166 Lujiazui East Road, New Pudong District, Shanghai, PRC
Investor and Media Relations Consultant (H Shares)	CorporateLink Limited 18/F, Shun Ho Tower, Nos 24-30 Ice House Street, Central, Hong Kong

Section 2 Corporate Profile

Principal Bankers	Bank of China, Baoding Yuhua sub-branch Industrial and Commercial Bank of China, Baoding Yonghua sub-branch China Construction Bank, Baoding Hengxiang South Street sub-branch China Everbright Bank, Shijiazhuang sub-branch China CITIC Bank, Baoding sub-branch
Authorised Representatives	Ms. Wang Feng Ying Mr. Xu Hui
Financial Year-end Date	31 December
Executive Directors	Mr. Wei Jian Jun (Chairman) 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)
Employee Representative 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)

Section 2 Corporate Profile

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 IN THE LAST FIVE YEARS

(I) Key accounting data

Unit: 10,000 Currency: RMB

Key accounting data	2014	2013	last year (%)	Increase/ decrease for the Reporting Period over the corresponding period		
				2012	2011	2010
Total operating revenue	6,259,910.42	5,678,431.43	10.24	4,315,996.66	3,008,947.67	2,298,607.20
Operating revenue	6,259,077.26	5,678,431.43	10.23	4,315,996.66	3,008,947.67	2,298,607.20
Net profit attributable to shareholders of the Company	804,153.55	822,364.84	-2.21	569,244.90	342,619.51	270,073.46
Net profit attributable to shareholders of the Company after extraordinary gains/losses	771,688.17	798,725.63	-3.39	551,936.09	331,237.71	263,258.38
Net cash flow from operating activities	609,578.44	903,904.34	-32.56	433,697.08	444,874.26	319,147.20
Total operating costs	5,338,320.60	4,716,807.22	13.18	3,652,636.14	2,610,511.15	2,007,260.58
Operating costs	4,525,176.11	4,053,799.47	11.63	3,156,150.14	2,259,379.79	1,729,838.08
Business tax and surcharges	228,160.70	205,703.17	10.92	159,476.51	105,232.49	81,108.67
Selling expenses	208,475.51	189,526.26	10.00	165,635.21	119,271.25	107,020.26
Administrative expenses	382,234.20	274,741.71	39.12	174,369.96	128,387.30	87,366.38
Financial expenses	-12,938.09	-8,384.99	—	-10,532.57	-2,293.47	-781.97
Impairment loss on assets	7,212.17	1,421.60	407.33	7,536.89	533.80	2,709.15
Gains or losses from changes in fair value	-405.57	-738.12	—	1,047.36	313.12	-195.35
Investment income	3,183.85	5,917.63	-46.20	1,932.29	2,435.73	5,627.16
Share of profit of associates and jointly controlled entities	2,000.68	1,134.20	76.40	221.59	1,195.45	4,205.03
Operating profit	924,368.10	966,803.73	-4.39	666,340.17	401,185.36	296,778.44
Non-operating income	44,057.40	27,883.75	58.00	22,057.08	12,630.76	8,249.27
Non-operating expenses	4,417.94	2,715.30	62.71	4,293.62	750.99	904.19
Losses from disposal of non-current assets	2,388.21	1,428.27	67.21	2,712.68	252.20	416.46
Total profit	964,007.56	991,972.18	-2.82	684,103.63	413,065.13	304,123.52
Income tax expenses	159,887.92	168,759.01	-5.26	111,896.50	61,999.84	21,415.14
Net profit	804,119.64	823,213.17	-2.32	572,207.13	351,065.29	282,708.39
Profit or loss attributable to minority interests	-33.91	848.33	-104.00	2,962.24	8,445.78	12,634.93

Section 3 Highlights of Accounting Data and Financial Indicators

Unit: 10,000 Currency: RMB

Key accounting data	As at the end of 2014	Increase/decrease for the Reporting Period over the corresponding period last year (%)				
		As at the end of 2013	corresponding period	As at the end of 2012	As at the end of 2011	As at the end of 2010
Net assets attributable to shareholders of the Company	3,345,186.05	2,799,589.80	19.49	2,151,424.40	1,673,710.84	1,001,514.75
Total assets	6,134,525.21	5,260,480.89	16.62	4,256,939.65	3,313,485.77	2,369,827.50
Total liabilities	2,782,680.60	2,459,681.21	13.13	2,092,602.71	1,611,335.40	1,329,796.94

(II) Key financial indicators

Key financial indicators	2014	Increase/decrease for the Reporting Period over the corresponding period last year (%)				
		2013		2012	2011	2010
Basic earnings per share (RMB/share)	2.64314	2.70299	-2.21	1.87	1.22	0.99
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after extraordinary gains/losses (RMB/share)	2.53643	2.62529	-3.39	1.81	1.18	0.96
Weighted average return on net assets (%)	26.35	33.41	Decreased by 7.06 percentage	29.88	27.83	30.76
Weighted average return on net assets after extraordinary gains/losses (%)	25.42	32.61	Decreased by 7.19 percentage	29.11	27.03	30.10

Description of key accounting data and financial indicators of the company in the last five years

In recent years, operating results of the Company maintains steady growth attributable to the business expansion, optimization of product mix and improvement of quality of products based on customers' needs. During the Reporting Period, as the Company continued to focus on the SUV products and products with high cost performance ratio and strived to enhance its after-sales services, the operation income of the Company recorded a growth. In addition, the significant increase in investment in research and development resulted in the slightly decrease in net profit attributable to the shareholders of the Company and earnings per share.

Section 3 Highlights of Accounting Data and Financial Indicators

II. ITEMS AND AMOUNT OF EXTRAORDINARY GAINS/LOSSES

Applicable Not applicable

Unit: RMB Currency: RMB

Item of extraordinary gains/losses	2014	2013	2012
Profit or loss from disposal of non-current assets	-22,406,632.60	-11,824,310.90	13,163,733.99
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	362,719,006.90	210,023,578.95	122,351,085.11
Gains resulting from the deficit between the investment cost of subsidiaries, associates and jointly controlled entities and the investor's interests in the fair value of the investee's identifiable net assets	—	—	5,258,366.64
Non-operating gains and losses other than the above items	56,082,221.21	53,485,200.44	36,861,440.97
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	11,831,669.85	47,834,345.40	12,080,241.10
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	—	—	5,026,762.03
Gains (losses) from changes in fair value	-4,055,677.86	-7,381,189.40	10,473,607.26
Effect of minority interests	-229,268.59	-831,263.02	-275,543.13
Effect of income tax	-79,287,543.23	-54,914,298.39	-31,851,608.38
Total	324,653,775.68	236,392,063.08	173,088,085.59

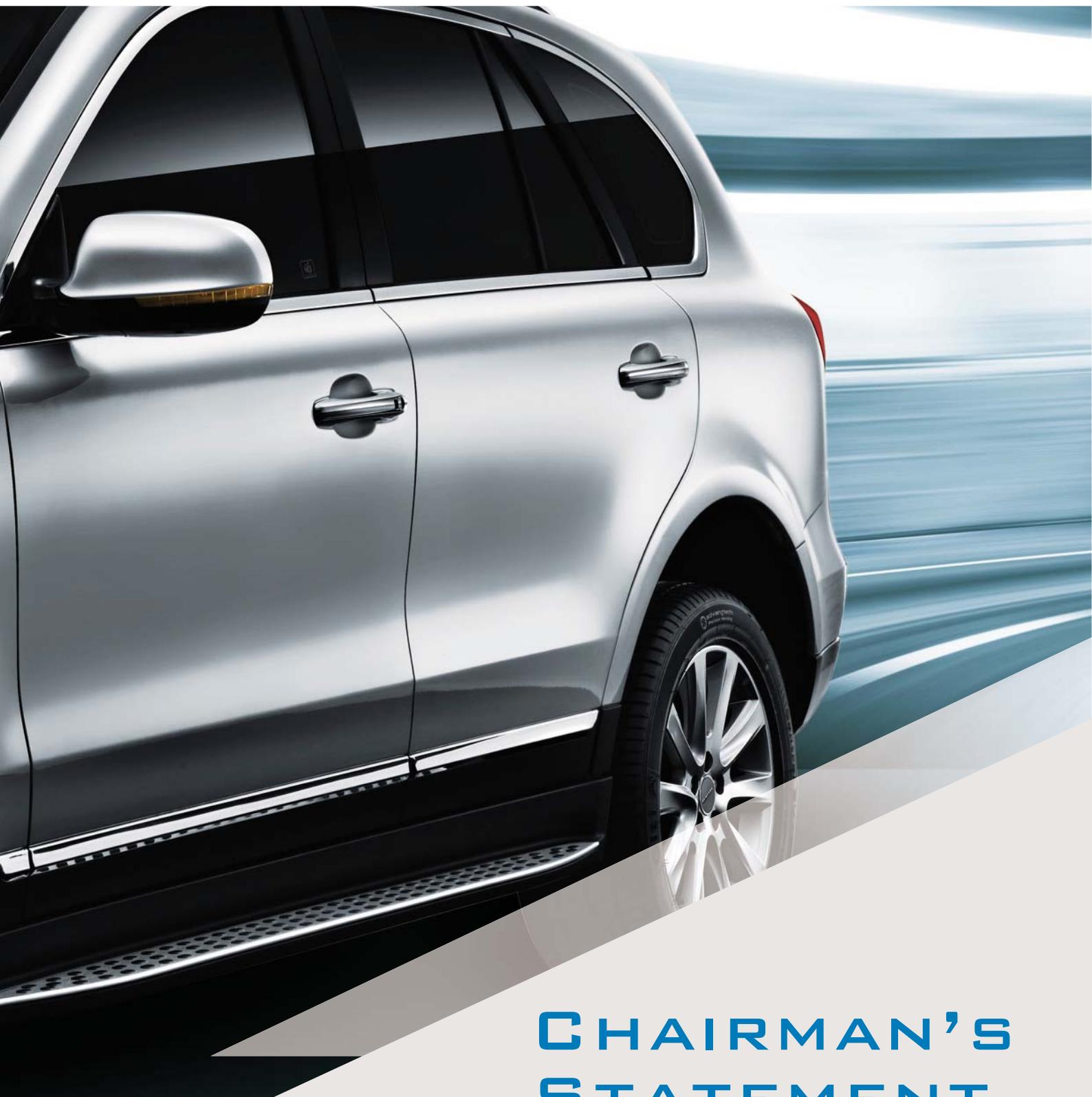
III. PROJECTS MEASURED AT FAIR VALUE

Unit: RMB Currency: RMB

Name of project	Balance at the beginning of the period	Balance at the end of the period	Changes in the period	Effect on profit for the period
Derivative financial assets-forward exchange contracts	4,270,117.86	214,440.00	-4,055,677.86	-4,055,677.86
Total	4,270,117.86	214,440.00	-4,055,677.86	-4,055,677.86







CHAIRMAN'S STATEMENT

Section 4 Chairman's Statement



To all shareholders:

I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2014.

During the Year, the Group sold a total of 730,000 units. SUV, in particular, displayed a satisfactory performance, with a sales volume of 520,000 units, representing a 24.48% year-on-year increase. Due to changes in the market environment and adjustment in the Company's strategy, sales volume of pick-up trucks during the Year remained stable, while that of sedans decreased slightly. As the Company adjusted its product mix, the proportion of SUV sales increased gradually, driving growth in the Group's operating revenue to RMB62,590,772,604.67, and net profit attributable to shareholders of the Company to RMB8,041,535,517.60.

Amid a complex and volatile international economic environment during the Year, the PRC's economic growth slowed down, with a 7.4% year-on-year GDP growth in 2014, which dropped slightly from that of 2013. According to the statistics from China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC in 2014 saw a steady growth of 7.26% and 6.86% year-on-year to 23,722,900 units and 23,491,900 units respectively, which hit a world record high and remained as the world's highest for the sixth consecutive year.

Section 4 Chairman's Statement

With an operating principle of "Focus on Quality, Reform Research and Development, Strengthen Operation" and a steadfast philosophy of quality operation, the Group continued to focus on product quality enhancement. During the Year, the Group launched key SUV models including Haval H2, Haval H1 and Haval H9, driving continual and steady growth in the total sales volume of SUV. The Group launched Haval H2 and its e-shopping site — Haval Mall simultaneously. Haval Mall is designed to provide customized services so as to meet customers' personalized needs. Haval H1 launched during the Year is a professional compact SUV model that has been well received by customers. Its monthly sales volume exceeded 6,000 units in the month of its launch. Haval H9 launched during the Year is the Group's first off-road SUV model sold for more than RMB200,000. It has received positive feedback from experts and customers since its launch. The launch of various SUV models satisfied different customers' needs, and further expanded the Group's SUV product line, thereby increasing the Group's comprehensive competitive edge. The Group will continue to launch more SUV models in 2015 to further enrich the Group's product lines.

The growth rate of SUV in the domestic market was significantly higher than that of other categories. However, as automobile companies all launched SUV models, market competition was further intensified. Spurred by its belief of "Focus, Dedication, Specialization", the Group will invest more in research and development, production and sales to achieve constant improvement in the Group's product quality and brand influence.

With respect to pick-up trucks, the Group has been maintaining a leading market position. In accordance with market needs, the Group will launch facelift models and successive models of existing models in due course, so as to maintain its dominant position in the pick-up truck sector.

In respect of sedans, the Group will increase sedan's added value through facelifting and upgrading existing models.

In addition, as the government pushes forward the development plan for the new energy automobile industry, the development of new energy automobile industry will further speed up. The Group will enlarge its market share of traditional automobiles, while increasing investment in research and development of new energy automobiles, as well as launching its own new energy model at the right opportunity, with an aim to creating a new source of profit growth for the Group.

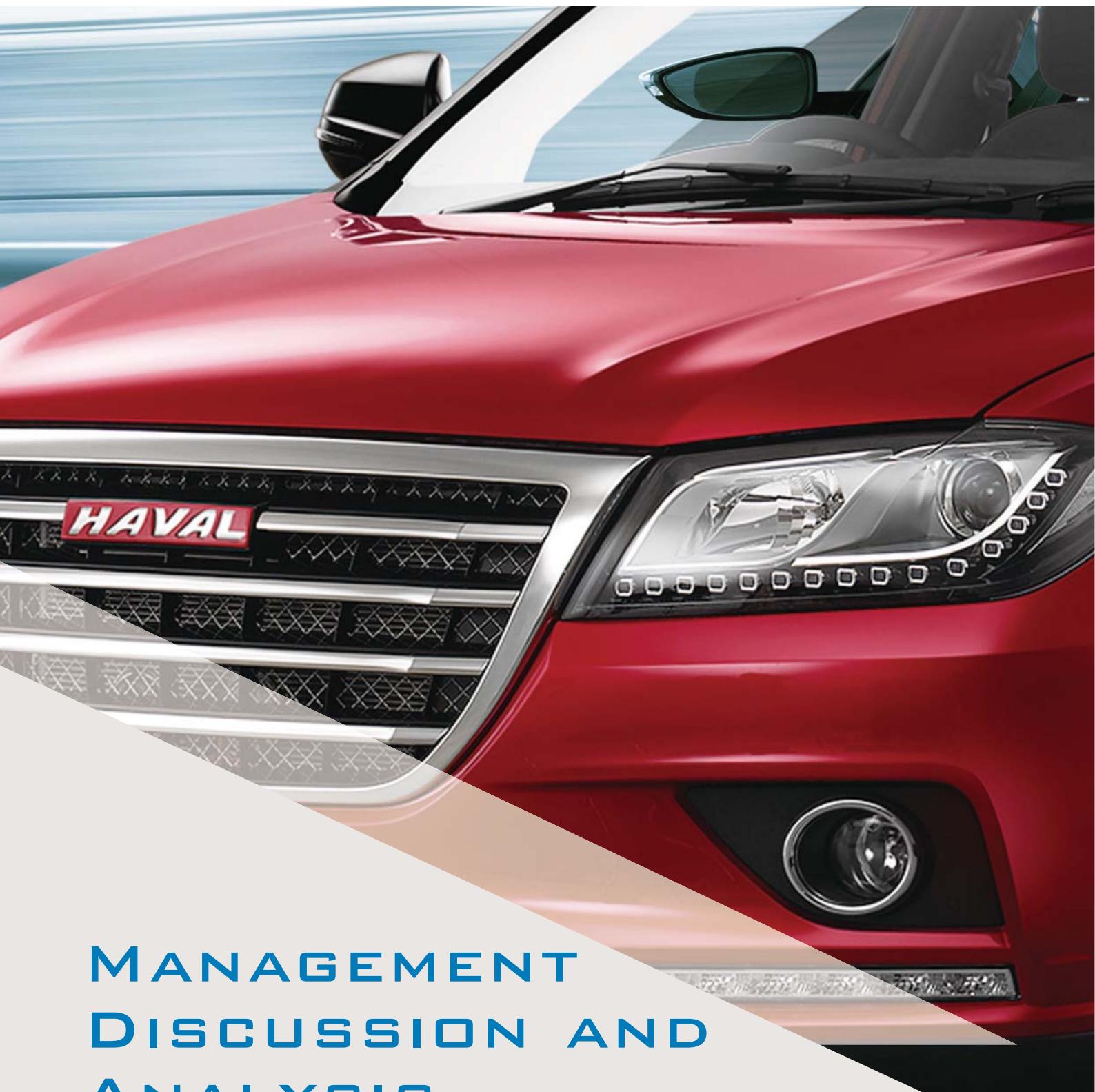
The Group will concentrate on both product and service quality to develop products that will satisfy and create surprises for customers. This will enable the Group to achieve steady growth in business, thereby increasing shareholder value. On behalf of Great Wall Motor, I would like to express our heartfelt thanks to all the staff, shareholders, investors, suppliers and customers for their continuous support to and trust in the Group.

Wei Jian Jun

Chairman

Baoding, Hebei Province, the PRC

20 March 2015



MANAGEMENT DISCUSSION AND ANALYSIS



Section 5 Management Discussion and Analysis

Operating Environment

Amid a complex and volatile international economic environment, the PRC's economic growth slowed down, with a 7.4% year-on-year GDP growth in 2014, which dropped slightly from that of 2013. According to the statistics from China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC in 2014 had a steady growth of 7.26% and 6.86% year-on-year to 23,722,900 units and 23,491,900 units respectively, which hit a world record high and remained as the world's highest for the sixth consecutive year.

During the Year, market competition was further intensified as automobile enterprises kept rolling out new products. In addition, diversified consumer demands urged automobile enterprises to keep launching new products so as to satisfy the constantly changing consumer needs. The Group focused on SUV category, and made intensive efforts in SUV market development, with an aim to improving brand image and entering the high-end market through constant product quality enhancement.

Financial Review

Total operating revenue

During the Year, the Group's total operating revenue amounted to RMB62,599,104,189.86, representing an increase of 10.24% over 2013 (2013: RMB56,784,314,344.30). 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, continual focus on SUV category, manufacture of high price-performance products, and commitment to augment after-sales service.

Sale of automobiles

During the Year, the Group sold 732,989 units of automobiles, representing a 4.88% decrease from that of 2013 (2013: 770,619 units). The Group's revenue from sale of automobiles amounted to RMB59,345,501,289.71, representing a 10.32% increase over 2013 (2013: RMB53,796,377,928.75). The increase was mainly due to an increase in the sales volume of the Group's SUV products with higher selling prices.

Automotive parts and components and others

In addition to the production of automobiles, the Group is also engaged in the sale of major automotive parts and components used in the production of pick-up trucks, SUVs, and sedans. These mainly include engines, transmissions, front and rear axles, air-conditioning equipment, drag ball pins, lever assembly and other parts and components manufactured by the Company 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 Year, the Group reported a 8.61% increase in the revenue generated from the sale of automotive parts and components and others over 2013 to RMB3,245,271,314.96 in 2014 (2013: RMB2,987,936,415.55). 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.

Section 5 Management Discussion and Analysis

Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to RMB17,339,011,536.28, representing a increase of 6.73% from that of 2013 (2013: RMB16,246,319,682.18). 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. The Group's gross profit margin decreased from 28.61% in 2013 to 27.70% in 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 Year, the Group's net profit attributable to shareholders of the Company was RMB8,041,535,517.60, representing a 2.21% decrease from that of 2013 (2013: RMB8,223,648,390.71). 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.

During the Year, basic earnings per share of the Company were RMB2.64 (2013: RMB2.70). During the Year, the Company did not present any diluted earnings per share as there was no ordinary share which may cause any dilution effect.



Section 5 Management Discussion and Analysis

Selling and administrative expenses

During the Year, the selling expenses of the Group amounted to RMB2,084,755,133.80, representing an increase of 10.00% over 2013 (2013: RMB1,895,262,609.80). 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 3.34% in 2013 to 3.33% in 2014. During the Year, the administrative expenses of the Group amounted to RMB3,822,341,956.08, representing an increase of 39.12% over 2013 (2013: RMB2,747,417,124.13). The increase in administrative expenses was mainly due to an increase in technology development expenses. The percentage of administrative expenses to total operating revenue increased from 4.84% in 2013 to 6.11% in 2014.

Financial expenses

During the Year, the Group's financial expenses were RMB-129,380,918.13, as compared to RMB-83,849,943.15 for 2013. The decrease in financial expenses was mainly due to an increase in exchange rate gain during the Year.

Current assets and current liabilities

As at 31 December 2014, the Group's current assets were RMB35,313,744,747.57 (31 December 2013: RMB31,026,191,451.06), mainly including cash and bank balances of RMB3,394,260,013.36, bills receivable of RMB23,352,366,377.86, accounts receivable of RMB730,113,031.42, inventories of RMB3,470,386,550.65, prepayments of RMB723,332,515.18 and other receivables of RMB2,896,787,792.18. As at 31 December 2014, the Group's current liabilities were RMB26,144,697,042.57 (31 December 2013: RMB22,839,474,722.18), mainly including advances from customers of RMB3,180,045,338.74, salaries payable of RMB1,326,601,449.19, other payables of RMB1,778,299,444.45, taxes payable of RMB880,096,384.40, bills payable of RMB4,138,158,178.41, accounts payable of RMB14,093,151,931.66, and other current liabilities of RMB672,530,061.79.

Gearing ratio

Gearing ratio refers to the proportion of total liabilities to total equity in the consolidated balance sheet. As at 31 December 2014, the Group's total liabilities amounted to RMB27,826,806,022.22 (31 December 2013: RMB24,596,812,087.89) and the Group's total equity was RMB33,518,446,101.23 (31 December 2013: RMB28,007,996,843.40). As at 31 December 2014, the gearing ratio of the Group was 0.83 (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 its 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 of the Company directly.

Section 5 Management Discussion and Analysis

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 its 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 of the Company directly.

As the aforementioned acquisitions were neither connected transactions nor notifiable transactions as defined under 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 Year.

Capital structure

The Group generally finances its operations with its internal cash flows. As at 31 December 2014, the Group was in a debt-free position.

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 Year, 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 31 December 2014, the Group employed a total of 71,575 employees (31 December 2013: 64,719 employees). Employees were remunerated by the Group based on their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 8.71% of the Group's total operating revenue as at 31 December 2014 (31 December 2013: 8.04%).

Taxation

During the Year, income tax of the Group was RMB1,598,879,183.23 (2013: RMB1,687,590,073.78).

Section 5 Management Discussion and Analysis

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 year ended 31 December	
	2014	2013
	RMB	RMB
China	59,467,547,004.37	51,942,765,547.70
Russia	950,391,920.18	1,646,349,835.25
Chile	338,668,359.97	415,683,095.50
Iraq	239,816,542.99	265,823,657.77
Ecuador	226,510,727.07	120,436,046.69
Iran	202,332,954.49	245,957,669.80
Other oversea countries	1,173,836,680.79	2,147,298,491.59
Total	62,599,104,189.86	56,784,314,344.30

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.

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 Year, the Group's total sales volume of automobiles was 732,989 units, representing a 4.88% decrease from that of 2013 (2013: 770,619 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 fewer sedan models. During the Year, the sales volume of SUVs maintained a steady growth.

Section 5 Management Discussion and Analysis

(1) *Pick-up trucks*

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 17 consecutive years, thereby consolidating the Company's leading market position in this respect. During the Year, the sales volume of pick-up trucks was 121,602 units, representing a 10.67% decrease from that of 2013 (2013: 136,132 units).

(2) *SUV*

During the Year, 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 47.20% increase in sales volume when compared to the year of 2013, thereby further facilitating the Group to maintain a leading position in the domestic SUV market. During the Year, the sales volume of SUVs amounted to 523,208 units, representing a 24.48% increase over 2013 (2013: 420,302 units).

(3) *Sedan*

During the Year, the sales volume of the Group's sedan reached 87,479 units, representing a 57.42% decrease from that of 2013 (2013: 205,451 units). The Group will continue to launch facelift models of sedans to increase the sales volume of sedans.

(4) *Other vehicles*

During the Year, the Group sold a total of 700 units of other vehicles (including MPVs, special vehicles), representing a 91.99% decrease from 2013 (2013: 8,734 units).

(5) *Automotive parts and components and others*

During the Year, the revenue generated from the sale of automotive parts and components and others amounted to RMB3,245,271,314.96, representing a 8.61% increase over 2013 (2013: RMB2,987,936,415.55) and accounting for 5.18% of the Group's total operating revenue.

Domestic market

During the Year, as domestic economic growth slowed down and the number of people owning automobiles increased continuously, the domestic automobile industry grew at a slower pace. Nevertheless, domestic demand was robust and the PRC market remained as the world's largest automobile market. During the Year, the Group continued to step up its effort in market development and product quality improvement, while enhancing its brand image.

During the Year, the Group's domestic sales volume and revenue generated from the sale of automobiles amounted to 684,445 units and RMB56,384,051,145.57 respectively, representing a decrease of 1.61% and an increase of 14.67% respectively from those of 2013 (2013: 695,677 units and RMB49,169,331,537.37 respectively). During the Year, 104,547 units, 499,185 units and 80,013 units of pick-up trucks, SUVs and sedans were sold domestically respectively.

Section 5 Management Discussion and Analysis

According to market statistics released by China Association of Automobile Manufacturers, the growth rate of SUV category was significantly higher than that of other categories during the Year. With its focus on SUV category, the Group will launch more SUV models so as to satisfy constantly increasing market demand.

Overseas markets

In 2014, competition in overseas markets was further intensified by the complex and volatile international political and economic environment, as well as the depreciation of Japanese yen and Korean won. According to the statistics from China Association of Automobile Manufacturers, the automobile export volume in the PRC reached 910,300 units, representing a decrease of 6.85% from that of 2013. Amid a complex overseas market environment, the Group developed overseas sales network and established overseas factories to improve its brand image in overseas markets and to lay a foundation for expanding its export volume.

During the Year, the Group's export sales volume of automobiles was 48,544 units, representing a 35.22% decrease from that of 2013 (2013: 74,942 units). Of the total export volume, 17,055 units, 24,023 units and 7,466 units of pick-up trucks, SUVs and sedans were sold respectively. The total export value of automobiles amounted to RMB2,961,450,144.14, representing a 36.00% decrease from that of 2013 (2013: RMB4,627,046,391.38) and accounting for 4.73% of the Group's operating revenue.

Launch of new products

During the Year, 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.

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.

During the second half of 2014, the Group started a new round of product launch, introducing new models including Haval H2, Haval H1 and Haval H9. With its stylish and all match design, Haval H2, an urban compact SUV model, has gained wide attention and achieved excellent results since its launch in July 2014. Over 10,000 units were sold during the month of October 2014, making Haval H2 another popular product of the Haval series.

In November 2014, the Group launched a small classic SUV — Haval H1. With a delicate interior decoration and stylish appearance, it satisfies young consumers' needs. The sales volume of Haval H1 exceeded 6,000 units during the month of its launch, and this car model is gaining increasing market acceptance.

In November 2014, the Group launched its first off-road SUV model with a selling price of over RMB200,000 — Haval H9. It has received positive market reviews since its launch, and performed well in all the tests, indicating that the Group's high-end products have started to gain market recognition.

During the Year, the Group launched facelift models of other vehicles, including Great Wall C50 (upgraded version), 2015 Great Wall C30 and 2015 Haval H5 etc.

Section 5 Management Discussion and Analysis

Outlook

Although the global economy is expected to see a modest cyclical recovery, there are still many uncertainties. Furthermore, the domestic economy is under greater downward pressure. In view of the new normal of the economy, the Group will adhere to its prudent operating strategies and lean management philosophy, remain focused on product quality, and improve its brand image.

The China Association of Automobile Manufacturers predicts that the total automobile sales volume in 2015 will increase by approximately 7% year-on-year to 25,130,000 units, indicating that the market expects a slowdown in growth of the PRC's automobile industry. With customers evolving to higher end market and young consumers' pursuit of trendy goods, the growth rate of SUV will continue to exceed that of the automobile industry. According to statistics from China Association of Automobile Manufacturers, the growth rate of SUV reached 36.44% in 2014, much higher than other categories. China Association of Automobile Manufacturers expects that the growth rate of SUV sales volume will remain comparatively high at 25% in 2015. The Group will remain focused on SUV category and launch more SUV models, thereby consolidating the Group's SUV market position. The Group will also enter the high-end market by manufacturing high price-performance products that satisfy market demand.

In order to improve the Company's product quality and satisfy consumer demand that is constantly changing for better goods and services, the Group will continue to invest more in research and development. The Group's new technology centre commenced operation in early 2015. The new technology centre consists of five major areas, namely R&D centre, prototype workshop, testing centre, design centre, and data centre. The inauguration of the new technology centre will further increase the Group's research and development capacity.

With respect to production, the first automobile plant in Xushui has commenced operation, while the second one is under construction and expected to be completed in the second half of 2015. The third automobile plant is also under construction. Construction of automobile plants in Xushui will significantly increase the Group's production capacity. Moreover, as the Xushui plants will be equipped with more automated and intelligent equipment, they will improve product precision and production pace, thereby ensuring reliable production of new products in the future.

In respect of purchase of automotive parts and components, the Group will intensify its technological cooperation with globally renowned automotive parts and components enterprises. This will ensure that the quality of all models will be further improved and a win-win situation for both the Group and the automotive parts and components suppliers can be achieved.

With regard to sale, the Group will further strengthen its pre-sales service, service during sales process and after-sales service and improve its brand image by continuing to implement decisive measures.

In addition, the Group will invest more in research and development of new energy products. In addition to improving the fuel efficiency of traditional models, the Group will develop new energy automobile related products.

Launch of Haval H8

The Company made an announcement on deferral of the delivery of Haval H8 dated 8 May 2014, which set out the reason for deferral of the delivery of Haval H8 as it had some knocking noises in the transmission system when running at high speed.

Section 5 Management Discussion and Analysis

With the support of ZF Friedrichshafen AG, the Company conducted studies, adjustments and tests on Haval H8 repeatedly and the problem was solved eventually. Haval H8 is now ready for launch. The key components of rear driver unit of Haval H8 are provided by ZF Friedrichshafen AG. Further, Haval H8 has been upgraded in many aspects.

The Company has decided to launch Haval H8 for sale nationwide during the Shanghai Auto Show in April 2015 (April 20 to April 29).

New products

According to its future development strategy, the Group will launch more SUV models, forming a product portfolio consisting of large, medium and small size for high, middle and low-end markets and urban and off-road models with different specifications and styles, powered by gasoline and diesel. The Group is dedicated to build a world-class SUV expert brand.

In 2015, the Group plans to launch COUPE C and Haval H7. COUPE C is the latest Haval product, which is a dynamic, electrifying compact SUV model of international standard. It boasts a brand new look with a strong visual appeal. It is equipped with 2.0T direct injection engine plus 6-speed dual-clutch automatic transmission, and its power performance surpasses that of other models of the same category. As for configuration, standard configuration includes keyless entry system, EPB and blind spot monitoring system, while stylish configuration includes panoramic sunroof and the internet of cars. The interior features soft and delicate decoration. Its equipment and decoration will therefore surpass its counterparts whose selling prices are over RMB200,000.

Haval H7 is another brand new model of the Group, which is expected to be launched in the second half of 2015. Apart from this, the Group will also roll out facelift models of existing SUVs.

For pick-up trucks, to satisfy market demand, the Group will launch upgraded versions of existing models by changing the styling or adding accessories.

With regard to sedans, the Group will keep existing models of Great Wall C30 and Great Wall C50 and launch car models of the year.

New facilities

During the Year, the two phases of the Group's production base for automobiles and automotive parts and components in the Tianjin Economic-Technological Development Area reached their designed capacity, thereby providing full capacity guarantee for the Group.

During the Year, the first automobile plant in Xushui commenced operation, and the second and third automobile plants were under construction. Haval H9, the Group's currently highest end car model, is being produced at Xushui automobile plant, and future models including the new products, COUPE C, Haval H7 and subsequent high-end car models, will be produced at Xushui plant.

The Group's new technology centre commenced operation in early 2015.

Section 5 Management Discussion and Analysis

Automobile Leasing

During the Year, the Group established Haval Automobile Leasing Company (哈弗汽車租賃公司). Branches of this automobile leasing company will gradually be set up across the country to conduct automobile leasing business. The establishment of the automobile leasing company will further enlarge the Group's business scope and contribute to the Group's future development.

Automotive Finance

During the Year, 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 officially commenced 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.

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 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" (《中華人民共和國企業所得稅法》) stipulates that "the key high-tech enterprises which receive support from the State shall be entitled to a reduced enterprise income tax rate of 15%". Accordingly, the Company 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 6 Report of the Board

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

(I) Analysis of principal business

The Group is principally engaged in the design, research and development, manufacture and sale as well as distribution of SUVs, sedans, pick-up trucks and automobile-related parts and components. There has not been any significant change to the nature of the Group's principal business during the Year.

The subsidiaries of the Company established in the PRC during the year ended 31 December 2014 or in previous years are limited companies.

1. Analysis of changes in certain items in income statement and cash flow statement

Unit: RMB Currency: RMB

Item	For the Current Period	For the corresponding period last year	Changes (%)	2012	2011	2010
Total operating revenue	62,599,104,189.86	56,784,314,344.30	10.24	43,159,966,648.39	30,089,476,665.00	22,986,072,045.16
Operating revenue	62,590,772,604.67	56,784,314,344.30	10.23	43,159,966,648.39	30,089,476,665.00	22,986,072,045.16
Operating costs	45,251,761,068.39	40,537,994,662.12	11.63	31,561,501,368.09	22,593,797,877.09	17,298,380,820.08
Selling expenses	2,084,755,133.80	1,895,262,609.80	10.00	1,656,352,069.11	1,192,712,451.22	1,070,202,611.99
Administrative expenses	3,822,341,956.08	2,747,417,124.13	39.12	1,743,699,625.96	1,283,873,003.63	873,663,826.10
Financial expenses	-129,380,918.13	-83,849,943.15	54.30	-105,325,665.78	-22,934,689.66	-7,819,677.50
Net cash flows from operating activities	6,095,784,407.40	9,039,043,397.56	-32.56	4,336,970,802.21	4,448,742,617.37	3,191,471,980.18
Net cash flows from investing activities	-7,209,952,718.60	-6,696,353,291.18	7.67	-3,936,137,742.94	-3,491,001,464.81	-2,307,469,987.39
Net cash flows from financing activities	-1,309,157,089.95	-2,404,718,214.67	-45.56	-1,103,872,557.05	3,282,772,537.64	-1,212,260,287.94
Research and development expenses	2,571,581,207.82	1,692,880,148.50	51.91	956,565,066.15	635,409,230.98	447,388,207.32

2. Revenue

(1) Analysis of factors causing changes in business revenue

It was mainly due to the Group's optimisation of product mix, continual focus on SUV category, manufacture of high price-performance products, and commitment to augment after-sales service.

Section 6 Report of the Board

(2) Analysis of factors influencing revenue from physical product sales

Sale of Automobiles

During the Year, the Group sold 732,989 units of automobiles, representing a 4.88% decrease from that of 2013 (2013: 770,619 units). The Group's revenue from sale of automobiles amounted to RMB59,345,501,289.71, representing a 10.32% increase over 2013 (2013: RMB53,796,377,928.75). The increase was mainly due to an increase in the sales volume of the Group's SUV products with higher selling prices.

Automotive parts and components and others

In addition to the production of automobiles, the Group is also engaged in the sale of major automotive parts and components used in the production of pick-up trucks, SUVs, and sedans. These mainly include engines, transmissions, front and rear axles, air-conditioning equipment, drag ball pins, lever assembly and other parts and components manufactured by the Company 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 Year, the Group reported a 8.61% increase in the revenue generated from the sale of automotive parts and components and others over 2013 to RMB3,245,271,314.96 in 2014 (2013: RMB2,987,936,415.55). 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.

(3) Major customers

Name of customer	Operating revenue	Percentage of the total operating revenue of the Company (%)
Customer 1	1,488,229,121.46	2.38
Customer 2	1,433,817,699.48	2.29
Customer 3	1,186,519,044.81	1.90
Customer 4	1,125,433,222.70	1.80
Customer 5	871,083,073.48	1.38
Total	6,105,082,161.93	9.75

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

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

Section 6 Report of the Board

3. Cost

(1) Cost analysis

Unit: RMB

By industries

Industry	Cost item	Amount for the Current Period	Proportion to total costs for the Current Period		Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year	Changes in the amount for the Current Period over the corresponding period last year	Description
			(%)	(%)				
Automobile industry	Raw materials, wages and salaries, depreciation and energy etc.	45,108,474,577.88	99.68	40,329,600,319.04	99.49	11.85	—	

By products

Product	Cost item	Amount for the Current Period	Proportion to total costs for the Current Period		Amount for the corresponding period last year	Proportion to total costs for the corresponding period last year	Changes in the amount for the Current Period over the corresponding period last year	Description
			(%)	(%)				
Automobiles	Raw materials, wages and salaries, depreciation and energy etc.	42,803,518,285.70	94.59	38,233,033,069.57	94.31	11.95	—	
Automotive parts and components	Raw materials, wages and salaries, depreciation and energy etc.	1,817,592,960.84	4.02	1,567,954,450.67	3.87	15.92	—	
Moulds and others	Raw materials, wages and salaries, depreciation and energy etc.	378,119,352.93	0.84	419,768,056.70	1.04	-9.92	—	
Services	Toll, fuel costs, travelling costs, and wages and salaries etc.	109,243,978.41	0.23	108,844,742.10	0.27	0.37	—	

Section 6 Report of the Board

(2) Major suppliers

Unit: RMB Currency: RMB

Proportion to
total purchases
for the Year
(%)

Name of supplier	Purchases	Proportion to total purchases for the Year (%)
Supplier 1	823,054,549.73	1.83
Supplier 2	796,103,927.13	1.77
Supplier 3	783,979,214.11	1.75
Supplier 4	702,607,461.03	1.56
Supplier 5	683,274,312.89	1.52
Total	3,789,019,464.89	8.43

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

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

4. Expenses

Unit: RMB Currency: RMB

Items	2014	2013	Changes (%)	Reasons
Administrative expenses	3,822,341,956.08	2,747,417,124.13	39.12	The change in administrative expenses was mainly due to an increase in technology development expenditures.
Financial expenses	-129,380,918.13	-83,849,943.15	54.30	The change in financial expenses was mainly due to an increase in exchange gains of the Group.

5. Research and development expenses

(1) Statement of research and development expenses

Unit: RMB

Research and development expenses for the Current Period	2,571,581,207.82
Research and development expenses capitalized for the Current Period	—
Total research and development expenses	2,571,581,207.82
Percentage of total research and development expenses over net asset (%)	7.67
Percentage of total research and development expenses over operating revenue (%)	4.11

(2) Description

The increase in research and development expenses for the Current Period was primarily due to the increase in research input.

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6. Cash flow

Items	2014	2013	Changes (%)	Unit: RMB Currency: RMB	
				Reasons	
Net cash flows from operating activities	6,095,784,407.40	9,039,043,397.56	-32.56	The change in net cash flows from operating activities was mainly due to an increase in bank acceptances which were not yet due at the end of the Reporting Period, an increase in cash paid for an purchase of commodities, an increase in cash paid to employees resulted from an increase in the number of employees and increases in tax payable and research and development expenses during the Reporting Period.	
Net cash flows from investing activities	-7,209,952,718.60	-6,696,353,291.18	7.67	—	
Net cash flows from financing activities	-1,309,157,089.95	-2,404,718,214.67	-45.56	The change in net cash flows from financing activities was mainly due to a decrease in restricted bank deposits during the Reporting Period.	

7. Others

(1) Analysis and description of the progress of various types of financing and major asset reorganization of the Company previously

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 “Use of proceeds” under the item “Analysis of investments” in this section.

(2) Implementation of development strategies and business plans

During the Reporting Period, the Company has strictly implemented the “12th 5-year strategic plan” which was discussed by the Strategy Committee, the Board and the management and launched at the beginning of 2012. Meanwhile, the annual business plan adopted by the Company at the beginning of 2014 has been implemented during the Year.

Section 6 Report of the Board

(II) Operation analysis by industries, products and regions

1. Major businesses by industries and products

Unit: RMB Currency: RMB

Major businesses by industries

Industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
				Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Automobile industry	62,370,772,469.40	45,108,474,577.88	27.68	10.45	11.85	Decreased by 0.90 percentage points

Major businesses by products

Product	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
				Increase/decrease in operating revenue over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in gross profit margin over last year (%)
Sale of automobiles	59,345,501,289.71	42,803,518,285.70	27.87	10.32	11.95	Decreased by 1.06 percentage points
Sale of automotive parts and components	2,432,716,708.05	1,817,592,960.84	25.29	19.32	15.92	Increased by 2.20 percentage points
Moulds and others	475,373,960.95	378,119,352.93	20.46	-7.31	-9.92	Increased by 2.31 percentage points
Provision of services	117,180,510.69	109,243,978.41	6.77	-4.29	0.37	Decreased by 4.33 percentage points

Description of major businesses by industries and products

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

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2. Principal business by regions

Unit: RMB Currency: RMB

Changes in the
operating revenue
this year over
last year

Region	Operating revenue	(%)
Domestic	59,248,292,627.34	14.63
Overseas	3,122,479,842.06	-34.76

Description of principal business by regions

The domestic business was mainly located in the mainland China.

(III) Analysis of assets and liabilities

1. Statement of assets and liabilities analysis

Unit: RMB

Item	Period	Changes in the amount as at the end of the Period over						2012	2011	2010			
		Amount as at the end of the Current Period	Proportion to total assets (%)	Amount as at the end of last year	Proportion to total assets (%)	Current Period over last year (%)	Description						
Cash and bank balances	3,394,260,013.36	5.53	6,990,516,902.03	13.29	-51.44	The change in cash and bank balances was mainly due to a decrease in net cash flow from operating activities and an increase in investment in plant and equipment.	6,336,981,784.93	7,107,086,034.95	3,094,616,438.33				
Financial assets at fair value through profit or loss	214,440.00	0.00	4,270,117.86	0.01	-94.98	The change in financial assets at fair value through profit or loss was due to the changes in fair value of forward foreign exchange contracts.	11,651,307.26	1,177,700.00	0.00				
Bills receivable	23,352,366,377.86	38.07	17,548,258,868.49	33.36	33.08	The change in bills receivable was due to an increase in bills receivable resulted from the increase in sales volume.	14,790,887,422.30	8,702,977,854.66	7,726,100,420.35				
Prepayments	723,332,515.18	1.18	446,068,066.03	0.85	62.16	The change in prepayments was due to an increase in the purchase of raw materials.	391,549,732.29	360,600,901.18	354,834,305.87				
Interests receivable	4,897,335.85	0.01	0.00	0.00	100.00	The change in interests receivable was due to the operation of the newly established subsidiary, Tianjin Great Wall Binyin Automotive Finance Company Ltd. (天津長城賓銀汽車金融有限公司) during the Reporting Period.	0.00	0.00	0.00				

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Item	Changes in the amount as at the end of the Period over last year						2012	2011	2010			
	Amount as at the end of the Current Period		Proportion to total assets (%)		Current (%)	Description						
	Amount as at the end of last year	Proportion to total assets (%)										
Non-current assets due within one year	52,161,068.06	0.09	0.00	0.00	100.00	The change in non-current assets due within one year was due to the loans granted by the newly established subsidiary, Tianjin Great Wall Binyin Automotive Finance Company Ltd. (天津長城賓銀汽車 金融有限公司) during the Reporting Period which would be expired within in one year.	0.00	0.00	0.00			
Other current assets	681,225,623.01	1.11	48,680,552.46	0.09	1,299.38	The change in other current assets was primarily due to an increase in the amount of tax deductible for Xushui branch.	60,330,465.60	95,896,929.73	16,250,187.10			
Loans and advances to customers	100,508,080.46	0.16	0.00	0.00	100.00	The change in loans and advances was due to the operation of the newly established subsidiary, Tianjin Great Wall Binyin Automotive Finance Company Ltd. (天津長城賓銀汽車 金融有限公司) during the Reporting Period.	0.00	0.00	0.00			
Long-term equity investments	65,990,244.87	0.11	45,983,437.72	0.09	43.51	The change in long-term equity investments was primarily due to an increase in gains from investment in joint ventures.	34,641,473.15	65,838,060.49	5,356,001,657.00			
Construction in progress	5,274,343,890.07	8.60	3,989,228,085.58	7.58	32.21	The change in long-term prepaid expenses was primarily due to an increase in the investment in land, plant and equipment for the addition and expansion of production lines of the Group.	4,989,704,197.26	3,050,225,885.34	1,952,520,382.39			
Long-term prepaid expenses	47,681,001.82	0.08	27,678,336.76	0.05	72.27	The change in long-term prepaid expenses was primarily due to an increase in renovation cost and land rentals.	17,486,693.00	18,267,919.84	2,117,674.58			
Short-term borrowings	—	—	182,198,866.04	0.35	-100.00	The change in short-term borrowings was due to the pledge bank loans for account receivable factoring business of the Group last year.	0.00	0.00	0.00			
Accounts payable	14,093,151,931.66	22.97	10,712,169,742.15	20.36	31.56	The change in accounts payable was primarily due to an increase in purchase of materials.	8,697,430,801.03	6,033,540,800.73	4,903,563,867.05			
Taxes payable	880,096,384.40	1.43	527,274,939.62	1.002	66.91	The change in taxes payable was primarily due to an increase in tax payable resulted from an increase in sales volume of the Group in the fourth quarter in the Reporting Period.	537,079,490.65	283,940,139.56	179,056,093.16			
Dividends payable	156,709.77	0.00	0.00	0.00	100.00	The change in dividends payable was due to the dividends payable to Dragonet International Co., Ltd. (驕龍 國際有限公司), a minority shareholder of the Company.	0.00	59,536,914.89	37,742,237.73			

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(IV) 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. The Company continues to focus on its strategy of "enhancing brand values by leveraging on its quality products" to maintain its leading position in the market segments and to establish its brand as a world-class professional SUV brand.

(V) Analysis of investments

1. Analysis of external equity investments

		Unit: RMB10,000
Investment during the Reporting Period	141,685.9450	
Changes in investment	104,316.8223	
Investment during the corresponding period last year	37,369.1227	
Increase/decrease in investment (%)	279.15	

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)	<ol style="list-style-type: none">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 activities2. Provision of technical maintenance and repair services for motor vehicles and provision of other types of technical maintenance services for motor vehicles3. Motor vehicles sales financing	100%

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Name of investee	Major business	Percentage of shareholding in the investee
Great Wall Motor Company Limited Dingxing Branch (長城汽車股份有限公司定興分公司)	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%
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 automobiles, automotive accessories, machinery, hardware and electronic products under the brand of "HAVAL"; provision of services and sales of application software; sales of second-hand automobiles; leasing of automobiles; licensing agency services; transfer agency services; and the 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. (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, development, testing, manufacturing, and sales of rubber parts, rubber tubes, boards and belts, automotive parts and components and rubber moulds, and provision of after-sales services; and the 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. (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%

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Name of investee	Major business	Percentage of shareholding in the investee
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 maintenance and repair services for category 2 automobile (small vehicles (with road transport business licence valid until 22 April 2019)), 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%
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); leasing of equipments and sites; research and development of automotives parts and components and providing technology services. (Operations that require pre-approvals according to laws and administrative regulations can only be conducted after obtaining approvals)	100%

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Name of investee	Major business	Percentage of shareholding in the investee
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 interbank 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%
Haval Automotive Rental Co., Ltd (哈弗汽車租賃有限公司)	Automobile rental, sale of second-hand automobiles and passenger car rental (only in Baoding, restricted to the area specified by Ji Zheng Han (1998) No. 97 document) (road transport licence valid until 22 March 2017). (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities)	100%
Haval Motor Manufacturing Rus Limited Liability Company (俄羅斯哈弗汽車製造有限責任公司)	1. Marketing, sale, promotion, production and manufacture 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 automobiles and provision of other types of technical maintenance services for automobiles; 3. Engagement in financial intermediary activities for the sale of automobiles.	100%

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(1) *Equity interests in unlisted financial enterprise(s)*

Name of the investee(s)	Initial investment (RMB)	Total number of shares held (shares)	Percentage of shareholding (%)	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	495,000,000	90	495,000,000.00	-2,735,992.14	-2,735,992.14	Long-term equity investments	From investment
Total	495,000,000.00	495,000,000	/	495,000,000.00	-2,735,992.14	-2,735,992.14	/	/

Description of equity interests in unlisted financial enterprise(s)

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. *Use of proceeds*

(1) *Overall use of proceeds*

Applicable Not applicable

Year	Method	Total proceeds	Amount used in the Year	Accumulated amount of proceeds used	Total amount of the remaining proceeds	Unit: RMB	Currency: RMB	Use and application of the remaining proceeds
2011	Initial offering	3,955,159,000.00	211,702,635.71	3,884,397,808.23	25,076,887.19			Remaining proceeds as at 31 December 2014 amounted to RMB25,076,887.19, including interest income from deposits of proceeds of RMB15,102,426.43
Total	/	3,955,159,000.00	211,702,635.71	3,884,397,808.23	25,076,887.19			/

Description of overall use of proceeds
As at 31 December 2014, the accumulated amount of proceeds used was RMB3,884,397,808.23, including RMB3,672,695,172.52 used in and before 2013, and RMB211,702,635.71 used in 2014.

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(2) Use of proceeds for capital commitment

Applicable Not applicable

Unit: RMB Currency: RMB

Capital commitment project	Are there any changes?	Proposed amount of investment from proceeds	Amount of proceeds invested in the Year	Accumulated amount of proceeds invested	Is the project on schedule?	Progress of the project	Estimated revenue	Revenue generated	Has revenue reached estimated level?	Explanation for project behind schedule and revenue below estimated level		Reasons and changes in the use of proceeds
										Estimated revenue level?	Estimated level	
GW4D20 diesel engine project with annual production of 100,000 sets	No	411,900,000.00	—	411,900,000.00	Yes	100%	—	88,134,636.65	—	—	—	—
EG engine project with annual production of 300,000 sets	No	568,000,000.00	54,133,726.73	563,998,103.25	Yes	99%	—	359,706,590.45	—	—	—	—
Six-speed manual transmission project with annual production of 200,000 sets	No	503,393,100.00	50,745,310.71	497,420,535.99	Yes	99%	—	119,705,828.32	—	—	—	—
Aluminium alloy casting project with annual production of 400,000 sets	No	344,299,600.00	49,798,319.05	344,299,600.00	Yes	100%	—	91,984,725.76	—	—	—	—
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%	—	143,665,465.27	—	—	—	—
Interior and exterior decoration project with annual production of 400,000 sets	No	580,771,300.00	18,893,405.44	580,771,300.00	Yes	100%	—	337,063,872.75	—	—	—	—
Automotive lighting project with annual production of 400,000 sets	No	185,843,000.00	32,426,505.68	185,843,000.00	Yes	100%	—	92,319,241.40	—	—	—	—
Surplus proceeds from the A share public offering	No	728,508,268.99	—	728,508,268.99	Yes	100%	—	—	—	—	—	—
Total	/	3,894,372,268.99	211,702,635.71	3,884,397,808.23	/	/	/	/	/	/	/	/
Description of use of proceeds for capital commitment	As of 31 December 2014, the Company's proceeds raising project was completed and the proceeds were ready for use. Pursuant to the Administrative Measures for Raising Proceeds by Companies Listed on Shanghai Stock Exchange (上海證券交易所上市公司募集資金管理辦法), the remaining proceeds of RMB25,076,887.19 (accounting for 0.64% of net proceeds) and the related interests would be used as liquidity and the account for depositing proceeds would be cancelled.											

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3. Major subsidiaries and investees

(1) Major subsidiaries

Full name of subsidiaries	Business nature	Registered capital	Proportion of shareholding (%)	Proportion of voting rights (%)	Total assets as at the end of the Year	Unit: RMB		Currency: RMB	
						Total net assets as at the end of the Year	Operating revenue for the Year	Net profit for the Year	
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	5,515,340,528.26	2,961,181,471.88	6,061,876,850.09	951,740,328.90	
Great Wall Baoding 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	2,064,966,467.25	564,734,420.25	4,484,543,956.45	298,356,830.91	
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	1,291,560,578.31	689,831,983.41	1,867,239,446.51	154,493,688.41	
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	1,200,214,732.82	172,817,840.04	39,959,419,646.67	116,193,388.56	
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	455,649,694.06	177,970,973.43	1,040,147,047.91	80,849,857.37	
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	678,133,225.19	305,479,219.34	609,495,243.64	79,780,570.24	
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	996,093,210.12	452,718,960.39	1,179,303,178.70	53,985,145.19	
Baoding Nuobo Rubber Production Co., Ltd. (保定市諾博橡膠製品有限公司)	Manufacturing of automotive parts and components	72,240,000.00	100	100	383,397,157.20	308,559,493.81	340,347,359.50	52,179,303.55	
Great Wall Baoding Automotive Customer Service Company Limited (保定市長城汽車售後服務有限公司)	Offering of Service	35,000,000.00	100	100	672,987,824.30	88,483,268.24	1,708,854,258.08	51,104,625.04	
Baoding Great Wall Automotive Parts Sales Co., Ltd (保定長城汽車配件銷售有限公司)	Manufacturing of automotive components and Lubricating oil	7,000,000.00	100	100	112,250,763.96	59,907,346.82	362,003,876.02	49,407,346.82	

4. Projects not using proceeds

Applicable Not applicable

Unit: RMB Currency: RMB

Project	Total amount of investments	Progress	Amount invested during the Year	Accumulated amount invested	Revenue
Phase II of Construction Project of Tianjin Production Base for Great Wall Motor Passenger Vehicles	2,110,633,500.00	84.94%	512,627,340.48	1,792,790,926.83	1,389,604,546.16
Construction Project of Great Wall Motor Technology Centre	1,942,658,800.00	58.81%	696,723,800.00	1,142,410,400.00	—
Construction Project of Xushui First Production Base for Great Wall Motor Passenger Vehicles	2,906,052,270.00	91.64%	615,014,112.28	2,663,102,852.73	No revenue had been generated as the project was in the initial stage of production.
Construction Project of Xushui Second Production Base for Great Wall Motor Passenger Vehicles	2,848,912,252.00	53.41%	1,056,416,412.34	1,521,506,497.29	No revenue had been generated as the project was under construction.
Construction Project of Xushui Third Production Base for Great Wall Motor Passenger Vehicles	3,443,981,400.00	11.12%	254,065,168.01	382,946,241.35	No revenue had been generated as the project was under construction.
Total	13,252,238,222.00	/	3,134,846,833.12	7,502,756,918.20	/
Description of projects not using proceeds					

II. DISCUSSION AND ANALYSIS OF THE BOARD CONCERNING THE FUTURE DEVELOPMENT OF THE COMPANY**(I) Competition and development trend of the industry**

According to the data released by China Association of Automobile Manufacturers, the production and sales volume of automobiles in the PRC in 2014 were 23,722,900 units and 23,491,900 units, representing increases of 7.26% and 6.86% as compared with that in the corresponding period last year, respectively. Ranking top among its peers in the world for the sixth consecutive year, the overall production and sales volume of automobiles in the PRC had a steady growth.

Following the launch of various new models and the continuous good sales performance of Haval H6 in 2014, Haval SUV had on a steady growth with a total sales volume of 519,000 units, representing an increase of 23.57% as compared with that in the corresponding period last year. As such, Haval SUV has been the best seller in the PRC market for 12 consecutive years. In 2014, the total sales volume of pick-up trucks produced by the Company reached 118,000 units, ranking top in the PRC for 17 consecutive years.

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(II) Development strategy of the Company

The Company will continue to focus on its strategy of “enhancing brand values by leveraging on its quality products” to establish its brand as a world-class professional SUV brand.

(III) Operation plan

In 2015, the Company will place its emphasis on its product quality so as to strengthen its presence in the international market. The Company will enhance its brand value with a focus on product sophistication and reliability through continuous improvement in its brand image and product quality. With the strategy of “commitment to investments”, stronger research and development efforts will be made for better reform, preliminary product planning, design originality and product quality. Resources will be integrated to facilitate its technology development, establishment of core competitive edge and breakthrough in brand-building. To position itself as a world-class professional SUV brand, the Company will carry out its strategic operation and strengthen its foundation. In its pursuit of customer satisfaction and efficient resources integration, the Company will ensure its sustainable operation and systematic implementation of its strategies.

(IV) Funds required for ongoing operations and investment in projects in progress

All existing projects in progress of the Company are financed by its own funds. In the future, the Company will raise funds from various sources such as internal resources or financing from banks or securities market according to the actual business needs of the Company.

(V) Potential risks

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

1. “Air Pollution Prevention and Control Law” (大氣污染防治法) is in the process of revision in the face of increasing pressure over environmental protection. In accordance with the “Draft Amendments” (修訂草案), restriction on the purchase/use of automobiles will be legalised. As such, the restriction will be adopted as a “regular” measure in various cities and will have further adverse impact on the sale and use of automobiles;
2. the tightening of the mandatory measure of “Average Fuel Consumption Limit for Passenger Vehicles” (乘用車企業平均油耗限值) over the years may force automobile enterprises which produce automobiles under their brands to reduce the number of the models and the model the number of their automobiles for selling whereby the scale of sale of automobiles may be affected;
3. automobile enterprises are required to improve their technologies speedily due to the tightening of overseas and domestic regulations on emission/safety of automobiles;
4. in response to the gradual slowdown in domestic economy and in the growth of demand for automobiles, automobile enterprises will accelerate their development of new automobiles and establishment of plants to increase their market shares. As a result, the prices of automobiles produced by joint ventures will fall, intensifying competition against traditional enterprises which produce automobiles under their brands;
5. as the domestic and overseas automobiles markets become more mature, customers become more demanding on the product quality. They demand a higher quality of the automobiles produced by the enterprises under their own brands; and
6. the difficulties to expand into international market are increasing due to higher technical barriers in overseas market and intensive trade protectionism as well as greater risk of declining automobile demand as a result of the slowdown of emerging economies.

Section 6 Report of the Board

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

1. in order to strengthen its market position, the Company has fully leveraged on the advantages of its products and introduced differentiated products;
2. the Company has continued to expand its market coverage through refining its sales and services network. The Company has also enhanced the quality of its services to satisfy market demand through establishing a professional and efficient sales and services network with high quality;
3. through continuing to take decisive measures and providing sales and services with high quality, the Company provides its customers with differentiated experience;
4. the Company has enhanced its vertical integration capacity and acquired core technology so as to strengthen its cost advantage. At the same time, the Company has also established a strategic cooperation relationship with key suppliers of automotive parts and components;
5. the Company has refined its products structure by improving market research and developing key models in order to expand into high end and emerging markets, and to attract customers with high quality products and excellent services;
6. the Company has conducted research and development of new technologies with an aim to enhancing its technology level and innovation capabilities. The Company also focuses on enlarging its product range to enhance its brand value; and
7. the Company has enhanced its research and development in order to attain the international standard for research and development. The Company has also refined its preliminary product planning to ensure optimal product development.

III. EXPLANATION OF THE BOARD ON “NON-STANDARD AUDITOR’S REPORT”

(I) Explanation of the Board and the Supervisory Committee on “non-standard auditor’s report”

Applicable Not applicable

(II) Analysis and explanation of the Board on the reasons for and impact of changes in accounting policies, accounting estimation or verification methods

Applicable Not applicable

Please refer to item XIII “Impact of the Adoption of New Accounting Standards on the Consolidated Financial Statements” of Section 8 of this report.

(III) Analysis and explanation of the Board on the reasons for and impact of the correction to material errors made previously

Applicable Not applicable

Section 6 Report of the Board

IV. PROFIT DISTRIBUTION PLAN OR PLAN FOR CAPITALISATION OF CAPITAL RESERVES

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

During the Reporting Period, there was no change in the cash dividend policy of the Company.

During the Reporting Period, the profit distribution proposal for the year 2013 (《關於2013年度利潤分配方案的議案》) was approved at the 2013 annual general meeting of the Company. Based on the total share capital of 3,042,423,000 shares as at 31 December 2013, a final cash dividend of RMB0.82 per A Share and H Share (tax inclusive) would be paid to the shareholders of the Company, amounting to RMB2,494,786,860.00 in total. On 17 May 2014, the Company published the Announcement on the Implementation of the Profit Distribution Plan for A Shares of Great Wall Motor Company Limited for the year of 2013 (《長城汽車股份有限公司2013年度A股利潤分配實施公告》) on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange. The announcement was also published on the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement. The distribution of dividend to A Shareholders was completed on 29 May 2014. Meanwhile, the dividend for H Shareholders was distributed in accordance with the relevant requirements of the Hong Kong Stock Exchange.

(II) If the Company recorded profits during the Reporting Period, but there was no proposal for the distribution of cash dividend, the Company should disclose the reasons for non-distribution, the use of the undistributed profits and the plan for the use of the undistributed profits

Applicable Not applicable

(III) Plan or proposal for profit distribution or capitalisation of capital reserve of the Company in the last three years (including the Reporting Period)

Unit: RMB Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares 10 shares (share)	Dividend for every 10 shares (RMB)		Number of scrip shares for every 10 shares (share)	Total amount of cash dividend (Tax inclusive)	Net profits attributable to shareholders of the Company in the consolidated financial statements for the year during which dividend was distributed	Ratio of dividend to the net profits attributable to shareholders of the Company in the consolidated financial statements
		(Tax inclusive)	(%)				
2014	—	8.0	—	—	2,433,938,400.00	8,041,535,517.60	30.27
2013	—	8.2	—	—	2,494,786,860.00	8,223,648,390.71	30.34
2012	—	5.7	—	—	1,734,181,110.00	5,692,448,955.93	30.46

V. FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Social responsibilities

For the fulfillment of social responsibilities of the Company during the Reporting Period, please refer to the Social Responsibility Report of Great Wall Motor Company Limited for the year 2014 published on the website of the Shanghai Stock Exchange and the relevant overseas regulatory announcement published on the website of the Hong Kong Stock Exchange.

(II) Measures for environmental protection taken out by the listed company and its subsidiaries which cause heavy pollution as specified by the environmental protection departments in the PRC

The Group has established environmental protection facilities and conducted emission in strict compliance with the PRC environmental protection requirements and standards. The Group is engaged in the manufacturing of automobiles and automotive parts and components, the business of which does not fall into the scope of the industries which cause heavy pollution as specified by the environmental protection departments in the PRC.

VI. OTHER DISCLOSURE

(I) Results and dividends

The Group's operating results for the year ended 31 December 2014 and the financial positions of the Company and the Group for the year ended 31 December 2014 are set out in the audited financial statements.

The final dividend for the year ended 31 December 2014 are set out in the item "Profit Distribution Plan or Plan for Capitalisation of Capital Reserves" in this section.

(II) Share capital

Details of movements of the share capital of the Company as at 31 December 2014, together with the reasons for such movements, are set out in the audited financial report.

(III) Fixed assets

Details of the fixed assets of the Group and the Company as at 31 December 2014 are set out in the audited financial report.

(IV) Pre-emptive rights

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

Section 6 Report of the Board

(V) Rights to acquire shares or debentures

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

(VI) Undistributed profits

As at 31 December 2014, pursuant to the Company Law and the Articles of the Company, the undistributed profits of the Group was RMB23,623,537,021.85, the final dividend for the year of 2014 proposed to be distributed was RMB0.80 per share (tax inclusive). In addition, the capital premium and part of the capital reserves may be distributed through capitalization issue in the future.

(VII) Directors, supervisors and senior management

A list of the Company's directors, supervisors and senior management who held office during the Year and up to the date of this report and their biographies are set out in Section 10 "Directors, Supervisors, Senior Management and Employees" of this report.

(VIII) Material contracts

Please refer to item IV "Asset Transactions And Mergers" of Section 8 of this report.

(IX) Management contracts

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

Section 6 Report of the Board

(X) Directors' and supervisors' interests in securities

As at 31 December 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 the SFO, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name of director/ supervisor	Capacity/ nature of interest	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
Mr. Hu Ke Gang	Interests of beneficial owner	30,511(L) (A Shares)	0.0015	—	0.0010
Total		1,705,030,511(L) (A Shares)	84.8615	—	56.0410

Notes:

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

(XI) Interests in controlled companies

As at 31 December 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 31 December 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.

Section 6 Report of the Board

(XII) Shareholding structure and number of shareholders

Please refer to Section 9 “Changes in Equity and Shareholders” of this report.

(XIII) Shares held by substantial shareholders (SFO requirements)

Please refer to Section 9 “Changes in Equity and Shareholders” of this report.

(XIV) Public float

Based on the public information available to the Company prior to the publication of this report and to the knowledge of the directors of the Company, the directors of the Company confirmed as at 31 December 2014, there was sufficient public float with approximately 43.96% of the issued share capital of the Company held by the public.

(XV) Connected transactions

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

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;
3. in accordance with the relevant agreements governing them; and
4. on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

The connected transactions and the continuing connected transactions conducted by the Group during the Year were exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(XVI) Remuneration policies

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

Directors

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

Non-executive directors

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

Employees

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

(XVII) Uncollected dividends

As at 31 December 2014, as for the Company's 2008 final dividends, there were 61 cases of unclaimed dividends, amounting to HK\$8,850.40. As for the Company's 2009 final dividends, there were 55 cases of unclaimed dividends, amounting to HK\$12,691.40. As for the Company's 2010 final dividends, there were 55 cases of unclaimed dividends, amounting to HK\$26,316.78. As for the Company's 2011 final dividends, there were 56 cases of unclaimed dividends, amounting to HK\$40,143.85. As for the Company's 2012 final dividends, there were 54 cases of unclaimed dividends, amounting to HK\$77,044.32. As for the Company's 2013 final dividends, there were 56 cases of unclaimed dividends, amounting to HK\$123,150.61.

(XVIII) Material litigations

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

(XIX) 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 Year.

(XX) Corporate governance

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

(XXI) 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 19 March 2015, the Audit Committee reviewed the 2014 annual results announcement, annual report and annual financial statements of the Group and gave their opinions and recommendations to the Board. The Audit Committee is of the opinion that the 2014 annual results announcement, annual report and annual financial statements of the Company comply with the applicable accounting standards and the Company has made appropriate disclosure thereof.

Section 6 Report of the Board

(XXII) 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.

(XXIII) 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.

(XXIV) 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.

(XXV) Compliance with the Model Code

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

(XXVI) Auditor

Deloitte Touche Tohmatsu Certified Public Accountants LLP was the Company's external auditor for the year ended 31 December 2014. A resolution for the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's external auditor will be proposed at the forthcoming annual general meeting. There was no change in the auditor of the Company in any of the preceding three years. For details, please refer to Section 11 of this report.

Section 7 Report of the Supervisory Committee

To all shareholders:

During the year 2014, all members of the Supervisory Committee of the Company adhered strictly to the requirements of the Company Law and the Articles, and, according to the principles of integrity, discharged their supervisory duties in accordance with the relevant regulations and, actively as well as cautiously, proceeded with various initiatives to safeguard the interests of the Company and all its shareholders. The Supervisory Committee played an effective role in ensuring that the Company's operation was in conformity with all relevant requirements and contributed to the Company's sustained development.

1. MEETINGS AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE

The 15th meeting of the 4th session of the Supervisory Committee was held on 21 March 2014 in the conference room of the Company, whereupon the Company's audited financial report for the year of 2013, report of the Supervisory Committee, profit distribution proposal, annual report for the year of 2013 of the Company and its summary report, appointment of the accounting firm, internal control self-evaluation report, social responsibility report, special report on the deposit and actual use of proceeds, as well as the relevant proposal on the re-election and election of the members of the Supervisory Committee.

The 16th meeting of the 4th session of the Supervisory Committee was held on 17 April 2014 in the conference room of the Company, whereupon the first quarterly report for the year of 2014 was considered and approved.

The 1st meeting of the 5th session of the Supervisory Committee was held on 9 May 2014 in the conference room of the Company, whereupon the chairman of Supervisory Committee was elected and approved.

The 2nd meeting of the 5th session of the Supervisory Committee was held on 22 August 2014 in the conference room of the Company, whereupon the interim report for the year of 2014 and its summary, changes in accounting policy and special report on the deposit and actual use of the proceeds were considered and approved.

The 3th meeting of the 5th session of the Supervisory Committee was held on 23 October 2014 in the conference room of the Company, whereupon the third quarterly report for the year of 2014 was considered and approved.

Section 7 Report of the Supervisory Committee

2. TASKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, not only did members of the Supervisory Committee attend all the meetings of the Board of the Company in 2014, but also that they duly supervised and monitored the financial affairs of the Company, operation decisions made by the management, operation of the Company in accordance with the law and the discharge of duties by the directors and the senior management of the Company. The Supervisory Committee is of the opinion that:

1. The Company and its subsidiaries were not involved in any violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC during their operation in 2014. Acquisitions of assets and connected transactions of the Company were fair and reasonable, and did not prejudice the interests of other shareholders and the Company, nor were there any significant deficiencies in the design and operation of the Company's internal control system. The Company's internal control system was sound and its execution was effective.
2. The directors and senior management of the Company have discharged their duties with commitment, due observance of the law, well-regulated management, innovation, and a high regard to all shareholders' interest during 2014 and there was no violation of the Company Law, the Articles, the relevant accounting standards, and the laws and regulations of the PRC.
3. The accounting firm issued a standard and unqualified auditor's report. The Company's financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2014, and the results of the Group for the year then ended.
4. The Company issued a special report on the deposit and actual use of proceeds for the year 2014. The Supervisory Committee is of the opinion that the application of the proceeds did not alter the intended use of the proceeds and did not prejudice the interests of the Company's shareholders, and that there was no violation of law in the use and management of the proceeds.
5. The Company disclosed information strictly in accordance with relevant provisions of regulatory authorities and its information disclosure system. The information disclosed by the Company was true, accurate and complete. There was no information which should be disclosed but was not disclosed by the Company.

By Order of the Supervisory Committee

Zhu En Ze

Supervisor

Hebei Province, the People's Republic of China, 20 March 2015

Section 8 Significant Events

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

Applicable Not applicable

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

Applicable Not applicable

III. BANKRUPTCY AND RESTRUCTURING

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

IV. ASSET TRANSACTIONS AND MERGERS

Applicable Not applicable

Section 8 Significant Events

(1) 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	to the end of this year	common control	Is it a related party	Has the ownership of the assets been fully transferred?	Have the obligations and liabilities been fully transferred?	Percentage contributed to the Company by the assets over the total profit of the Company	
									Net profit contributed to the Company by the assets from the beginning of this year to the end of this year	Net profit contributed to the Company by the assets from the date of acquisition under common control
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
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

Description of Asset Acquisitions

- As at the date of this annual 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.
- As at the date of this annual 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.

Section 8 Significant Events

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

V. SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS IMPLICATIONS

Applicable Not applicable

VI. MATERIAL RELATED PARTY TRANSACTIONS

Applicable Not applicable

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

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

Related parties	Relationship	Type of related party transaction	Description of the related party transaction	Basis of pricing for the related party transaction	Unit: RMB Currency: RMB	
					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	353,913,247.25	0.79

Except for the related party transactions 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), between the Group and Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd. (湖北開特汽車電子電器系統股份有限公司), and between the Group 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), the material related party transactions set out above and in Note (XI) 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.

Section 8 Significant Events

VII. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1 Trust, contracting and leasing

Applicable Not applicable

2 Guarantee

Applicable Not applicable

3 Other material contracts

During the Year, the Company had no other material contracts.

VIII. PERFORMANCE OF UNDERTAKINGS

Applicable Not applicable

(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 8 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Time and duration of undertakings (yes/no)	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公司) and Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行製泵有限公司).	From 1 January 2012, permanent	No	Yes	—	—

Section 8 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, permanent	No	Yes	—	—

Section 8 Significant Events

Background of undertakings	Type of undertakings	Undertaking party	Description of undertakings	Time and duration of undertakings (yes/no)	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	<p>1. The subsidiaries directly or indirectly controlled by Mr. Wei Jian Jun are not directly or indirectly engaged in any Competing Business.</p> <p>2. As long as Mr. Wei Jian Jun remains as a related party who has control over Great Wall Motor Company Limited (長城汽車股份有限公司), the subsidiaries directly or indirectly controlled by him would not in any way, directly or indirectly, engage in any existing or potential Competing Business.</p> <p>3. Subject to the same conditions, Great Wall Motor Company Limited (長城汽車股份有限公司) shall have the right of first refusal over the investment or other business opportunities relating to the Competing Businesses that the subsidiaries directly- or indirectly controlled by Mr. Wei Jian Jun will pursue or may get in the future.</p>	From 10 December 2010, permanent	No	Yes	—	—

IX. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRM

Unit: RMB Currency: RMB

Change of accounting firm: No

	previous appointment	Current appointment
Name of local accounting firm	—	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for local accounting firm	—	2,680,000.00
Audit years of local accounting firm	—	5年

	Name	Remuneration
Accounting firm for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP	400,000.00

Description of appointment or dismissal of accounting firm

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

X. 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.

XI. RISKS OF SUSPENSION OF LISTING AND DELISTING

(I) Reasons for suspension of listing and delisting, and measures adopted by the Company to remove the suspension of listing or delisting

During the Reporting Period, there were no events which would result in the suspension of listing or delisting of the Company.

XII. CONVERTIBLE BONDS

Applicable Not applicable

Section 8 Significant Events

XIII. IMPACT OF THE ADOPTION OF NEW ACCOUNTING STANDARDS ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Group 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 of 2013.

Since January 2014, the Group has adopted ASBE 2 Long-term Equity Investment (revised) issued by MOF in March 2014.

Since July 2014, the Group has adopted ASBE 41 Disclosure of Interests in Other Entities, issued by MOF in 2014, and adopted ASBE 37 – Financial Instruments Presentation revised by MOF in 2014 in the financial statements of 2014. The financial statements disclosed information according the above standard and adjusted relevant notes disclosed in the comparative financial statements.

Effects of changes in accounting policies are as follow:

Long-term equity investment

According to ASBE 2 Long-term Equity Investment (revised) in relation to the change of the scope of accounts, the Group classified equity investments 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 to long-term equity investment and measured at cost method.

After ASBE 2 Long-term Equity Investment (revised) in relation to the change of the scope of accounts, the Group classified equity 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. The Group has modified the above accounting policies retrospectively, for details of the influence of such modification, refer to supplemental information.

Section 8 Significant Events

1. Impact of the Changes in Long-term Equity Investment Standards on the Consolidated Financial Statements

Unit: RMB Currency: RMB

31 December 2013

Investee	Information of transaction	Equity attributable to shareholders of the parent company as at 1 January 2013 (+/-)	Long-term equity investments (+/-)	Long-term equity investments (+/-)	Equity attributable to shareholders of the parent company
China Automobile Development United Investment Co., Ltd. (中發聯投資有限公司)			-4,200,000.00	4,200,000.00	
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)			-3,000,000.00	3,000,000.00	
Total	/		-7,200,000.00	7,200,000.00	

Description of the impact of the changes in long-term equity investment standards on the consolidated financial statements

The changes in long-term equity investment standards have no impacts on the net assets as at the end of all previous periods, and only have impacts on balance sheet items.

XIV. OTHER SIGNIFICANT EVENTS

Applicable Not applicable

Section 9 Changes in Equity and Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in equity

1. Table of changes in equity

	Changes (+,-)						Unit: share		
	Before		Shares				After		
	Number of shares	Percentage (%)	New issue	Bonus shares	transfer from reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares with selling restrictions	1,705,000,000 (A Shares)	56.04	–	–	–	-1,705,000,000 (A Shares)	-1,705,000,000 (A Shares)	0 (A Shares)	0
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)	-1,705,000,000 (A Shares)	0 (A Shares)	0
Including: Domestic non-state-owned legal person shares	1,705,000,000 (A Shares)	56.04	–	–	–	-1,705,000,000 (A Shares)	-1,705,000,000 (A Shares)	0 (A Shares)	0
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 (A Shares and H Shares)	43.96	–	–	–	1,705,000,000 (A Shares)	1,705,000,000 (A Shares)	3,042,423,000 (A Shares and H Shares)	100%
1. Ordinary shares denominated in RMB	304,243,000 (A Shares)	10.00	–	–	–	1,705,000,000 (A Shares)	1,705,000,000 (A Shares)	2,009,243,000 (A Shares)	66.04
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	1,033,180,000 (H Shares)	33.96	–	–	–	0 (H Shares)	0 (H Shares)	1,033,180,000 (H Shares)	33.96
4. Others									
III. Total number of shares	3,042,423,000 (A Shares and H Shares)	100.00	–	–	–	–	–	3,042,423,000 (A Shares and H Shares)	100.00

2. Explanation for changes in equity

During the Reporting Period, the selling restrictions of the 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), the controlling shareholder of the Company, and Mr. Wei Jian Jun (魏建軍先生), de facto controller of the Company, which were subject to a lock-up period with a term of 36 months starting from the listing date of the initial public offering of A Shares of the Company have been removed and the shares have been available for sale in the market since 29 September 2014.

Section 9 Changes in Equity and Shareholders

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.

(II) Changes in shares with selling restrictions

Name of the shareholder	Number of shares with selling restrictions at the beginning of this year	Number of shares with selling restrictions removed this year	Increase in the number of shares with selling restrictions this year	Number of shares with selling restrictions at the end of this year	Unit: share	
					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)	1,705,000,000 (A Shares)	0	0	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)	1,705,000,000 (A Shares)	0	0	/	/

II. Issue and listing of securities

(I) Issue of securities in the last three years as at the end of the Reporting Period

Class of shares and derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Unit: share Currency: RMB	
					Number of shares permitted for listing and trading	Date of cessation of trading
Ordinary shares						
Ordinary shares denominated in RMB (A Shares)	15 September 2011	13.00	304,243,000 (A Shares)	28 September 2011	304,243,000 (A Shares)	-

Description of Issue of securities in the last three years as at the end of the Reporting Period (bonds with different interest rates during the subsisting period shall be described separately):

Upon the approval by CSRC with Zheng Jian Xu Ke [2011] No. 1370 (證監許可[2011]1370號文), the Company publicly offered 304,243,000 ordinary shares denominated in RMB (A Shares) in September 2011. Upon the completion of such issuance of A Shares, the total shares of the Company increased from 2,738,180,000 shares to 3,042,423,000 shares.

Section 9 Changes in Equity and Shareholders

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

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

(III) Employee shares

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

III. Controlling shareholders and de facto controller

(1) Number of shareholders

Total number of shareholders as at the end of Reporting Period (person)	21,592
Total number of shareholders as at the end of the day which was five trading days prior to the date of this annual report (person)	19,890

Section 9 Changes in Equity and Shareholders

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

Unit: share

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Total number of shares held at the end of the Reporting Period			Number of shares with selling restrictions held	state of shares	Number	Type of shareholder	Situation of shares pledged or frozen
		Percentage (%)							
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	0 (A Shares)	1,705,000,000 (A Shares)	56.04		0 (A Shares)	Nil	–	Domestic non-state-owned legal person	
HKSCC NOMINEES LIMITED	-1,079,350 (H Shares)	1,008,233,384 (H Shares)	33.14		–	Unknown	–	Overseas legal person	
WU FEE PHILIP	500,000 (H Shares)	18,055,000 (H Shares)	0.59		–	Unknown	–	Overseas natural person	
National Social Security Fund 103 Package	11,189,755 (A Shares)	14,644,680 (A Shares)	0.48		–	Unknown	–	Others	
China Construction Bank – Bosera Theme Industry Stock Securities Investment Fund	11,184,883 (A Shares)	14,499,910 (A Shares)	0.48		–	Unknown	–	Others	
Bank of China – Jiashi Stable Open Stock Investment Fund	-4,650,746 (A Shares)	14,308,685 (A Shares)	0.47		–	Unknown	–	Others	
Bank of Communications – Huaxia BlueChip Core Mixed Securities Investment Fund (LOF)	5,181,406 (A Shares)	9,973,206 (A Shares)	0.33		–	Unknown	–	Others	
Industrial and Commercial Bank of China – China Universal Balanced Growth Equity Fund	6,882,098 (A Shares)	8,889,926 (A Shares)	0.29		–	Unknown	–	Others	
The Industrial and Commercial Bank of China – CIFM Domestic Demand Motivation Stock Securities Investment Fund	-6,578,345 (A Shares)	5,511,595 (A Shares)	0.18		–	Unknown	–	Others	
China Construction Bank Corporation – Huaxia Shengshi Selected Securities Investment Fund	3,709,391 (A Shares)	4,428,760 (A Shares)	0.15		–	Unknown	–	Others	

Section 9 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	
		Class	Number
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)	RMB-denominated ordinary shares	1,705,000,000 (A Shares)
HKSCC NOMINEES LIMITED	1,008,233,384 (H Shares)	Overseas listed foreign shares	1,008,233,384 (H Shares)
WU FEE PHILIP	18,055,000 (H Shares)	Overseas listed foreign shares	18,055,000 (H Shares)
National Social Security Fund 103 Package	14,644,680 (A Shares)	RMB-denominated ordinary shares	14,644,680 (A Shares)
China Construction Bank – Bosera Theme Industry Stock Securities Investment Fund	14,499,910 (A Shares)	RMB-denominated ordinary shares	14,499,910 (A Shares)
Bank of China – Jiashi Stable Open Stock Investment Fund	14,308,685 (A Shares)	RMB-denominated ordinary shares	14,308,685 (A Shares)
Bank of Communications – Huaxia BlueChip Core Mixed Securities Investment Fund (LOF)	9,973,206 (A Shares)	RMB-denominated ordinary shares	9,973,206 (A Shares)
Industrial and Commercial Bank of China – China Universal Balanced Growth Equity Fund	8,889,926 (A Shares)	RMB-denominated ordinary shares	8,889,926 (A Shares)
The Industrial and Commercial Bank of China – CIFM Domestic Demand Motivation Stock Securities Investment Fund	5,511,595 (A Shares)	RMB-denominated ordinary shares	5,511,595 (A Shares)
China Construction Bank Corporation – Huaxia Shengshi Selected Securities Investment Fund	4,428,760 (A Shares)	RMB-denominated ordinary shares	4,428,760 (A Shares)
Description of the related party relationship or acting in concert relationship among the above shareholders	There is no related party relationship between Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司), the controlling shareholder of the Company, and the other shareholders. In addition, the Company is not aware of any related party relationship among the other shareholders mentioned above.		
Description of the shareholders holding preference shares with restored voting rights and their shareholding	—		

Section 9 Changes in Equity and Shareholders

Shares Held by Substantial Shareholders (SFO Requirements)

As at 31 December 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.	117,858,954 (L) (H Shares)	—	11.40(L)	3.87(L)
	3,952,909 (S) (H Shares)	—	0.38(S)	0.13(S)
	41,542,614 (P) (H Shares)	—	4.02(P)	1.37(P)
BlackRock, Inc.	64,221,213 (L) (H Shares)	—	6.22(L)	2.11(L)
	534,000 (S) (H Shares)	—	0.05(S)	0.02(S)
Invesco Advisers, Inc.	62,243,570 (L) (H Shares)	—	6.02(L)	2.05(L)
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營中心) (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 9 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 31 December 2014, 62.854%, 0.125%, 0.001% and 37.02% 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營中心) 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 31 December 2014, Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) held 62.854% 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 31 December 2014, Ms. Han Xue Juan held 0.001% 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 31 December 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營中心) 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 31 December 2014, so far as the directors, supervisors and chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

As at the end of the Reporting Period, none of the top ten shareholders of the Company is a strategic investor or a placee under the initial public offering of the A Shares.

IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Details of controlling shareholders

1. Legal person

		<i>Unit: Yuan Currency: RMB</i>
Name	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	
Person in charge or legal representative	Wei Jian Jun	
Date of establishment	1 December 2005	
Organization code	78258703-6	
Registered capital	5,000,000,000	
Principal business	Investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consultancies.	
Future development strategies	The company will continue to focus on investments and asset management to maximize the value for its shareholders, the company, its employees and the society.	
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	The company did not have any control or shareholding in other domestic or overseas listed companies during the Reporting Period.	

2. Change in controlling shareholder during the Reporting Period and the relevant date of change

During the Reporting Period, the controlling shareholder of the Company remained to be Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) and no change has been made.

Section 9 Changes in Equity and Shareholders

(II) Details of the de facto controller

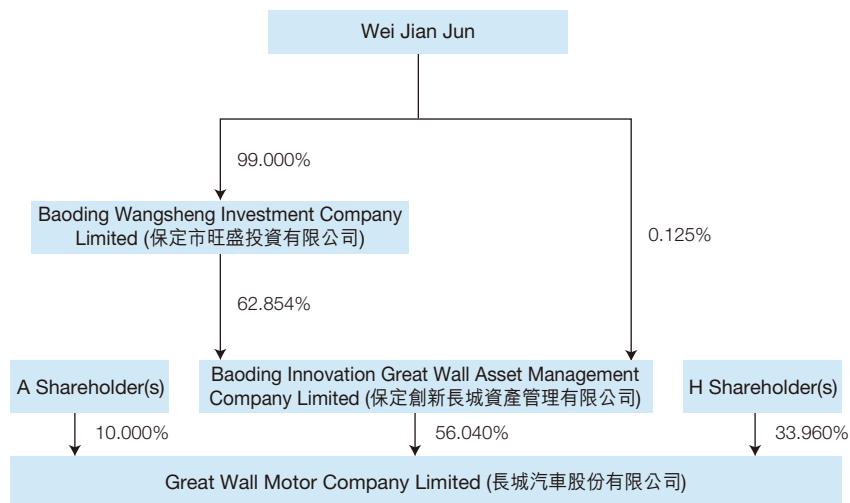
1. Natural Person

Name	Wei Jian Jun
Nationality	Chinese
Right of abode in other countries or regions	Yes
Occupation and position in the last five years	Chairman of Great Wall Motor Company Limited
Shareholding in domestic or overseas listed companies in the last ten years	Mr. Wei Jian Jun did not hold any shares in any listed companies other than Great Wall Motor in the last ten years.

2. Change in the de facto controller during the Reporting Period and the date of change

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

3. Chart showing the shareholding and controlling relationship between the Company and the de facto controller



V. Other legal person shareholders holding 10% or more of shares

As at 31 December 2014, HKSCC NOMINESS LIMITED, an overseas legal person, held 1,008,233,384 H Shares, representing 33.14% of the total shares of the Company. HKSCC NOMINESS LIMITED held these shares for a number of customers.

Section 10 Directors, Supervisors, Senior Management and Employees

I. Change in shareholdings and remuneration

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

Name	Position (Note)	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year	No. of shares held at the end of the Year	Changes (+/-) in shares held during the Year	Reason for changes	Unit: Share		
										Total payable remuneration received from the Company during the Reporting Period (RMB10,000) (before tax)	The amount of remuneration received from the Company's shareholders during the Reporting Period	Major working experience in the recent five years
Wei Jian Jun	Chairman and Executive Director	Male	51	9 May 2014	8 May 2017	0	0	0	–	464.94	0	Refer to biographical details below
Liu Ping Fu	Vice Chairman and Executive Director	Male	65	9 May 2014	8 May 2017	0	0	0	–	54.88	0	Refer to biographical details below
Wang Feng Ying	Executive Director and General Manager	Female	44	9 May 2014	8 May 2017	0	0	0	–	446.03	0	Refer to biographical details below
Hu Ke Gang	Executive Director and Deputy General Manager	Male	69	9 May 2014	8 May 2017	0	30,511	30,511	Trading in Secondary Market	165.4	0	Refer to biographical details below
Yang Zhi Juan	Executive Director	Female	48	9 May 2014	8 May 2017	0	0	0	–	50.16	0	Refer to biographical details below
He Ping	Non-executive Director	Male	38	9 May 2014	8 May 2017	0	0	0	–	4.76	0	Refer to biographical details below
Niu Jun	Non-executive Director	Male	40	9 May 2014	8 May 2017	0	0	0	–	0	0	Refer to biographical details below
Wei Lin	Independent Non-executive Director	Female	51	10 May 2011	9 May 2014	0	0	0	–	2.07	0	Refer to biographical details below
He Bao Yin	Independent Non-executive Director	Male	50	10 May 2011	9 May 2014	0	0	0	–	2.07	0	Refer to biographical details below
Li Ke Qiang	Independent Non-executive Director	Male	52	10 May 2011	9 May 2014	0	0	0	–	2.07	0	Refer to biographical details below
Wong Chi Hung, Stanley	Independent Non-executive Director	Male	51	9 May 2014	8 May 2017	0	0	0	–	14.29	0	Refer to biographical details below
Lu Chuang	Independent Non-executive Director	Male	35	9 May 2014	8 May 2017	0	0	0	–	2.67	0	Refer to biographical details below
Liang Shang Shang	Independent Non-executive Director	Male	44	9 May 2014	8 May 2017	0	0	0	–	2.67	0	Refer to biographical details below
Ma Li Hui	Independent Non-executive Director	Male	47	9 May 2014	8 May 2017	0	0	0	–	2.67	0	Refer to biographical details below
Zhu En Ze	Chairman of Supervisory Committee	Male	69	9 May 2014	8 May 2017	0	0	0	–	28.47	0	Refer to biographical details below
Yuan Hong Li	Supervisor	Female	55	10 May 2011	9 May 2014	0	0	0	–	0.79	0	Refer to biographical details below
Luo Jin Li	Supervisor	Female	55	9 May 2014	8 May 2017	0	0	0	–	1.84	0	Refer to biographical details below
Zong Yi Xiang	Supervisor	Female	44	9 May 2014	8 May 2017	0	0	0	–	1.05	0	Refer to biographical details below
Hu Shu Jie	Deputy General Manager	Male	43	9 May 2014	8 May 2017	0	0	0	–	318.45	0	Refer to biographical details below
Huang Yong	Deputy General Manager	Male	46	9 May 2014	8 May 2017	0	0	0	–	309.95	0	Refer to biographical details below
Zhang Xin	Deputy General Manager	Male	45	9 May 2014	8 May 2017	0	0	0	–	161.72	0	Refer to biographical details below
Hao Jian Jun	Deputy General Manager	Male	42	9 May 2014	8 May 2017	0	0	0	–	319.93	0	Refer to biographical details below

Section 10 Directors, Supervisors, Senior Management and Employees

Name	Position (Note)	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year	No. of shares held at the end of the Year	Changes (+/-) in shares held during the Year	Reason for changes	Total payable remuneration received from the Company during the Reporting Period (RMB10,000) (before tax)	The amount of remuneration received from the Company's shareholders during the Reporting Period	Major working experience in the recent five years
Zheng Chun Lai	Deputy General Manager	Male	45	9 May 2014	8 May 2017	0	0	0	–	106.17	0	Refer to biographical details below
Dong Ming	Deputy General Manager	Male	45	9 May 2014	8 May 2017	0	0	0	–	83.54	0	Refer to biographical details below
Zhao Guo Qing	Deputy General Manager	Male	37	9 May 2014	8 May 2017	0	0	0	–	97.32	0	Refer to biographical details below
Li Yan Qing	Deputy General Manager	Male	48	9 May 2014	8 May 2017	0	0	0	–	123.20	0	Refer to biographical details below
Li Feng Zhen	Deputy General Manager and Chief Financial Controller	Female	52	9 May 2014	8 May 2017	0	0	0	–	111.39	0	Refer to biographical details below
Zhang Wen Hui	Deputy General Manager	Male	39	9 May 2014	8 May 2017	0	0	0	–	88.64	0	Refer to biographical details below
Xing Wen Lin	Deputy General Manager	Male	45	10 May 2011	9 May 2014	0	0	0	–	10.72	0	Refer to biographical details below
Chai Wan Bao	Deputy General Manager	Male	67	10 May 2011	9 May 2014	0	0	0	–	120.88	0	Refer to biographical details below
Xu Hui	Secretary to the Board	Male	36	9 May 2014	8 May 2017	0	0	0	–	76.80	0	Refer to biographical details below
Total	/	/	/	/	/	/	30,511	30,511	/	3,175.54	/	/

Description of other situation

Biographical details of the directors, supervisors and senior management of the Company are as follows:

Executive Directors

Mr. Wei Jian Jun (魏建軍先生) ("Mr. Wei"), aged 51, is the chairman and executive director of the Company. He graduated from the Committee College of Hebei Province of the PRC Communist Party (中共河北省委黨校) in 1999 specializing in corporate management studies. Mr. Wei joined Baoding Great Wall Motor Industry Company (保定長城汽車工業公司) (the predecessor of the Company) as the general manager in 1990. He has been the chairman of the Company since June 2001. He is responsible for the overall strategic planning and business development of the Group. Moreover, Mr. Wei was appointed as a representative to the Ninth and Tenth National People's Congress of Hebei Province respectively, as well as a representative to the Eighteenth National Congress of the Communist Party of China. In addition, Mr. Wei is also a director of the Company's substantial shareholder, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司). Details of the disclosure of interests of the aforementioned substantial shareholder are set out under "Shares Held by Substantial Shareholders (SFO Requirements)" of Section 9 of this report.

Section 10 Directors, Supervisors, Senior Management and Employees

Mr. Liu Ping Fu (劉平福先生) ("Mr. Liu"), aged 65, is an assistant political work professional, and vice chairman and executive director of the Company. He graduated from Hebei Normal College (河北師範學院) specializing in Chinese language and literature in 1988. He has been the general manager of 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) since 2001, and the vice chairman of the Company since June 2001.

Ms. Wang Feng Ying (王鳳英女士) ("Ms. Wang"), aged 44, is an executive director and general manager of the Company. She graduated from Tianjin Institute of Finance (天津財經學院) in 1999 and obtained a master's degree in economics. Ms. Wang joined the Company in 1991. She is responsible for the sales and marketing management of the Company. Ms. Wang has been acting as the general manager of the Company since November 2002. She is concurrently the general manager of Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司). She has been acting as an executive director of the Company since June 2001. In addition, Ms. Wang was a representative to the Eleventh and Twelfth National People's Congress respectively.

Mr. Hu Ke Gang (胡克剛先生) ("Mr. Hu"), aged 69, is a senior economist, and an executive director and deputy general manager of the Company. He graduated from Hebei University (河北大學) with a major in law in 1987. Mr. Hu joined the Company in 1995. His previous positions in the Company include general manager of Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司), general manager of Great Wall Baoding Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司), and general manager of Baoding Great Wall Huabei Automotive Company Limited (保定長城華北汽車有限責任公司). He is currently responsible for the research and development as well as production of the Group's engines. Moreover, he has been acting as a deputy general manager of the Company since May 2005 and an executive director of the Company since June 2007.

Ms. Yang Zhi Juan (楊志娟女士) ("Ms. Yang"), aged 48, is an executive director of the Company. She graduated from Hebei University (河北大學) with a major in law in 1987. Ms. Yang joined the Company in 1999, and served as the general office supervisor of Baoding Great Wall Huabei Automotive Company Limited (保定長城華北汽車有限責任公司) and the head of investment management department of the Company. Ms. Yang is currently an assistant to the deputy general manager of the Company and is responsible for the management of foreign investment and construction. She has been an executive director of the Company since August 2001.

Non-Executive Directors

Mr. He Ping (何平先生) ("Mr. He"), aged 38, is a non-executive director of the Company. He graduated from Fudan University (復旦大學) with a major in international economic law in 1997 and obtained a bachelor's degree in law. Since June 1997, Mr. He worked in the investment banking headquarters of China Southern Securities Company Limited (南方證券有限責任公司). From March 2002 to December 2005, Mr. He successively acted as the deputy general manager and general manager at the investment banking headquarters of Guo Du Securities Company Limited (國都證券有限責任公司). Since December 2010, Mr. He has worked as the director of the investment department of Beijing Hong Yi Yuan Fang Investment Consultants Advisor Company Limited (北京弘毅遠方投資顧問有限公司). From October 2012 to April 2014, Mr. He was re-appointed as general manager of the risk control and compliance department. In August 2014, Mr. He was appointed as an executive director and the legal representative of Wuhu Zhuo Hui Chuang Shi Investment Management Company Limited (蕪湖卓輝創世投資管理有限公司). Mr. He has been acting as a non-executive director of the Company since May 2002.

Section 10 Directors, Supervisors, Senior Management and Employees

Mr. Niu Jun (牛軍先生) ("Mr. Niu"), aged 40, is a non-executive director of the Company. He graduated from Hebei University of Science and Technology (河北科技大學) with a major in marketing in 1996. In 1996, he joined the marketing and sales department of Baoding Great Wall Motor Industry Company (保定長城汽車工業公司) (the predecessor of the Company), where he was responsible for the sales of automobiles and logistics management successively. In 2001, he acted as the sales and marketing manager of Baoding Great Wall Automobile Sales Network Company Limited (保定市長城汽車營銷網絡有限公司). In 2002, he acted as the general manager of Baoding Ants Logistics Company Limited (保定市螞蟻物流網絡有限公司). Since October 2007, Mr. Niu has been acting as the general manager of Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司). Mr. Niu has been acting as a non-executive director of the Company since July 2003.

Independent Non-Executive Directors

Ms. Wei Lin (韋琳女士) ("Ms. Wei"), aged 51, is a professor and tutor of master's degree research students (碩士研究生導師), and an independent non-executive director of the Company. Ms. Wei graduated from Tianjin University of Finance & Economics (天津財經大學) with a major in accounting in 1986 and acted as a teaching fellow in the university. She also obtained an MBA degree from the MBA program jointly organised by Tianjin University of Finance & Economics (天津財經大學) and Oklahoma City University of the USA in 1990. She was promoted as a professor in 2003 and obtained her doctorate degree in management studies (accounting) in 2004 and has been serving as the deputy director of the Accounting Department in the Business School and secretary of the Business School at Tianjin University of Finance & Economics (天津財經大學) since 2005. She is also a member of the China Accounting Society (中國會計學會) and holds a certificate of qualification as Senior International Finance Manager, focusing on research of corporate finance and cost management. Ms. Wei had been an independent non-executive director of the Company from May 2008 until 9 May 2014 when her term of office expired.

Mr. He Bao Yin (賀寶銀先生) ("Mr. He"), aged 50, is an independent non-executive director of the Company. He graduated from the postgraduate school of China University of Political Science and Law (中國政法大學) with a LLM in 1987. He taught at Beijing College of Economics Study (北京經濟學院) (now known as Capital University of Economics and Business (首都經濟貿易大學) from 1987 to 1992, and received the title of lecturer in 1991. He is the founding partner establishing Jincheng Tongda & NEAL (北京金誠同達律師事務所) in 1993 and since then he has been practicing as a lawyer. He is currently a legal advisor of various companies such as Lucky Film Co., Ltd. (樂凱膠片股份有限公司), Baoding Tianwei Baobian Electric Co., Ltd. (保定天威保變電氣股份有限公司) and Baoding Swan Co., Ltd. (保定天鵝股份有限公司). He is an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會). Mr. He had been an independent non-executive director of the Company from May 2008 until 9 May 2014 when his term of office expired.

Mr. Li Ke Qiang (李克強先生) ("Mr. Li"), aged 52, is a professor and an independent non-executive director of the Company. Mr. Li graduated from the Department of Automotive Engineering at Tsinghua University (清華大學) in 1985 and obtained a doctorate degree in engineering from Chongqing University (重慶大學) in 1995. He is currently the head of the Department of Automotive Engineering and a supervisor of doctorate postgraduates at Tsinghua University (清華大學), the vice-president of Society of Automotive Engineers of Beijing (北京市汽車工程學會), a fellow and special expert of the Society of Automotive Engineers of China (中國汽車工程學會) and a member of the editorial board of International Journal of ITS Research. He specializes in the research of intelligent automobile, intelligent traffic system, car-load control system for hybrid electric vehicle (HEV) as well as analysis and control of noises and vibrations in automobiles. Mr. Li is one of the inventors of patents registered in China and several overseas countries for more than twenty projects such as self-adapting control device for novel automobiles and tandem brake system for hybrid vehicles. Mr. Li had been an independent non-executive director of the Company from May 2008 until 9 May 2014 when his term of office expired.

Section 10 Directors, Supervisors, Senior Management and Employees

Mr. Wong Chi Hung, Stanley (黃志雄先生) ("Mr. Wong"), aged 51, is an independent non-executive director of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Wong holds a bachelor's degree in accounting from the University of Kent at Canterbury, the United Kingdom and a master's degree in senior management and business administration from Peking University (北京大學). Mr. Wong has more than 26 years of experience in auditing, accounting and financial advisory services. In November 2009, Mr. Wong joined Hongri International Company Limited (紅日國際控股有限公司) as the chief financial officer. Mr. Wong was appointed as an independent non-executive director of Ping Shan Tea Group Limited (坪山茶業集團有限公司) on 31 July 2012 and he resigned as independent non-executive director of Ping Shan Tea Group Limited (坪山茶業集團有限公司) on 31 July 2014. On 16 October 2013, Mr. Wong was appointed as an independent non-executive director of China Pioneer Pharma Holdings Limited (中國先鋒醫藥控股有限公司). In August 2014, he was appointed as a director and chief financial officer of KBS Fashion Group Limited (KBS時尚集團有限公司) listed in the United States. Mr. Wong has been acting as an independent non-executive director of the Company since November 2010.

Mr. Lu Chuang (盧闖先生) ("Mr. Lu"), aged 35, is an independent non-executive director of the Company. He graduated with a doctoral degree in management from the Renmin University of China (中國人民大學) in 2007. He is an associate professor and the deputy head of the Finance Office of Central University of Finance and Economics (中央財經大學). His research focuses include senior management incentives, corporate results evaluation and incentive system, management and control system, corporate financial management and information management. On 14 November 2013, Mr. Lu was appointed as an independent director of Zhongnongfa Seed Industry Group Co., Ltd. (中農發種業集團股份有限公司) (formerly known as Zhongken Agricultural Resource Development Co., Ltd. (中墾農業資源開發股份有限公司), which was renamed on 13 January 2014). Mr. Lu has been acting as an independent non-executive director of the Company since May 2014.

Mr. Liang Shang Shang (梁上上先生) ("Mr. Liang"), aged 44, is an independent non-executive director of the Company. He graduated with a doctoral degree in law from Tsinghua University (清華大學) in 2004. He was admitted as a lawyer in 2000. He is a professor and supervisor of students studying doctoral degree in Tsinghua University (清華大學). In December 2004, he was accredited as the "Excellent Middle-aged Law Expert in Zhejiang" (浙江省優秀中青年法學專家). He also received the nomination award in the sixth session of the Top 10 Excellent Young Law Experts in the PRC (第六屆全國十大傑出青年法學家提名獎) in November 2010. Mr. Liang was appointed as an independent non-executive director of Rizhao Port Company Limited (日照港股份有限公司) on 4 July 2014. Mr. Liang has been acting as an independent non-executive director of the Company since May 2014.

Mr. Ma Li Hui (馬力輝先生) ("Mr. Ma"), aged 47, is a professor in mechanical engineering and an independent non-executive director of the Company. Mr. Ma graduated from Hebei Institute of Technology (河北工學院) with a major in machine manufacturing technology and equipment in 1989. He has been teaching in Hebei Institute of Technology (河北工學院) after obtaining a master's degree in engineering from Hebei Institute of Technology (河北工學院) in 1992. He obtained a doctoral degree in mechanic design and theory from Hebei University of Technology (河北工業大學) in June 2007. He is a professor of School of Quality and Technology Supervision (質量技術監督學院) in Hebei University (河北大學), and a member of the technological innovation committee of China Innovation Method Society (中國創新方法研究會). His research focuses include innovative design of mechanical and electrical products. Mr. Ma has been acting as an independent non-executive director of the Company since May 2014.

Section 10 Directors, Supervisors, Senior Management and Employees

Supervisors

Mr. Zhu En Ze (朱恩澤先生) ("Mr. Zhu"), aged 69, is a supervisor of the Company. He graduated from Agricultural University of Hebei (河北農業大學) in 1970. He worked as the deputy chief of Nanshi District, Baoding, and the chairman of the Standing Committee of the Nanshi District People's Congress. Mr. Zhu joined the Company in July 2003 as the Committee secretary of the Communist Party of China of the Company. Since March 2006, Mr. Zhu has been acting as the Company's supervisor.

Ms. Yuan Hong Li (袁紅麗女士) ("Ms. Yuan"), aged 55, a supervisor of the Company, graduated from the College of Economics Studies at Hebei University (河北大學), majoring in economic management in 1999 and has 18 years of experience in administration and management. Ms. Yuan had acted as a supervisor of the Company since June 2001, and she resigned from her position on 9 May 2014.

Ms. Luo Jin Li (羅金莉女士) ("Ms. Luo"), aged 55, a senior economist, is a supervisor of the Company. She graduated from Hebei Normal University (河北師範大學) with a major in physics in 1982. Ms. Luo has been working at the personnel department of Hebei University (河北大學) since December 1993, responsible for human resources management. Ms. Luo has been acting as a supervisor of the Company since September 2003.

Ms. Zong Yi Xiang (宗義湘女士) ("Ms. Zong"), aged 44, is a professor, supervisor of students studying doctoral degree, a certified asset valuer in the PRC and a supervisor of the Company. Ms. Zong graduated from the Chinese Academy of Agricultural Sciences (中國農業科學院) with a doctoral degree in 2006. She currently serves as the department head of statistics department of the College of Economics and Trade in Agricultural University of Hebei (河北農業大學經濟貿易學院), a committee member of Statistical Association of Hebei (河北省統計學會) and a standing committee member of Research Committee of Legal System for Agriculture and Rural Area under the Law Association of Hebei (河北省法學會農業與農村法制研究會). Her research focuses include economic theories and policies of property and statistics. Ms. Zong has been acting as the Company's supervisor since May 2014.

Senior Management

Mr. Hu Shu Jie (胡樹杰先生) ("Mr. Hu"), aged 43, is a deputy general manager of the Company. Mr. Hu joined the Company in 1996 and worked in Baoding Great Wall Automobile Sales Network Company Limited (保定市長城汽車營銷網絡有限公司) as the head of external affairs department, manager of the information management department and marketing manager. He also worked as the general manager of Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司), the general manager of the first manufacturing division of the Company and the general manager of the second manufacturing division of the Company. He is currently in charge of the Group's automobile production and has been acting as a deputy general manager of the Company since December 2005.

Mr. Huang Yong (黃勇先生) ("Mr. Huang"), aged 46, is a deputy general manager of the Company and supervisor of the technology center. Mr. Huang joined the Company in 1992 and acted as the head of the technology department, head of the supporting facilities department and deputy director of the technology research institute of the Company. He is currently responsible for the Group's development of automobile products. Mr. Huang has been acting as a deputy general manager of the Company since March 2006.

Section 10 Directors, Supervisors, Senior Management and Employees

Mr. Zhang Xin (張鑫先生) ("Mr. Zhang"), aged 45, is a deputy general manager of the Company. Mr. Zhang joined the Company in 1992 and worked in Great Wall Automobile Sales Network Company Limited (長城汽車營銷網絡有限公司) as the manager of customer services department, and manager of logistics department, manager of marketing management department. He has been the general manager of Great Wall Automobile After-sales Services Company Limited (長城汽車售後服務有限公司) and has been in charge of the Group's research and development as well as production of interior and exterior decoration. He is currently the general manager of the Tianjin Haval Branch of Great Wall Motor Company Limited (長城汽車股份有限公司天津哈弗分公司). Mr. Zhang has been acting as a deputy general manager of the Company since June 2006.

Mr. Hao Jian Jun (郝建軍先生) ("Mr. Hao"), aged 42, is a deputy general manager of the Company. Mr. Hao joined the Company in 1997, and worked as a supervisor of the tooling plant of the Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司) and the general manager of Company's tooling center. He is currently responsible for the Group's project construction and production process development. Mr. Hao has been acting as the Company's deputy general manager since November 2006.

Mr. Zheng Chun Lai (鄭春來先生) ("Mr. Zheng"), aged 45, is a deputy general manager of the Company. He joined the Company in 1986 and acted as the factory head of Baoding Taihang Automobile Parts and Components Factory (保定市太行汽車零部件廠), the general manager of Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司) and the general manager of Baoding Nuobo Rubber Production Co., Ltd. (保定市諾博橡膠製品有限公司). He is currently responsible for the Group's research and development as well as production of seals and vibration control products. Mr. Zheng has been acting as a deputy general manager of the Company since March 2007.

Mr. Dong Ming (董明先生) ("Mr. Dong"), aged 45, is a deputy general manager of the Company. Mr. Dong joined the Company in 2004 and served in various positions successively, including the manager of the public relations department of a marketing company, assistant to the general manager of the Company and deputy general manager of a marketing company. He is currently the deputy general manager of a marketing company and has been acting as the deputy general manager of the Company since April 2010.

Mr. Zhao Guo Qing (趙國慶先生) ("Mr. Zhao"), aged 37, is a deputy general manager of the Company. He joined the Company in 2000 and acted as the director of lean promotion department, the deputy director of the technology research institute and the director of the supporting facilities management department. He is currently the deputy supervisor of the technology center, responsible for the procurement of ancillary parts and equipment. He has been acting as the Company's deputy general manager since June 2010.

Mr. Li Yan Qing (李彥青先生) ("Mr. Li"), aged 48, is a deputy general manager of the Company. He joined the Company in 1999 and served as the director of lean management department of the Company and the general manager of Tianjin Haval branch. He is currently the supervisor of electronic and electrical platform center of the technology center. Since June 2010, Mr. Li has been acting as the Company's deputy general manager.

Ms. Li Feng Zhen (李鳳珍女士) ("Ms. Li"), aged 52, is the deputy general manager and chief financial controller of the Company. Ms. Li is qualified as a PRC registered accountant, PRC registered valuer and PRC registered tax adviser. Ms. Li has worked as a financial accountant in enterprises for 15 years and has been engaged in auditing work in accounting firms for seven years. Ms. Li joined the Company in 2001 and was appointed as the chief financial controller of the Company in May 2005 and has been a deputy general manager of the Company since June 2010.

Section 10 Directors, Supervisors, Senior Management and Employees

Mr. Zhang Wen Hui (張文輝先生) ("Mr. Zhang"), aged 39, is a deputy general manager of the Company. Mr. Zhang joined the Company in 2000 and was responsible for daily management of GW Internal Combustion Engine Company (長城內燃機公司). He acted as the head of the operation management department. He is currently the head of the strategic management department. Since January 2012, he has been acting as the Company's deputy general manager.

Mr. Xing Wen Lin (邢文林先生) ("Mr. Xing"), aged 45, is a deputy general manager of the Company. He joined the Company in 1991 and served as the deputy general manager of Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司), the general manager of its market development department and the general manager of its international department. Mr. Xing was appointed as a deputy general manager of the Company in April 2010, and resigned from this position on 9 May 2014.

Mr. Chai Wan Bao (柴萬寶先生) ("Mr. Chai"), aged 67, is a deputy general manager of the Company. He worked in Zhengzhou Light Truck Factory (鄭州輕型汽車廠) as an engineer from 1975 to 1992, and as a deputy chief designer from 1992 to 2003 in Zhengzhou Nissan Company (鄭州日產公司). Mr. Chai joined the Company in 2004. He was appointed as a deputy general manager of the Company in November 2007, and resigned from this position on 9 May 2014.

Company Secretary

Mr. Xu Hui (徐輝先生) ("Mr. Xu"), aged 36, is the secretary to the Board. Mr. Xu joined the Company in 2001 and is responsible for corporate finance, equity investment, management authorization and legal affairs management. He has been acting as the head of Securities and Legal Affairs Department of the Company since July 2008 and the secretary to the Board since June 2010.

Directors' and Supervisors' Service Agreements and Letters of Appointment

In May 2014, the Company entered into service agreements with each of the executive directors and supervisors, and entered into appointment letters with each of the non-executive directors and independent non-executive directors in May 2014. Pursuant to the above service agreements and appointment letters, the terms of directors are three years expiring upon the expiry of the fifth session of the Board, and that of supervisors will expire upon the expiry of the fifth session of the Supervisory Committee. Save as disclosed above, none of the directors or supervisors had entered into or proposed to enter into any other service contracts with the Company or its subsidiaries, nor any service contracts not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Independence of Independent Non-Executive Directors

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

Section 10 Directors, Supervisors, Senior Management and Employees

Interests of Controlling Shareholders, Directors and Supervisors in Material Contracts

Save for those transactions described in item IV of Section 8, none of the controlling shareholders or their subsidiaries, directors or supervisors was or had been materially interested, whether directly or indirectly, in any contract subsisting during 2014 or at the end of 2014 which was significant to the business of the Company or any of its subsidiaries.

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

Applicable Not applicable

II. Term of office of existing and resigned/retired directors, supervisors and senior management during the Reporting Period

(I) Positions held in the Company's shareholders

Applicable Not applicable

Name	Name of the Company's shareholders	Positions held in the Company's shareholders	Term commencement date	Term expiration date
Wei Jian Jun	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Chairman and general manager	—	—
Wei Jian Jun	Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司)	Executive director and general manager	—	—
Liu Ping Fu	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Vice chairman	—	—
Description of positions held in the Company's shareholders	Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) (controlling shareholder of Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)) is an indirect shareholder of the Company.			

(II) Positions held in other entities

Applicable Not applicable

Name	Name of other entities	Position in other units	Appointment date	End date of appointment
Wei Jian Jun	Baoding Great Wall Pioneer Enterprise Investment Company Limited (保定市長城創業投資有限公司)	Chairman and general manager	—	—
Wei Jian Jun	Hebei Baocang Expressway Co. Ltd. (河北保滄高速公路有限公司)	Director	—	—

Section 10 Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Position in other units	Appointment date	End date of appointment
Wei Jian Jun	Baoding Taihang Steel Structure Engineering Co., Ltd. (保定太行鋼結構工程有限公司)	Director	—	—
Wei Jian Jun	Baoding Bochuang Real Estate Development Company Limited. (保定市博創房地產開發有限公司)	Executive director	—	—
Wei Jian Jun	Baoding Great Wall Kindergarten (保定市長城幼兒園)	President	—	—
Wei Jian Jun	Xushui Lukang Planting Co. Ltd. (徐水縣綠康種植有限公司)	Director	—	—
Hu Shu Jie	Baoding Jiehua Motor Spare Parts Company Limited (保定杰華汽車零部件有限公司)	Director	—	11 July 2014
Hu Shu Jie	Baoding Yanfeng Johnson Controls Automotive Seat Co., Ltd. (保定延鋒江森汽車座椅有限公司)	Director	—	24 June 2014
Liu Ping Fu	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營中心)	General manager	—	—
Niu Jun	Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司)	Director and general manager	—	—
He Ping	Beijing Hong Yi Yuan Fang Investment Consultants Advisor Company Limited (北京弘毅遠方投資顧問有限公司)	General manager of the Risk Control and Compliance Department	—	April 2014
He Ping	Wuhu Zhuo Hui Chuang Shi Investment Management Ltd. (蕪湖卓輝創世投資管理有限公司)	Executive director/ Legal representative	—	—
He Bao Yin	Beijing Jincheng Tongda Law Office (北京金誠同達律師事務所)	Partner	—	—
He Bao Yin	China SDIC International Trade Co., Ltd (中國國投國際貿易有限公司)	External director	—	—
He Bao Yin	Henan Yingtai Agrochemical Co., Ltd (河南穎泰農化股份有限公司)	Independent director	—	—
He Bao Yin	China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)	Arbitrator	—	—
Li Ke Qiang	Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd. (湖北開特汽車電子電器系統股份有限公司)	Independent director	—	—
Li Ke Qiang	Baotou BeiBen Heavy-Duty Truck Co., Ltd. (包頭北方奔馳重型汽車有限責任公司)	Independent director	—	—
Li Ke Qiang	IAT Automobile Technology Co. Ltd. (阿爾特汽車技術股份有限公司)	Independent director	—	—
Li Ke Qiang	China Changan Automobile Group Co., Ltd. (中國長安汽車集團股份有限公司)	Independent director	—	—

Section 10 Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Position in other units	Appointment date	End date of appointment
Li Ke Qiang	Society of Automotive Engineers of Beijing (北京市汽車工程學會)	Vice president	—	—
Li Ke Qiang	Society of Automotive Engineers of China (中國汽車工程學會)	Fellow member/ expert consultant	—	—
Wong Chi Hung, Stanley	Hongri International Company Limited (紅日國際控股有限公司)	Director	—	—
Wong Chi Hung, Stanley	KBS International Holding Co., Ltd. (KBS國際控股有限公司)	Director/Chief Financial Officer	—	31 July 2014
Wong Chi Hung, Stanley	Roller Rome Ltd	Director	—	—
Wong Chi Hung, Stanley	France Cock (China) Limited (法國公雞 (中國) 有限公司)	Director	—	—
Wong Chi Hung, Stanley	Gaozhao Investment Company Limited (高兆投資有限公司)	Director	—	—
Wong Chi Hung, Stanley	Ping Shan Tea Group Limited (坪山茶業集團有限公司)	Independent non-executive director	—	31 July 2014
Wong Chi Hung, Stanley	China Pioneer Pharma Holdings Limited (中國先鋒醫藥控股有限公司)	Independent non-executive director	—	—
Wong Chi Hung, Stanley	KBS Fashion Group Limited (KBS時尚集團有限公司)	Director/Chief Financial Officer	—	—
Lu Chuang	Zhongnongfa Seed Industry Group Co., Ltd. (中農發種業集團股份有限公司)	Independent director	—	—
Lu Chuang	Sichuan Guangyun Group Co., Ltd (四川廣運集團股份有限公司)	Independent director	—	—
Liang Shang Shang	Rizhao Port Co.,Ltd (日照港股份有限公司)	Independent non-executive director	—	—
Liang Shang Shang	Zhejiang Goldensea Environment Technology Co.,Ltd. (浙江金海環境技術股份有限公司)	Independent director	—	—
Liang Shang Shang	Zhejiang Orient Engineering Co., Ltd (浙江國貿集團東方機電工程股份有限公司)	Independent director	—	—
Liang Shang Shang	Zhejiang Kanglongda Special Protection Technology Co., Ltd (浙江康隆達特種防護科技股份有限公司)	Independent director	—	—
Zhu En Ze	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd (保定延鋒江森汽車座椅有限公司)	Supervisor	—	—
Huang Yong	China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited (國汽(北京)汽車輕量化技術研究院 有限公司)	Director	—	—
Zhang Xin	Baoding Jiehua Motor Spare Parts Company Limited (保定杰華汽車零部件有限公司)	Director	—	11 July 2014
Zhang Xin	Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd (保定延鋒江森汽車座椅有限公司)	Director	—	24 June 2014

Section 10 Directors, Supervisors, Senior Management and Employees

Name	Name of other entities	Position in other units	Appointment date	End date of appointment
Hao Jian Jun	Baoding Jiehua Motor Spare Parts Company Limited (保定杰華汽車零部件有限公司)	Director	—	11 July 2014
Hao Jian Jun	Xushui Lukang Planting Co. Ltd. (徐水縣綠康種植有限公司)	General manager	—	—
Description of positions held in other entities	The details of the directors, supervisors and senior management disclosed above are their positions held in non-controlling shareholders of the Company.			

III. Remuneration of directors, supervisors and senior management

Decision-making process for determining remuneration of directors, supervisors and senior management

The Board has set up a Remuneration Committee, which conducts evaluation of directors and senior management according to the performance appraisal standards and procedures, and makes reasonable recommendations on remuneration of directors and senior management based on their evaluation results and the Company's operating results.

Basis of determination of remuneration of directors, supervisors and senior management

According to the Company's remuneration policy, the annual remuneration of directors, supervisors and senior management is paid by the Company on a monthly basis. Year-end bonuses are given to executive directors and senior management based on the Company's operating results and appraisal results at the end of the year.

Remuneration payable to directors, supervisors and senior management

For the actual amount paid to directors, supervisors and senior management according to the abovementioned principles, please refer to the table under "I. (I) The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period" of this section.

Total remuneration actually received by all the directors, supervisors and senior management at the end of the Reporting Period

As at the end of the Reporting Period, the total amount of remuneration actually received by all the directors, supervisors and senior management from the Company was RMB31,755,400.

IV. Change in the Company's directors, supervisors and senior management

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

Section 10 Directors, Supervisors, Senior Management and Employees

Name	Position	Change	Reason for change
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
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

V. The Company's core technical team or key technical staff

During the Reporting Period, the part of the Company's workforce that had significant impact on the Company's core competitiveness, including the Company's core technical team or key technical staff, remained stable and unchanged.

VI. Employees of the Company and major subsidiaries

(I) Employees

Number of serving employees of the Company	48,176
Number of serving employees of major subsidiaries	23,399
The total number of serving employees	71,575
Number of disengaged and retired employees for whom the Company and its major subsidiaries shall be liable to expenses	211

Section 10 Directors, Supervisors, Senior Management and Employees

Composition of employees by profession

Profession	Number
Manufacturing personnel	33,128
Sales	1,494
Technicians	10,767
Financial personnel	846
Administrators	5,841
Others	19,499
Total	71,575

Education level

Education levels	Number (person)
Doctoral degree holders	29
Master degree holders	1,135
Undergraduate degree holders	13,932
College graduates	16,334
Graduates of high school or below	40,145
Total	71,575

(II) Remuneration policy

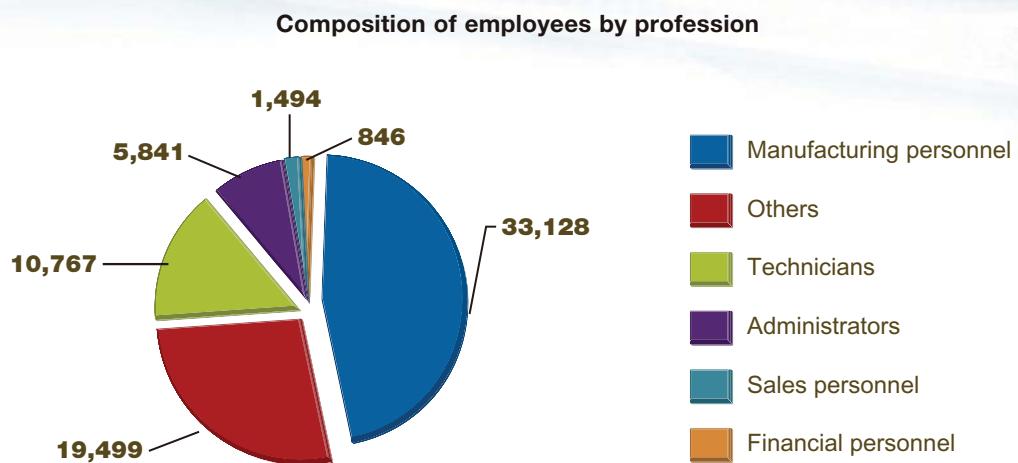
In order to ensure the Company's sustainable development by increasing its employees' productivity and their motivation, the Company has designed a market-based remuneration structure. The remuneration of the Company's employees comprises salaries based on their positions, allowances based on their seniority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

(III) Training Program

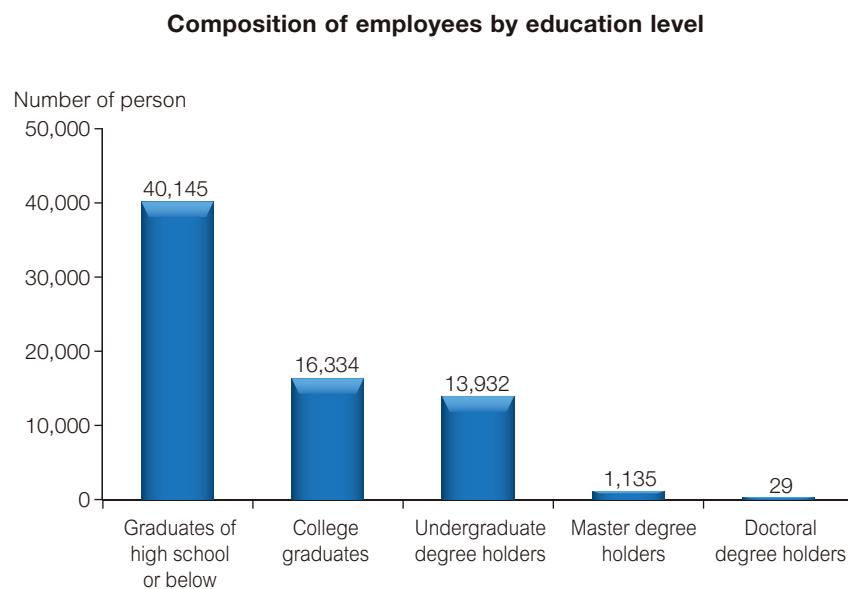
To uphold its training philosophy of "talents will make an enterprise strong", the Company aims at enhancing all its employees' abilities, strengthening the foundation for its employees' training, innovating the ways to train up talents, and focusing on training up its core talents. As a result, the Company's training to its employees is effective which helps the Company to implement its business strategies.

Section 10 Directors, Supervisors, Senior Management and Employees

(IV) Chart of composition of employees by profession



(V) Chart of composition of employees by education level



(VI) Subcontracting

Total working hours for subcontracting	3,876,049.38 hours
Total remuneration paid for subcontracting	RMB38,621,350.47

Section 11 Corporate Governance Report

I. Description on Corporate Governance and Registration and Management of Insiders

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

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

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

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

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

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

II. Summary of the General Meetings

Session	Date of general meeting	Short title of resolution proposed	Passed or not	Designated website on which the resolution was published	Publication date of the resolution
2013 annual general meeting	9 May 2014	1. Resolution on the Audited Financial Report of the Company for the Year 2013; 2. Resolution on the Report of the Board for the Year 2013; 3. Resolution on the Profit Distribution Proposal for the Year 2013; 4. Resolution on the Annual Report of the Company for the Year 2013 and its Summary Report; 5. Resolution on the Report of the Independent Directors for the Year 2013; 6. Resolution on the Report of the Supervisory Committee for the Year 2013; 7. Resolution on the Strategies of the Company for the Year 2014; 8. Resolution on the Appointment of Accounting Firm; 9. Resolution on Re-election of Mr. Wei Jian Jun as the Member of the Fifth Session of the Board; 10. Resolution on Re-election of Mr. Liu Ping Fu as the Member of the Fifth Session of the Board; 11. Resolution on Re-election of Ms. Wang Feng Ying as the Member of the Fifth Session of the Board;	All proposed resolutions were passed	Shanghai Stock Exchange www.sse.com.cn ; The Hong Kong Exchanges and Clearing Limited www.hkexnews.hk	9 May 2014

Section 11 Corporate Governance Report

Session	Date of general meeting	Short title of resolution proposed	Passed or not	Designated website on which the resolution was published	Publication date of the resolution
		12. Resolution on Re-election of Mr. Hu Ke Gang as the Member of the Fifth Session of the Board; 13. Resolution on Re-election of Ms. Yang Zhi Juan as the Member of the Fifth Session of the Board; 14. Resolution on Re-election of Mr. He Ping as the Member of the Fifth Session of the Board; 15. Resolution on Re-election of Mr. Niu Jun as the Member of the Fifth Session of the Board; 16. Resolution on Re-election of Mr. Wong Chi Hung, Stanley as the Member of the Fifth Session of the Board; 17. Resolution on Election of Mr. Lu Chuang as the Member of the Fifth Session of the Board; 18. Resolution on Election of Mr. Liang Shang Shang as the Member of the Fifth Session of the Board; 19. Resolution on Election of Mr. Ma Li Hui as the Member of the Fifth Session of the Board; 20. Resolution on Re-election of Ms. Luo Jin Li as the Member of the Fifth Session of the Supervisory Committee;			

Section 11 Corporate Governance Report

Session	Date of general meeting	Short title of resolution proposed	Passed or not	Designated website on which the resolution was published	Publication date of the resolution	
The first H Shareholders' class meeting in 2014	9 May 2014	21. Resolution on Election of Ms. Zong Yi Xiang as the Member of the Fifth Session of the Supervisory Committee; 22. Resolution on the Grant of General Mandate to the Board to Issue A Shares and H Shares. 23. Resolution on the Grant of General Mandate to the Board to Repurchase A Shares and H Shares	Resolution on the Grant of General Mandate the Board to Repurchase A Shares and H Shares	The proposed resolution was passed	Shanghai Stock Exchange www.sse.com.cn ; The Hong Kong Exchanges and Clearing Limited www.hkexnews.hk	9 May 2014
The first A Shareholders' class meeting in 2014	9 May 2014	Resolution on the Grant of General Mandate the Board to Repurchase A Shares and H Shares	Resolution on the Grant of General Mandate the Board to Repurchase A Shares and H Shares	The proposed resolution was passed	Shanghai Stock Exchange www.sse.com.cn ; The Hong Kong Exchanges and Clearing Limited www.hkexnews.hk	9 May 2014

Section 11 Corporate Governance Report

III. Performance of Duties by Directors

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

Name of director	Independent director	Attendance at Board meetings						Attendance at general meetings			
		No. of meetings during the Year		Attendance in person		Attendance by means of communications		Absent from meetings for two consecutive times		Attendance rate for Board meetings	
		Attendance	by proxy	Absence	Attendance	Board	Attendance	Attendance	Attendance	Attendance	Attendance
Wei Jian Jun	No	7	7	2	0	0	No	100%	1	100%	
Wang Feng Ying	No	7	7	2	0	0	No	100%	1	100%	
Liu Ping Fu	No	7	7	2	0	0	No	100%	1	100%	
Hu Ke Gang	No	7	7	2	0	0	No	100%	1	100%	
Yang Zhi Juan	No	7	7	2	0	0	No	100%	1	100%	
He Ping	No	7	7	2	0	0	No	100%	1	100%	
Niu Jun	No	7	7	2	0	0	No	100%	1	100%	
Wong Chi Hung, Stanley	Yes	7	7	2	0	0	No	100%	1	100%	
Wei Lin (resigned on 9 May 2014)	Yes	3	2	1	1	0	No	66.67%	0	0%	
Li Ke Qiang (resigned on 9 May 2014)	Yes	3	2	1	1	0	No	66.67%	0	0%	
He Bao Yin (resigned on 9 May 2014)	Yes	3	3	1	0	0	No	100%	0	0%	
Lu Chuang (appointed on 9 May 2014)	Yes	4	4	1	0	0	No	100%	1	100%	
Liang Shang Shang (appointed on 9 May 2014)	Yes	4	4	1	0	0	No	100%	1	100%	
Ma Li Hui (appointed on 9 May 2014)	Yes	4	4	1	0	0	No	100%	1	100%	

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

During the Reporting Period, none of the members of the Board of the Company failed to attend Board meetings in person for two consecutive times.

No. of Board meetings held during the Year	7
Including: no. of on-site Board meetings	3
No. of Board meetings convened by communication means	2
No. of Board meetings held both on site and by communication means	2

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

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

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

IV. Major Opinions and Recommendations Made by Special Committees under the Board in Performing Their Duties during the Reporting Period

The duties performed by the special committees under the Board during the Reporting Period are summarized as follows: the Audit Committee under the Board played an important role in the auditing of the 2014 annual report. During the auditing, the Audit Committee under the Board enhanced the communication with the auditor and solved the problems in a timely manner to ensure the completion of the auditor's report as scheduled. The Audit Committee under the Board also reviewed the auditor's report of the Company and submitted the same to the 6th meeting of the 5th session of the Board for voting. The Remuneration Committee under the Board is mainly responsible for formulating and reviewing the remuneration policies in relation to the directors and employees at managerial level. The Nomination Committee is mainly responsible for making recommendations regarding the candidates, appointment and dismissal of directors and senior management of the Company. During the Reporting Period, the Audit Committee reviewed and provided valuable opinions on the relevant financial reports including the quarterly and interim reports.

V. Risks of the Company Identified by the Supervisory Committee

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

VI. Description on the Lack of Independence and Operational Autonomy of the Company from its Controlling Shareholder in respect of Business, Employees, Assets, Organization and Finance

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

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

Section 11 Corporate Governance Report

VII. Appraisal System for Senior Management and Establishment and Implementation of Incentive System during the Reporting Period

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

VIII. Investor Relations

During the Year, the Company enhanced the two-way communication between the Company and its investors so as to enable the general investors to keep abreast of the operation condition of the Company and to promote a better relationship between the Company and its investors. The Company helped its investors to have timely and accurate understanding of the operation condition of the Company. During the Year, the Company enabled its investors to have timely understanding of the Company's operation condition through inviting them to participate in the Company's activities, such as general meeting and technology festivals. The Company had a comprehensive communication with its investors by organising domestic and overseas roadshows, conducting investors surveys and researches, organising teleconferences and attending summit meetings organized by investment banks. During the Year, the Company has organized 3 domestic and overseas roadshows, conducted 42 surveys and researches for domestic and overseas investors, organized 34 teleconferences and attended 6 summit meetings organized by investment banks.

IX. Others

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

Principal Corporate Governance Principles and Practices of the Company

A. Board of Directors

The board should have a balance of skills and experience appropriate for the requirements of the business of the company.

The members of the Board are as follows:

Executive Directors:

Mr. Wei Jian Jun (*Chairman*)
Mr. Liu Ping Fu (*Vice-chairman*)
Ms. Wang Feng Ying (*General Manager*)
Mr. Hu Ke Gang
Ms. Yang Zhi Juan

Non-Executive Directors:

Mr. He Ping
Mr. Niu Jun

Section 11 Corporate Governance Report

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)

- All independent non-executive directors have complied with the guidelines on independence set out under Rule 3.13 of the Hong Kong Listing Rules and have not violated any provision thereunder throughout the Year.
- There is no relationship, whether financial, business, family or other material relationship, among members of the Board.
- The biographies of directors are set out in Section 10.

Deviation: NIL

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

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

Deviation: NIL

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

- Pursuant to the Articles, “the directors shall be elected at a general meeting for a term of three years. Upon expiry of his term of office, a director may offer himself for re-election”. All the directors of the Company, including the independent non-executive directors and non-executive directors, were re-elected or elected and appointed on 9 May 2014 for a term of three years.

Deviation: NIL

Section 11 Corporate Governance Report

The board should assume responsibility for leadership and control of the company and be collectively responsible for promoting the success of the company.

- The Board meets regularly and Board meetings are held at least four times a year. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene extraordinary meetings to discuss matters requiring a decision by the Board on an ad hoc basis. The management is authorised to exercise discretion on day-to-day operation.
- The Board is accountable to the general meeting and discharges the following duties:
 - (1) to convene general meetings and report to the general meeting on their work;
 - (2) to implement resolutions of the general meetings;
 - (3) to determine operating plans and investment proposals of the Company;
 - (4) to prepare annual financial budgets and financial statements of the Company;
 - (5) to prepare proposals for profit distribution and making up losses of the Company;
 - (6) to prepare proposals for the increase or decrease in registered share capital and issue of bonds of the Company;
 - (7) to prepare proposals for the mergers, segregation and dissolution of the Company;
 - (8) to determine the internal management structure of the Company;
 - (9) to appoint or remove the general manager of the Company, and on the basis of nomination by the general manager, to appoint or remove the deputy general manager, financial controller and other senior management personnel of the Company and to determine their remunerations;
 - (10) to set up the basic management systems of the Company;
 - (11) to prepare proposals for amendments to the Articles; and
 - (12) other authorisations from the general meetings.

Deviation: NIL

Section 11 Corporate Governance Report

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

- The Articles clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the day-to-day operations of the Company and is required to report to the Board on a regular basis.
- The Board will formulate the development strategies of the Company within its scope of authority. The management is authorised and entrusted by the Board to implement the strategies and oversee the day-to-day operations of the Company. The management is accountable to the Board.
- Save for matters of significance of the Company to be determined by the Board, which are set out in the terms of reference of the Board, other issues relating to day-to-day operation are subject to the decision of the management, and shall be reported to the Board by the management.

Deviation: NIL

The board should meet regularly to discharge their duties. The board and its committees should be provided with sufficient information in a prompt manner.

- During the Year, the Board held 7 meetings. Pursuant to the Articles, "meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities".
- Regular meetings of the Board were held in the middle of the Year and at the end of the Year. Additional meetings were also held to consider important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication.
- Notice was given to each director 14 days prior to a board meeting. Documents containing meeting agenda were sent to all directors four days before the date appointed for the relevant meeting.
- The secretary to the Board assisted the chairman of the Board in preparing the meeting agenda. The directors are allowed to submit proposed agenda items to the secretary to the Board before the date appointed for the relevant meeting.
- Minutes of board meetings and meetings of committees are kept by the secretary to the Board and are available for inspection by the directors at any time. Such minutes of the meeting recorded opinions and suggestions raised by the directors in the meeting. The final versions of such minutes were sent to directors for signing and confirmation.
- Transactions in which directors are deemed to have a conflict of interests or deemed to be materially interested will not be dealt with by written resolution. The relevant director will be allowed to attend the meeting but may not express any opinion and will be required to abstain from voting.

Section 11 Corporate Governance Report

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

Attendance of individual directors at Board meetings and general meetings in 2014

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

Deviation: NIL

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

- The company secretary provides up-to-date information on trading of H Shares and A Shares of the Company in Hong Kong and in the PRC respectively on each trading day to the directors and committee members and keeps them abreast of the latest developments of the Group and business progress of the Company.
- Pursuant to the prevailing “Rules and Procedures of Independent Directors” (獨立董事工作制度), non-executive directors and independent non-executive directors are entitled to attend and convene Board meetings. All the committeees of the Company currently comprise independent non-executive directors.
- The Company regularly provides all directors, whose names are set out in this section, with information in relation to their professional conduct and enhancement of their expertise for training purposes.

Deviation: NIL

Compliance with Model Code

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

Deviation: NIL

Section 11 Corporate Governance Report

The Board committee

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

Strategy Committee	Remuneration Committee	Nomination Committee	Audit Committee
Mr. Wei Jian Jun <i>(Chairman)</i>	Ms. Wei Lin (resigned on 9 May 2014)	Mr. Li Ke Qiang (resigned on 9 May 2014)	Ms. Wei Lin (resigned on 9 May 2014)
Ms. Wang Feng Ying	Mr. He Bao Yin (resigned on 9 May 2014)	Mr. He Bao Yin (resigned on 9 May 2014)	Mr. He Bao Yin (resigned on 9 May 2014)
Mr. He Ping	Mr. Wei Jian Jun	Mr. Wei Jian Jun	Mr. Li Ke Qiang (resigned on 9 May 2014)
Mr. He Bao Yin (resigned on 9 May 2014)	Mr. Lu Chuang (appointed on 9 May 2014)	Mr. Liang Shang Shang (appointed on 9 May 2014)	Mr. Wong Chi Hung, Stanley <i>(Chairman)</i>
Mr. Li Ke Qiang (resigned on 9 May 2014)	Mr. Liang Shang Shang (appointed on 9 May 2014) <i>(Chairman)</i>	Mr. Ma Li Hui (appointed on 9 May 2014) <i>(Chairman)</i>	Mr. He Ping (appointed on 9 May 2014)
Mr. Lu Chuang (appointed on 9 May 2014)			Mr. Lu Chuang (appointed on 9 May 2014)
Mr. Ma Li Hui (appointed on 9 May 2014)			Mr. Liang Shang Shang (appointed on 9 May 2014)
			Mr. Ma Li Hui (appointed on 9 May 2014)

Deviation: NIL

Section 11 Corporate Governance Report

B. The Strategy Committee

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

Attendance of committee members at meetings of the Strategy Committee in 2014

No. of meetings	1
Date and Business	19 March 2014 To consider the proposal on the strategies of the Company for 2014
No. of attendance/ No. of meeting	Attendance rate
Wei Jian Jun	1/1 100%
Wang Feng Ying	1/1 100%
He Ping	1/1 100%
Li Ke Qiang (resigned on 9 May 2014)	1/1 100%
He Bao Yin (resigned on 9 May 2014)	1/1 100%
Lu Chuang (appointed on 9 May 2014)	— (Note) —
Ma Li Hui (appointed on 9 May 2014)	— (Note) —
Average attendance rate	— 100%

Note: Since the appointment of the director, there was no Strategy Committee meeting.

Deviation: NIL

C. Remuneration of Directors and Senior Management

There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors.

- The Company has set up the Remuneration Committee comprising two independent non-executive directors (Lu Chuang and Liang Shang Shang (*Chairman*)) and one executive director (Wei Jian Jun).
- The Remuneration Committee is responsible for making recommendations on the remuneration policies in relation to the directors and senior management of the Group, and determining the remuneration packages of executive directors and senior management, including benefits in kind, pensions and compensation payments. The terms of reference of the Remuneration Committee include the specific duties set out under the Corporate Governance Code.
- The Group proposes the basis of remuneration for directors and employees according to the performance and qualification of the directors and employees as well as the prevailing industry practice. The remuneration policies and packages are reviewed regularly. Based on the performance assessment report, employees may receive bonus and incentive payments as reward.

Section 11 Corporate Governance Report

- In May 2014, the Company and each of the directors, including non-executive directors and independent non-executive directors, entered into a Director's Service Agreement or an appointment letter for a term of three years, which set out the respective remunerations of the directors.
- Details of directors' and senior management's remuneration as well as the five highest paid individuals in the Group are set out in item I. (I) "The change in shareholdings and remuneration of existing and resigned/retired directors, supervisors and senior management during the Reporting Period" in Section 10 and note (XI) to the financial statements.

Attendance of committee members at meetings of the Remuneration Committee in 2014

No. of meetings	19 March 2014	2
Date and Business	To consider the proposal on the remuneration of directors of the Company	9 May 2014
	To consider the proposal on the election of the chairman of the Remuneration Committee	
No. of attendance/	No. of meeting	Attendance rate
Wei Jian Jun	2/2	100%
Wei Lin (resigned on 9 May 2014)	1/2 (Note 1)	100%
He Bao Yin (resigned on 9 May 2014)	1/2 (Note 1)	100%
Lu Chuang (appointed on 9 May 2014)	1/2 (Note 2)	100%
Liang Shang Shang (appointed on 9 May 2014)	1/2 (Note 2)	100%
Average attendance rate	—	100%

Note 1: Before the resignation of the director, there was one Remuneration Committee meeting.

Note 2: Since the appointment of the director, there was one Remuneration Committee meeting.

Deviation: Null

D. Nomination Committee

- The Company has set up the Nomination Committee comprising two independent non-executive directors (Liang Shang Shang and Ma Li Hui (*Chairman*)) and one executive director (Wei Jian Jun).
- The Nomination Committee is responsible for making recommendations to the Board regarding its size and composition based on business activities, asset scale and shareholding structure of the Company and making recommendations to the Board about the standards and procedures for selecting directors and management members.

Section 11 Corporate Governance Report

Attendance of committee members at meetings of the Nomination Committee in 2014

No. of meetings	2
Date and Business	19 March 2014 To consider the proposal on the candidates for members of the fifth session of the Board 9 May 2014 To consider the proposal on the election of the chairman of the Nomination Committee
No. of attendance/ No. of meeting	Attendance rate
Wei Jian Jun	2/2 100%
Li Ke Qiang (resigned on 9 May 2014)	1/2 (Note 1) 100%
He Bao Yin (resigned on 9 May 2014)	1/2 (Note 1) 100%
Ma Li Hui (appointed on 9 May 2014)	1/2 (Note 2) 100%
Liang Shang Shang (appointed on 9 May 2014)	1/2 (Note 2) 100%
Average attendance rate	— 100%

Note 1: Before the resignation of the director, there was one Nomination Committee meeting.

Note 2: Since the appointment of the director, there was one Nomination Committee meeting.

Board diversity policy

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

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

As at the date of this report, the Board comprises 11 directors, two of them are women. The educational background of the directors cover accounting, law, management and machine manufacturing, etc. The Company considers that the current composition of the Board has the characteristics of diversity, whether from the perspectives of gender, professional background or skills.

Deviation: NIL

E. Accountability and Audit

The board should present a balanced, clear and comprehensive assessment of the company's performance, position and prospects.

- The directors are responsible for supervising the preparation of accounts for each financial period, which are required to give a true and fair view of the operating conditions, results and cash flow of the Group during the relevant period. When preparing the accounts for the year ended 31 December 2014, the directors have:
 1. selected and consistently applied appropriate accounting policies, made prudent and reasonable judgments and estimations and prepared accounts on a going concern basis; and
 2. announced interim and final results of the Group every year in accordance with the Hong Kong Listing Rules and disclosed other financial information as required by the Hong Kong Listing Rules.

Deviation: NIL

The board should ensure that the company maintains sound and effective internal controls to safeguard the shareholders' investment and the company's assets.

- The Board is fully responsible for overseeing the internal control system and evaluating its efficiency at least once a year.
- The Audit Committee is responsible for overseeing the financial affairs of the Group.
- The management is responsible for overseeing the daily operations of the Company and regularly reviewing operational control.
- The financial control centre and Securities and Legal Affairs Department of the Company are responsible for monitoring compliance affairs of the Group and organizing regular training.
- The Board is responsible for risk management and regular risk management reviews.

Deviation: NIL

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

- Deloitte Touche Tohmatsu Certified Public Accountants LLP was the external auditor of the Company in 2014. Its reviewing fees in respect of the interim review service amounted to RMB680,000. The financial statements of the Company's annual report have been prepared in accordance with the ASBE and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. In 2014, Deloitte Touche Tohmatsu Certified Public Accountants LLP charged the Company RMB2,000,000, RMB400,000, and RMB1,650,000 for the auditing fees in respect of the annual audit service, the annual internal control auditing fees and the annual consultation fees (including other entities under "Deloitte") respectively. Apart from these, there was no fee payable for non-audit services by Deloitte Touche Tohmatsu Certified Public Accountants LLP in 2014.

Section 11 Corporate Governance Report

- The directors of the Company acknowledge that it is their responsibility for preparing the accounts of the Group.
- A statement by the auditors about their reporting responsibilities is set out in Section 13 “Financial Report (Audited)”.
- During the Year, the Board has conducted a review of the effectiveness of the internal control system of the Group.
- The Company has set up an Audit Committee comprising all the current independent non-executive directors (Wong Chi Hung, Stanley (*Chairman*), Lu Chuang, Liang Shang Shang, Ma Li Hui) and one non-executive director (He Ping) of the Company.
- The terms of reference of the Audit Committee conformed with the recommendations set out in A Guide for Effective Audit Committees issued by the Hong Kong Institute of Certified Public Accountants, which stipulates the following specific functions: (1) to make recommendation on the engagement or change of external auditors; (2) to supervise the internal audit system of the Company and its implementation; (3) to coordinate communication between internal and external audit functions; (4) to review financial information of the Company and its disclosure; (5) to review the internal control system and material connected transactions of the Company; and (6) to exercise other powers delegated by the Board of the Company.
- The principal work of the Audit Committee includes reviewing and supervising the financial reporting procedures and internal control of the Group.
- The Audit Committee holds at least four meetings each year to review the audited annual accounts, unaudited interim accounts and unaudited quarterly accounts. The principal duties of the Audit Committee include reviewing the financial reporting of the Group, auditors' advice on internal control and compliance matters and financial risk management. The Audit Committee has performed the above duties at its meetings during the Year.
- In 2014, the Audit Committee considered and passed the Resolution on Proposal to the Board in relation to the Appointment of Auditor (提議董事會聘任會計師事務所的議案), Resolution on Auditing of the Independence, Objectivity and Effectiveness of Audit Procedures of the External Auditor of the Company (審核公司外聘會計師事務所的獨立客觀性及審計程序有效性的議案), Resolution on Auditing of the Financial Report for the Year of 2013 of the Company (審核公司2013年度財務決算報告的議案), Resolution on Auditing of Related Party Transactions of the Company for the Year of 2013 (審核公司2013年度關聯交易情況的議案), Resolution on Reviewing of the List of Related Parties of the Company for the Year of 2013 (審核公司2013年度關聯人名單的議案), Resolution on Reviewing of the Internal Control Self-evaluation Report of the Company for the year of 2013 (審核公司2013年度內部控制自我評價報告的議案), Resolution on Reviewing of the Audit Report on Internal Control of the Company for the year of 2013 (審核2013年度內部控制審計報告的議案), Resolution on Conclusion of Internal Audit for the Year of 2013 and Internal Audit Plan for the Year of 2014 of the Company (審核公司2013年度內部審計工作總結及2014年度內部審計計劃的議案), Resolution on Reviewing of the Amendments to the Implementation Rules for the Audit Committee under the Board of Directors of Great Wall Motor Company Limited (審核公司修訂的長城汽車股份有限公司董事會審計委員會實施細則的議案), Resolution on Auditing of the First Quarterly Financial Report for the Year of 2014 of the Company (關於審核公司2014年度第一季度財務報告的議案), Resolution on the Election of the Chairman of the Audit Committee (關於選舉主任委員的議案),

Section 11 Corporate Governance Report

Resolution on Auditing of the Independence, Objectivity and Effectiveness of Audit Procedures of the External Auditor of the Company (關於審核公司外聘會計師事務所的獨立客觀性及審閱程序有效性的議案), Resolution on Auditing of the Interim Financial Report for the Year of 2014 of the Company (關於審核公司2014年度中期財務報告的議案), Resolution on Auditing of the changes in the accounting policy of the Company (審核公司會計政策變更的議案), Resolution on Auditing of Related Party Transactions of the Company for the Interim Period of the Year of 2014 (關於審核公司2014年度中期關聯交易情況的議案), Resolution on Auditing of the List of Related Parties of the Company for the Interim Period of the Year of 2014 (關於審核公司2014年度中期關聯人名單), Resolution on Internal Audit Report of the Company for the Interim Period of the Year of 2014 (關於審核公司2014年度中期內部審計工作報告的議案), Resolution on Auditing of the Third Quarterly Financial Report for the Year of 2014 of the Company (關於審核公司2014年度第三季度財務報告的議案) and Audit Plan for 2014 (2014年度審計計劃) at its meetings.

Attendance of committee members in meetings of the Audit Committee in 2014

No. of meetings	6	
Date and Business	20 March 2014 To review the annual financial report for 2013	
	16 April 2014 To review the first quarterly financial report for 2014	
	9 May 2014 To consider the proposal on the election of the chairman of the Audit Committee	
	21 August 2014 To review the interim financial report for 2014	
	22 October 2014 To review the third quarterly financial report for 2014	
	31 December 2014 To review the audit plan for 2014	
No. of attendance/ No. of meeting	Attendance rate	
Wei Lin (resigned on 9 May 2014)	2/6 (Note 1) 100%	
Li Ke Qiang (resigned on 9 May 2014)	2/6 (Note 1) 100%	
He Bao Yin (resigned on 9 May 2014)	2/6 (Note 1) 100%	
Wong Chi Hung, Stanley	6/6 100%	
He Ping (appointed on 9 May 2014)	4/6 (Note 2) 100%	
Lu Chuang (appointed on 9 May 2014)	4/6 (Note 2) 100%	
Liang Shang Shang (appointed on 9 May 2014)	4/6 (Note 2) 100%	
Ma Li Hui (appointed on 9 May 2014)	4/6 (Note 2) 100%	
Average attendance rate	— 100%	

Note 1: Before the resignation of the director, there were two Audit Committee meetings.

Note 2: Since the appointment of the director, there were four Audit Committee meetings.

Section 11 Corporate Governance Report

- The Audit Committee held a meeting on 19 March 2015 and reviewed the annual results announcement, annual report and annual financial statements of the Group for the year ended 31 December 2014.
- The terms of reference of the Audit Committee covered all duties set out in the Corporate Governance Code. During the Year, the Audit Committee recommended to the Board for the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the external auditor of the Company for 2014.
- The Audit Committee reviewed the independence and objectivity as well as the effectiveness of the auditing procedures adopted by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the external auditor of the Company.
- The Audit Committee reviewed the Company's financial report for the year of 2013, the first quarterly financial report for the year of 2014, the interim financial report for the year of 2014, the third quarterly financial report for the year of 2014 and the audit plan for the year of 2014.
- The Audit Committee reviewed the related party transactions of the Company for the year of 2013 and for the interim period of the year of 2014.
- The Audit Committee reviewed the internal control system of the Company and its subsidiaries for the year of 2013.
- The minutes of meetings of the Audit Committee are duly kept by the secretary to the Board. Such minutes of the meetings recorded opinions and suggestions raised by the committee members in details at the meetings. The minutes are filed for record upon signing and confirmation by the committee members.
- All members of the Audit Committee are all the current independent non-executive directors and one non-executive director of the Company
- Ernst & Young Hua Ming and Ernst & Young had been the PRC and international auditors of the Company since the listing of the Company. As the Company could not reach an agreement on the audit fees with its PRC and international auditors — Ernst & Young Hua Ming and Ernst & Young, the Company proposed to change the auditors. Ernst & Young Hua Ming and Ernst & Young resigned as the Company's PRC and international auditors on 9 October 2010 respectively. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Touche Tohmatsu were appointed as the Group's PRC and international auditors respectively for the year ended 31 December 2010 at the extraordinary general meeting of the Company held on 26 November 2010. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. has completed its restructuring in January 2013 and renamed as Deloitte Touche Tohmatsu Certified Public Accountants LLP. Deloitte Touche Tohmatsu Certified Public Accountants LLP was the external auditor of the Company in 2014.

Deviation: NIL

F. Corporate Governance Functions

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

1. to develop and review the Group's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
5. to review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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

Deviation: NIL

G. Company Secretary

Mr. Xu Hui is the secretary to the Board of the Company. In compliance with Rule 3.29 of the Hong Kong Listing Rules, Mr. Xu Hui has taken no less than 15 hours of relevant professional training during the year ended 31 December 2014.

Deviation: NIL

H. Corporate Communications

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

- The Company communicates with shareholders by publishing the latest resolutions of the Board in its annual and interim reports and newspaper announcements. Contact details of secretary to the Board are contained in the "Investor Relations" channel of the Company's website. The Company also responds to queries raised by investors.
- At the general meetings, the chairman of the meeting will raise separate resolutions for each substantially separate issue.
- At the annual general meeting, the chairman of the Board will answer and provide proper explanations to questions raised by shareholders, their proxies and members of the Audit Committee.

Section 11 Corporate Governance Report

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

Deviation: NIL

I. Shareholders' right

- Two or more shareholders holding, singly or jointly, 10% or more of the shares carrying voting rights at the proposed extraordinary general meeting may execute one or more written requisition(s) with the same form and contents, and submit the same with the agenda to the Board for holding an extraordinary general meeting or a class meeting. The Board shall, upon receipt of the written requisition(s), hold an extraordinary general meeting or a class meeting as soon as possible.
- Shareholders can attend the general meeting by the proof of their identities, such as identity cards or other valid identification, and can put forward their proposals at the general meetings.
- Shareholders can make enquiries to the Board and submit their enquiry applications by fax (86-312-2197812).

Deviation: NIL

J. Investor Relations

- During the Year, there were no significant changes in the Articles.

Deviation: NIL

Section 12 Internal Controls

I. INTERNAL CONTROL DISCLAIMER AND ESTABLISHMENT OF INTERNAL CONTROL SYSTEM

The Board has the responsibility to establish a sound and effective internal control system pursuant to the requirements of the Internal Control Standardised System of Enterprises (企業內部控制規範體系), evaluate its effectiveness and disclose the internal control evaluation report. The Company's objectives for its internal controls are to reasonably ensure that the Company's operation and management are in compliance with the applicable laws and regulations, its assets are safe and its financial reports and the relevant information are accurate and complete, with a view to improving its operation efficiency and results and help implement its development strategies. The Company could only ensure that the above objectives were fulfilled in a reasonable manner due to the inherent limitations of internal controls.

As at 31 December 2014, the Company established a comprehensive internal control system pursuant to the requirements of Basic Standards for Internal Controls of Enterprises (《企業內部控制基本規範》) and its supplemental guidelines step by step and according to its plans, details of which are set out as below:

1. Design of internal control structure was completed: a three-layered risk prevention system comprising functional departments, risk control department and internal audit department was established. As such, a comprehensive internal control and management system was established which integrated implementation, decision-making and supervision of internal controls;
2. Internal control and management system was standardized: relevant policies such as the Internal Control and Management System of Great Wall Motor (長城汽車內部控制管理制度) and Self-Assessment System for Internal Control of Great Wall Motor (長城汽車內控自評管理制度) were formulated to standardize various aspects of the Company's internal control and management system, including the design of its internal control and management system, responsibilities and division of labour, basic standardisation and the basic procedures for the implementation of the internal control measures etc.. In addition, a self-assessment mechanism on internal control was established;
3. Internal control and management manual was compiled: the Internal Control Manual (內部控制手冊) contains eight chapters in total, which standardise the general principles, system structure, internal environment, risk evaluation, control activities, information and communication as well as supervision of the overall internal control system of Great Wall Motor. At the same time, the manual also specifies the core procedures for the major value chain of Great Wall Motor;
4. Risk database was set up and improved: the risk database set up currently includes twenty categories such as corporate structure, development strategies and human resources. It also covers risk exposures, risk control targets and major risk control measures of different types of business; and
5. Internal control self-assessment team was established: an internal control self-assessment team was set up through training and self-assessment, which laid down a solid foundation for the development of a sound and comprehensive internal control system in the future.

Has the internal control self-evaluation report be disclosed: Yes

Section 12 Internal Controls

II. RELEVANT MATTERS OF AUDIT REPORT ON INTERNAL CONTROL

For details of the audit report on internal control, please refer to the Audit Report on Internal Control for the Year of 2014 published by the Company on the Shanghai Stock Exchange (this report was also published on the website of the Hong Kong Stock Exchange in the form of overseas regulatory announcement).

Has the audit report on internal control be disclosed: Yes

III. ACCOUNTABILITY RULES FOR MATERIAL ERRORS ON INFORMATION DISCLOSURE IN ANNUAL REPORT AND ITS IMPLEMENTATION

The Company formulated the Accountability Rules for Material Errors on Information Disclosure in Annual Report (年報信息披露重大差錯責任追究制度) on 16 March 2012, which was approved by the 12th meeting of the 4th session of the Board. During the Reporting Period, the reports regularly prepared and published by the Company have complied with the above rules without material errors.

Section 13 Financial Report (Audited)

Auditor's Report



De Shi Bao (Shen) Zi (15) No. P0248

TO THE SHAREHOLDERS OF GREAT WALL MOTOR COMPANY LIMITED:

We have audited 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 31 December 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 year then ended, and the notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements. The responsibilities include: (1) preparing the financial statements and in accordance with Accounting Standards for Business Enterprises to achieve: fair presentation of the financial statements; (2) designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatement whether due to fraud or error.

2. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified public accountants' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Section 13 Financial Report (Audited) Auditor's Report

3. AUDIT OPINION

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2014, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP.

Shanghai China

Chinese Certified Public Accountants

Xu Zhaohui

Zhang Luanqing

20 March 2015

Consolidated Balance Sheet

At 31 December 2014

Item	Note	2014.12.31	2013.12.31 (Restated)	RMB
Current Assets:				
Cash and bank balances	(VI)1	3,394,260,013.36	6,990,516,902.03	
Financial assets at fair value through profit or loss	(VI)2	214,440.00	4,270,117.86	
Bills receivable	(VI)3	23,352,366,377.86	17,548,258,868.49	
Accounts receivable	(VI)4	730,113,031.42	656,312,754.79	
Prepayments	(VI)5	723,332,515.18	446,068,066.03	
Interest receivable	(VI)6	4,897,335.85	—	
Dividends receivable		8,000,000.00	9,000,000.00	
Other receivables	(VI)7	2,896,787,792.18	2,559,193,416.74	
Inventories	(VI)8	3,470,386,550.65	2,763,890,772.66	
Non-current assets due within one year	(VI)9	52,161,068.06	—	
Other current assets	(VI)10	681,225,623.01	48,680,552.46	
Total Current Assets		35,313,744,747.57	31,026,191,451.06	
Non-current Assets:				
Loans and advances to customers	(VI)11	100,508,080.46	—	
Available-for-sale financial assets	(VI)12	7,200,000.00	7,200,000.00	
Long-term equity investments	(VI)13	65,990,244.87	45,983,437.72	
Investment properties	(VI)14	6,344,662.41	6,090,029.75	
Fixed assets	(VI)15	17,273,386,734.44	14,656,928,574.88	
Construction in progress	(VI)16	5,274,343,890.07	3,989,228,085.58	
Intangible assets	(VI)17	2,812,510,619.35	2,442,835,520.11	
Goodwill	(VI)18	2,163,713.00	2,163,713.00	
Long-term prepaid expenses		47,681,001.82	27,678,336.76	
Deferred tax assets	(VI)19	441,378,429.46	400,509,782.43	
Total Non-current Assets		26,031,507,375.88	21,578,617,480.23	
TOTAL ASSETS		61,345,252,123.45	52,604,808,931.29	

Consolidated Balance Sheet

At 31 December 2014

Item	Note	RMB	
		2014.12.31	2013.12.31
Current Liabilities:			
Short-term borrowings	(VII)20	—	182,198,866.04
Bills payable	(VII)21	4,138,158,178.41	4,539,529,276.71
Accounts payable	(VII)22	14,093,151,931.66	10,712,169,742.15
Advances from customers	(VII)23	3,180,045,338.74	2,808,752,768.45
Salaries payable	(VII)24	1,326,601,449.19	1,096,561,764.67
Taxes payable	(VII)25	880,096,384.40	527,274,939.62
Dividends payable		156,709.77	—
Other payables	(VII)26	1,778,299,444.45	2,270,050,353.66
Non-current liabilities due within one year	(VII)27	75,657,544.16	69,258,714.61
Other current liabilities	(VII)28	672,530,061.79	633,678,296.27
Total Current Liabilities		26,144,697,042.57	22,839,474,722.18
Non-current Liabilities:			
Deferred income	(VII)29	1,682,108,979.65	1,757,337,365.71
Total Non-current Liabilities		1,682,108,979.65	1,757,337,365.71
TOTAL LIABILITIES			
SHAREHOLDERS' EQUITY:		27,826,806,022.22	24,596,812,087.89
Share capital	(VII)30	3,042,423,000.00	3,042,423,000.00
Capital reserve	(VII)31	4,453,872,204.02	4,453,872,204.02
Other comprehensive income	(VII)48	(97,592,596.69)	(6,806,391.32)
Surplus reserve	(VII)32	2,429,620,841.78	2,281,860,702.64
Undistributed profits	(VII)33	23,623,537,021.85	18,224,548,503.39
Total Equity Attributable to Shareholders of the Company		33,451,860,470.96	27,995,898,018.73
Minority Interests		66,585,630.27	12,098,824.67
TOTAL SHAREHOLDERS' EQUITY		33,518,446,101.23	28,007,996,843.40
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		61,345,252,123.45	52,604,808,931.29

The notes form an integral part of the financial statements.

The financial statements as set out from pages 115 to 263 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 31 December 2014

Item	Note	2014.12.31	2013.12.31 (Restated)	RMB
Current Assets:				
Cash and bank balances	(XIV)1	978,394,101.12	4,425,463,785.80	
Financial assets at fair value through profit or loss		214,440.00	4,270,117.86	
Bills receivable	(XIV)2	19,639,242,895.83	14,337,820,267.66	
Accounts receivable	(XIV)3	798,347,333.80	1,210,243,691.10	
Prepayments		654,724,897.26	355,414,183.55	
Dividends receivable		292,327,049.84	222,493,374.21	
Other receivables	(XIV)4	2,898,608,092.49	2,586,105,480.32	
Inventories	(XIV)5	2,027,546,852.97	1,488,948,848.57	
Other current assets		659,223,478.97	30,563,909.75	
Total Current Assets		27,948,629,142.28	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	(XIV)6	4,940,191,440.46	3,782,303,102.60	
Investment properties		6,344,662.41	6,090,029.75	
Fixed assets	(XIV)7	14,329,877,913.45	12,157,005,529.91	
Construction in progress	(XIV)8	5,033,940,379.62	3,467,386,262.53	
Intangible assets	(XIV)9	2,492,077,530.55	2,131,246,706.84	
Long-term prepaid expenses		40,439,948.41	22,921,879.05	
Deferred tax assets		139,981,277.28	137,218,267.16	
Other Non-current assets		5,000,000.00	504,500,000.00	
Total Non-current Assets		26,995,053,152.18	22,215,871,777.84	
TOTAL ASSETS		54,943,682,294.46	46,877,195,436.66	

Balance Sheet of the Company

At 31 December 2014

Item	Note	RMB	
		2014.12.31	2013.12.31
Current Liabilities:			
Short-term borrowings	(XIV)10	—	182,198,866.04
Bills payable	(XIV)11	2,228,314,043.46	2,572,362,386.32
Accounts payable	(XIV)12	15,007,767,900.38	11,264,678,930.50
Advances from customers	(XIV)13	2,221,451,257.04	2,577,913,596.80
Salaries payable		927,082,210.16	726,834,849.74
Taxes payable		595,505,852.74	331,007,738.77
Other payables		1,241,662,471.57	1,754,578,867.16
Non-current liabilities due within one year	(XIV)14	55,107,664.84	50,774,818.07
Other current liabilities		253,641,021.61	253,441,728.22
Total Current Liabilities		22,530,532,421.80	19,713,791,781.62
Non-current Liabilities:			
Deferred income	(XIV)14	1,409,252,820.71	1,463,426,668.29
Total Non-current Liabilities		1,409,252,820.71	1,463,426,668.29
TOTAL LIABILITIES			
SHAREHOLDERS' EQUITY:		23,939,785,242.51	21,177,218,449.91
Share capital		3,042,423,000.00	3,042,423,000.00
Capital reserve	(XIV)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	(XIV)16	21,934,165,795.67	16,630,245,730.47
TOTAL SHAREHOLDERS' EQUITY		31,003,897,051.95	25,699,976,986.75
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		54,943,682,294.46	46,877,195,436.66

Consolidated Income Statement

For the year ended 31 December 2014

Item	Note	2014	RMB 2013
I. Total operating revenue		62,599,104,189.86	56,784,314,344.30
Including: Operating revenue	(VI)34	62,590,772,604.67	56,784,314,344.30
Interest income	(VI)35	8,330,509.02	—
Fee and commission income		1,076.17	—
Less: Total operating costs		53,383,205,956.11	47,168,072,151.97
Including: Operating costs	(VI)34	45,251,761,068.39	40,537,994,662.12
Business tax and surcharges	(VI)36	2,281,607,010.79	2,057,031,661.39
Selling expenses	(VI)37	2,084,755,133.80	1,895,262,609.80
Administrative expenses	(VI)38	3,822,341,956.08	2,747,417,124.13
Financial expenses	(VI)39	(129,380,918.13)	(83,849,943.15)
Impairment loss on assets	(VI)40	72,121,705.18	14,216,037.68
Add: Gains or losses from changes in fair value	(VI)41	(4,055,677.86)	(7,381,189.40)
Investment income	(VI)42	31,838,477.00	59,176,309.97
Including: share of profit of associates and jointly controlled entities		20,006,807.15	11,341,964.57
II. Operating profit		9,243,681,032.89	9,668,037,312.90
Add: Non-operating income	(VI)43	440,573,966.71	278,837,501.43
Including: Gains from disposal of non-current assets		1,475,506.96	2,458,346.61
Less: Non-operating expenses	(VI)44	44,179,371.20	27,153,032.94
Including: Losses from disposal of non-current assets		23,882,139.56	14,282,657.51
III. Total profit		9,640,075,628.40	9,919,721,781.39
Less: Income tax expenses	(VI)45	1,598,879,183.23	1,687,590,073.78
IV. Net profit		8,041,196,445.17	8,232,131,707.61
Net profit attributable to shareholders of the Company		8,041,535,517.60	8,223,648,390.71
Profit or loss attributable to minority interests		(339,072.43)	8,483,316.90
V. Net other comprehensive income after taxes		(90,786,205.37)	(576,149.58)
Net other comprehensive income attributable to shareholders of the Company after taxes		(90,786,205.37)	(576,149.58)
Items that may be reclassified subsequently to profit or loss satisfying prescribed conditions		(90,786,205.37)	(576,149.58)
Foreign currency translation differences	(VI)48	(90,786,205.37)	(576,149.58)
Net other comprehensive income attributable to minority interests after taxes		—	—
VI. Total comprehensive income:		7,950,410,239.80	8,231,555,558.03
Total comprehensive income attributable to shareholders of the Company		7,950,749,312.23	8,223,072,241.13
Total comprehensive income attributable to minority interests		(339,072.43)	8,483,316.90
VII. Earnings per share:			
(I) Basic earnings per share	(VI)47	2.64	2.70
(II) Diluted earnings per share	(VI)47	N/A	N/A

Income Statement of the Company

For the year ended 31 December 2014

Item	Note	2014	RMB 2013
I. Total operating revenue			
Less: Operating costs	(XIV)17	60,344,804,322.22	54,153,807,656.59
Business tax and surcharges	(XIV)18	47,398,410,589.40	42,173,907,356.10
Selling expenses		2,188,293,086.37	1,957,688,953.50
Administrative expenses	(XIV)19	683,365,237.52	602,320,674.85
Financial expenses		3,327,052,625.99	2,290,284,390.76
Impairment loss on assets		(25,828,609.38)	(54,973,516.30)
Add: Gains or losses from changes in fair value		71,356,231.73	18,399,832.25
Investment income	(XIV)20	(4,055,677.86)	(7,381,189.40)
Including: share of profit of associates and jointly controlled entities		1,780,917,786.69	1,576,362,392.85
		10,179,237.86	5,729,436.37
II. Operating profit		8,479,017,269.42	8,735,161,168.88
Add: Non-operating income		296,625,396.22	170,532,082.87
Including: Gains from disposal of non-current assets		575,519.62	338,054.29
Less: Non-operating expenses		36,192,625.71	18,363,271.57
Including: Losses from disposal of non-current assets		20,630,324.02	11,613,675.70
III. Total profit		8,739,450,039.93	8,887,329,980.18
Less: Income tax expenses	(XIV)21	940,743,114.73	1,044,179,836.20
IV. Net profit		7,798,706,925.20	7,843,150,143.98
V. Net other comprehensive income after taxes		—	—
VI. Total comprehensive income:		7,798,706,925.20	7,843,150,143.98
VII. Earnings per share:			
(I) Basic earnings per share		2.56	2.58
(II) Diluted earnings per share		N/A	N/A

Consolidated Cash Flow Statement

For the year ended 31 December 2014

Item	Note	2014	RMB 2013
I. Cash Flows from Operating Activities:			
Cash received from selling goods and rendering services		67,140,609,584.17	60,273,725,651.38
Cash received from interest, fee and commission		3,434,249.34	—
Tax rebate received		86,923,357.65	46,713,013.99
Other cash received relating to operating activities	(VI)49(1)	436,793,263.96	267,332,152.84
Sub-total of cash inflow from operating activities		67,667,760,455.12	60,587,770,818.21
Cash paid for purchasing goods and receiving services		46,649,510,438.82	39,055,225,655.15
Cash paid for net increase in customers' loans and advances		154,976,741.66	—
Cash payments to and on behalf of employees		5,218,117,953.75	4,136,962,068.85
Taxes and surcharges paid		6,546,983,454.68	5,722,713,604.37
Other cash paid relating to operating activities	(VI)49(2)	3,002,387,458.81	2,633,826,092.28
Sub-total of cash outflow from operating activities		61,571,976,047.72	51,548,727,420.65
Net Cash Flows from Operating Activities	(VI)50(1)	6,095,784,407.40	9,039,043,397.56
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		2,895,000,000.00	12,355,000,000.00
Cash received from return on investments		12,831,669.85	43,142,197.55
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,030,811.01	75,787,262.61
Net cash received from disposal of subsidiaries and other business entities	(VI)50(2)	—	95,223,076.17
Other cash received relating to investing activities	(VI)49(3)	12,000,000.00	222,779,482.00
Sub-total of cash inflow from investing activities		2,925,862,480.46	12,791,932,018.33
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		7,228,946,659.46	7,133,285,309.51
Cash paid for investment in available-for-sale financial assets		2,895,000,000.00	12,355,000,000.00
Other cash paid relating to investing activities		11,868,540.00	—
Sub-total of cash outflow from investing activities		10,135,815,199.46	19,488,285,309.51
Net Cash Flow from Investing Activities		(7,209,952,718.60)	(6,696,353,291.18)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		764,370,545.56	182,198,866.04
Cash received from investors		55,000,000.00	—
Other cash received relating to financing activities	(VI)49(4)	1,155,146,048.96	—
Sub-total of cash inflow from financing activities		1,974,516,594.52	182,198,866.04
Cash paid for repayment of borrowings		777,889,002.79	—
Cash paid for dividends, profits distribution or interest repayment		2,505,784,681.68	1,830,582,483.77
Including: Dividend and profit paid by subsidiaries to minority shareholders		17,412.20	101,929,026.99
Other cash paid relating to financing activities	(VI)49(5)	—	756,334,596.94
Sub-total of cash outflow from financing activities		3,283,673,684.47	2,586,917,080.71
Net Cash Flow from Financing Activities		(1,309,157,089.95)	(2,404,718,214.67)

Consolidated Cash Flow Statement

For the year ended 31 December 2014

Item	Note	RMB	
		2014	2013
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(17,785,438.56)	(10,864,671.55)
V. Net Increase in Cash and Cash Equivalents		(2,441,110,839.71)	(72,892,779.84)
Add: Balance of cash and cash equivalents at the beginning of the year	(VI)50(3)	5,522,642,764.49	5,595,535,544.33
VI. Balance of cash and cash equivalents at the end of the year	(VI)50(3)	3,081,531,924.78	5,522,642,764.49

Cash Flow Statement of the Company

For the year ended 31 December 2014

Item	Notes	2014	RMB 2013
I. Cash Flows from Operating Activities:			
Cash received from selling goods and rendering services		63,511,928,917.99	57,705,802,541.00
Tax rebate received		36,410,577.62	25,216,998.21
Other cash received relating to operating activities		307,268,811.88	173,893,198.09
Sub-total of cash inflow from operating activities		63,855,608,307.49	57,904,912,737.30
Cash paid for purchasing goods and receiving services		48,883,871,775.99	42,063,643,692.35
Cash paid to and on behalf of employees		3,671,386,713.96	2,729,756,117.42
Taxes and surcharges paid		4,999,448,731.74	4,351,551,373.41
Other cash paid relating to operating activities		1,656,490,870.30	1,447,126,843.45
Sub-total of cash outflow from operating activities		59,211,198,091.99	50,592,078,026.63
Net Cash Flows from Operating Activities	(XIV)22(1)	4,644,410,215.50	7,312,834,710.67
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		1,208,000,000.00	9,810,000,000.00
Cash received from return on investments		1,700,904,873.20	1,261,363,673.09
Cash received from business combination by merger		—	128,239,057.75
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		16,199,506.18	67,856,116.05
Net cash received from disposal of subsidiaries and other business entities		—	98,450,000.00
Other cash receipts relating to investing activities		12,000,000.00	201,300,000.00
Sub-total of cash inflow from investing activities		2,937,104,379.38	11,567,208,846.89
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		6,636,303,857.59	6,203,744,534.41
Cash paid for investment in-available-for-sale financial assets		1,208,000,000.00	9,810,000,000.00
Net cash paid for acquisition of subsidiaries and other business entities		165,000,000.00	—
Cash paid for equity investment		483,209,100.00	741,563,339.18
Cash paid for other investments		11,868,540.00	—
Sub-total of cash outflow from investing activities		8,504,381,497.59	16,755,307,873.59
Net Cash Flow from Investing Activities		(5,567,277,118.21)	(5,188,099,026.70)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		764,370,545.56	182,198,866.04
Other cash received relating to financing activities		298,832,727.77	—
Sub-total of cash inflow from financing activities		1,063,203,273.33	182,198,866.04
Cash paid for repayment of borrowings		777,889,002.79	—
Cash paid for dividends, profits distribution or interest repayment		2,505,767,269.48	1,728,653,456.78
Other cash paid relating to financing activities		—	94,517,742.68
Sub-total of cash outflow from financing activities		3,283,656,272.27	1,823,171,199.46
Net Cash Flow from Financing Activities		(2,220,452,998.94)	(1,640,972,333.42)

Cash Flow Statement of the Company

For the year ended 31 December 2014

Item	Notes	RMB	
		2014	2013
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(4,917,055.26)	(10,822,575.74)
V. Net Increase in Cash and Cash Equivalents		(3,148,236,956.91)	472,940,774.81
Add: Balance of cash and cash equivalents at the beginning of the year	(XIV)22(2)	4,074,446,337.47	3,601,505,562.66
VI. Balance of cash and cash equivalents at the end of the year	(XVI)22(2)	926,209,380.56	4,074,446,337.47

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2014

Item	2014							RMB	
	Attributable to shareholders of the Company								
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Minority interests		
I. Balance at the beginning of the year	3,042,423,000.00	4,453,872,204.02	(6,806,391.32)	2,281,860,702.64	—	18,224,548,503.39	12,098,824.67	28,007,996,843.40	
II. Changes in the current year	—	—	(90,786,205.37)	147,760,139.14	—	5,398,988,518.46	54,486,805.60	5,510,449,257.83	
(I) Net profit	—	—	(90,786,205.37)	—	—	8,041,535,517.60	(339,072.43)	7,950,410,239.80	
(II) 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	—	—	—	—	—	—	—	—	
(III) Profit distribution	—	—	—	147,760,139.14	—	(2,642,546,999.14)	(174,121.97)	(2,494,960,981.97)	
1. Transfer to statutory reserve	—	—	—	137,164,401.18	—	(137,164,401.18)	—	—	
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	—	
3. Transfer to venture expansion fund	—	—	—	—	—	—	—	—	
4. Transfer to reserve fund	—	—	—	10,595,737.96	—	(10,595,737.96)	—	—	
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	—	—	—	—	—	—	—	—	
(IV) Transfer of shareholders' equity	—	—	—	—	—	—	—	—	
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—	
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—	
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—	
4. Others (VI. 30)	—	—	—	—	—	—	—	—	
(V) Others	—	—	—	—	—	—	—	—	
III. Balance at the end of the current year	3,042,423,000.00	4,453,872,204.02	(97,592,596.69)	2,429,620,841.78	—	23,623,537,021.85	66,585,630.27	33,518,446,101.23	

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2014

RMB

Item	Attributable to shareholders of the Company							Total equity	
	Share capital	Capital reserve	Other comprehensive income			General reserve	Undistributed profits	Minority interests	
			Surplus reserve	General reserve	Other comprehensive income				
I. Balance at the beginning of the year	3,042,423,000.00	4,461,109,309.25	(6,230,241.74)	2,217,932,376.40	—	11,799,009,548.92	129,125,415.53	21,643,369,408.36	
II. Changes in the current year	—	(7,237,105.23)	(576,149.58)	63,928,326.24	—	6,425,538,954.47	(117,026,590.86)	6,364,827,435.04	
(I) Total comprehensive income	—	—	(576,149.58)	—	—	8,223,648,390.71	8,483,316.90	8,231,555,558.03	
(II) Shareholders' capital injection and capital reduction	—	(6,325,819.23)	—	—	—	—	(23,580,880.77)	(29,906,700.00)	
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	
2. Acquisition of subsidiaries	—	—	—	—	—	—	—	—	
3. Acquisition of minority interests of subsidiaries (Note 1)	—	(6,325,819.23)	—	—	—	—	(23,580,880.77)	(29,906,700.00)	
(III) Profit distribution	—	—	—	172,845,360.75	—	(1,907,026,470.75)	(101,929,026.99)	(1,836,110,136.99)	
1. Transfer to statutory reserve	—	—	—	156,230,218.21	—	(156,230,218.21)	—	—	
2. Transfer to discretionary reserve	—	—	—	—	—	—	—	—	
3. Transfer to venture expansion fund	—	—	—	—	—	—	—	—	
4. Transfer to reserve fund	—	—	—	16,615,142.54	—	(16,615,142.54)	—	—	
5. Distributions to shareholders	—	—	—	—	—	(1,734,181,110.00)	(101,929,026.99)	(1,836,110,136.99)	
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—	—	
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—	—	
(IV) Transfer of shareholders' equity	—	—	—	(108,917,034.51)	—	108,917,034.51	—	—	
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—	
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—	
3. Surplus reserve making up of losses	—	—	—	—	—	—	—	—	
4. Others (VI. 30)	—	(911,286.00)	—	—	—	108,917,034.51	—	—	
(V) Others	—	(911,286.00)	—	—	—	—	—	(911,286.00)	
III. Balance at the end of the current year	3,042,423,000.00	4,453,872,204.02	(6,806,391.32)	2,281,860,702.64	—	18,224,548,503.39	12,098,824.67	28,007,996,843.40	

Note 1: In October 2013, the Company and Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development"), a subsidiary of the company, acquired 24% and 25% shares of Macs (Baoding) Auto A/C System Company Limited (麥克斯(保定)汽車空調系統有限公司), which is a subsidiary of the company, from Automart Holdings Limited (奧拓瑪控股有限公司) ("Automart") at considerations of RMB14.65 million and RMB15.26 million, respectively. The difference between the attributable carrying amount of net assets of the subsidiary, which was calculated at the proportion of additional shareholding, and the consideration was RMB6,325,819.23 and was directly debited to the capital reserves.

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2014

RMB

Item	2014				Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	
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 current year	—	—	—	5,303,920,065.20	5,303,920,065.20
(I) Net profit	—	—	—	7,798,706,925.20	7,798,706,925.20
(II) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) 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	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital surplus to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(V) Special reserve	—	—	—	—	—
1. Extraction in the year	—	—	—	—	—
2. Use in the year	—	—	—	—	—
III. Balance at the end of the year	3,042,423,000.00	4,506,077,023.11	1,521,231,233.17	21,934,165,795.67	31,003,897,051.95

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2014

Item	Share capital	Capital reserve	Surplus reserve	2013	
				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 current year	—	—	40,343,220.93	6,068,625,813.05	6,108,969,033.98
(I) Net profit	—	—	—	7,843,150,143.98	7,843,150,143.98
(II) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(III) Profit distribution	—	—	40,343,220.93	(1,774,524,330.93)	(1,734,181,110.00)
1. Transfer to surplus	—	—	40,343,220.93	(40,343,220.93)	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(1,734,181,110.00)	(1,734,181,110.00)
4. Others	—	—	—	—	—
(IV) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital surplus to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserve making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(V) Special reserve	—	—	—	—	—
1. Extraction in the year	—	—	—	—	—
2. Use in the year	—	—	—	—	—
III. Balance at the end 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

Notes to the Financial Statements

For the year ended 31 December 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). On 28 May 2003, upon the approval by Hebei Administration for Industry and Commerce (河北省工商行政管理局), Baoding Great Wall Motor Company Limited was renamed Great Wall Motor Company Limited.

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

The company's and consolidated financial statements have been approved by the Board of Directors on March 20, 2015.

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has applied the "Accounting Standards for Business Enterprises ("ASBE")" (including the newly issued and revised ASBE in 2014) and guidelines, interpretations and other related provisions promulgated by the Ministry of Finance ("MOF") for the preparation of the financial statements of the Group. In addition, the Group also discloses relevant financial information according to the requirements of Rules on Compiling the Information Disclosure of the Company that Issue Stocks Publicly No.15-General Provision on Financial Report revised in 2014 by China's Securities Regulatory Commission, the Companies Ordinance of Hong Kong and the Listing Rules of The Stock Exchange of Hong Kong Limited.

Basis of preparation and principle of measurement

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

Notes to the Financial Statements

For the year ended 31 December 2014

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

Basis of preparation and principle of measurement (continued)

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

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

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.

Going concern

The Group has evaluated its ability of going concern for the next 12 month since 31 December 2014. There is no indication of major events that may affect its ability of going concern. Thus, the financial statements have been prepared under the assumption of going concern.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

The financial statements have been prepared in compliance with the Accounting Standard for Business Enterprises to truly and completely reflect the consolidated financial position of the Company as at 31 December 2014 and its consolidated operating results and consolidated cash flows in 2014.

2. Financial year

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

3. Operating cycle

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

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.

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

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

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

5.1 Business combinations involving enterprises under common control

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

For the business combinations involving enterprises not under common control, the combination costs shall be the fair value of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for the control over the acquiree on the acquisition date. The overhead for the business combination of the combining party, including the expenses for audit, legal services, assessment, and other administrative expenses, shall be recorded in profit or loss for the current 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:

- (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. Cost of acquisition is the sum of consideration at acquisition date and the fair value stated above. If there is other comprehensive income from the equity interest held in the acquiree prior to the acquisition date, the comprehensive income shall be stated as the current investment income incurred on the acquisition date.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

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

6. Basis for preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control is achieved when the 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. Once the relevant facts and situation changed that altered the elements define control, the Group shall re-evaluate control.

The date of acquisition and disposal shall be the day on which the Group obtains or loses the controlling right over its subsidiaries. For the subsidiaries being disposed, their operating results and cash flow prior to the disposal have already been properly included in the consolidated income statement and the consolidated cash flow statement. Subsidiaries that are disposed in the current period do not require any adjustment on the opening balance of the period of the consolidated balance sheet. For subsidiaries 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.

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

7. Joint arrangements

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

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

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

9.1 ***Transactions denominated in foreign currencies*** (continued)

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 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; 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.

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.

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

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments

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

10.1 Effective interest method

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

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

10.2 Classification, recognition and measurement of the financial assets

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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

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.

10.2.2 Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including cash and cash equivalent, bills receivable, accounts receivable, dividend receivable, loans and advances to customers 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.

10.2.3 Available-for-sale financial assets

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

Available-for-sale financial assets are 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.

Interests received and declared cash dividend by investee during the holding period of available-for-sale financial assets accounted to investment income.

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

10.2.3 Available-for-sale financial assets (continued)

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.

10.3 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 rulers 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.3 Impairment of financial assets (continued)

10.3.1 Impairment of financial assets measured at amortized cost

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.

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

10.3.2 Impairment of 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 cannot be reversed once recognized.

10.4 Transfer of financial asset

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

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.4 Transfer of financial asset (continued)

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.

10.5 Classification and measurement of financial liabilities

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

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.

10.6 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.

10.7 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 twelve months.

10.8 Equity instruments

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.8 **Equity instruments** (continued)

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

11. Receivables

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

Recognition criteria of receivables that are individually significant

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

Provision method for bad debts of receivables that are individually significant

The Group conducts impairment test for receivables that are individually significant, and tests 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.

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Receivables (continued)

11.2 (continued)

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.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventory (continued)

12.3 Recognition of net realizable value of inventory (continued)

or purposes and cannot be practicable 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.

13. Long-term equity investments

13.1 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,

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

13.1 Recognition of having joint control or significant influence over the investee (continued)

potential voting right factors (such as the convertible corporate bonds for the period and the exercisable stock warrants for the period of the investee and other invested units held) were taken into account.

13.2 Determination of initial investment cost

For a business combination involving enterprises under common control, if the consideration of the combination is satisfied by cash, transfer of non-cash assets or assumption of liabilities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners' equity of the party being absorbed in the financial statements of the ultimate controlling party at the date of combination. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

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

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

13.3 Method for subsequent measurement and profit or loss recognition

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

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

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

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

The 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 year. Where the investee is making profits in subsequent periods, the Group shall resume recognizing its share of profits after offsetting against the share of unrecognized losses.

13.3.3 Disposal of long-term equity investments

On disposal of a long-term investment, the difference between the carrying amount of the investment and the actual consideration paid is recognized in current profit or loss. 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. For a long-term equity investments accounted for using the equity method, when dispose of the investment, same basis shall be adopted as if the investee is dispose relevant assets or liabilities, other comprehensive income shall be accounted for on a pro-rata basis according to the proportion of disposed investment.

Notes to the Financial Statements

For the year ended 31 December 2014

III. 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.

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.

III. 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 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. 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.

The Group shall reassess the change in the useful life or estimated net residual value of a fixed asset or the depreciation method used at the year end. Change shall be accounted for as a change in accounting estimate.

16. Construction in progress

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

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Borrowing costs

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

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

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

18. Intangible assets

18.1 Intangible assets

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

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

Land use 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

18.1 Intangible assets (continued)

When an intangible asset with a finite useful life is available for use, its original cost less estimated net residual value and any accumulated impairment losses provided is amortized over its estimated useful life using the straight-line method. The 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 twelve 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.

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;

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For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

18.2 Research and development expenditure (continued)

- (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.

19. Impairment of non-current assets

The Group assesses at each balance sheet date whether there is any indication that any long term investments, investment properties measured at cost, fixed assets, construction in progress and intangible assets with a finite useful life may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. Intangible assets with indefinite useful life and have not reached the usable condition should be tested for impairment annually, regardless of whether there is any indication of impairment.

The recoverable amount should be estimated of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. 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. 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.

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.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Impairment of non-current assets (continued)

impairment loss is first written-down and allocated to the carrying amount of the goodwill of that asset group or portfolio of asset group, and is then written down to the carrying value of all other types of assets proportionally according to the weighting of the carrying value of all other types of assets other than goodwill within asset group or portfolio of asset group.

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

20. Long-term deferred expenses

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

21. Employee benefits

21.1 Short-term employee benefits

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

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

21.2 Post-employment benefits

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

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

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. 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.

23. Revenue

23.1 Revenue from sales of goods

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

23.2 Revenue from provision of services

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Revenue (continued)

23.3 Interest income

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

24. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. 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 year 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.

25. Income tax

25.1 Current income tax

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

Notes to the Financial Statements

For the year ended 31 December 2014

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Income tax (continued)

25.2 **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.

The Group recognizes deferred tax liabilities arising from the temporary difference on tax payable related to investment in subsidiaries, associates 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, associates 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 year 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Income tax (continued)

25.3 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.

25.4 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.

26. Operating lease

26.1 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.

26.2 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 twelve months in which it is incurred.

Notes to the Financial Statements

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Main changes of accounting policies

Content and reasons for the change in accounting policies	Approval procedures
<p>The Group 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 of 2013.</p>	<p>The changes in accounting policies have been approved by the third meeting of the Fifth Board of Directors.</p>
<p>Since January 2014, the Group has adopted ASBE 2 Long-term Equity Investment (revised) issued by MoF in March 2014.</p>	
<p>Since July 2014, the Group has adopted ASBE 41 Disclosure of Interests in Other Entities, issued by MoF in July 2014, and adopted ASBE 37 – Financial Instruments revised by MoF in 2014 in the financial statements of 2014. The financial statements disclosed information according the above standard and adjusted relevant notes disclosed in the comparative financial statements.</p>	
<p>Effects of changes in accounting policies are as follow:</p>	
<p>Long-term equity investment</p> <p>According to ASBE 2 Long-term Equity Investment (revised) in relation to the change of the scope of accounts, the Group classified equity investments 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 to long-term equity investment and measured at cost method.</p> <p>After ASBE 2 Long-term Equity Investment (revised) in relation to the change of the scope of accounts, the Group classified equity 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. The Group has modified the above accounting policies retrospectively, for details of the influence of such modification, refer to supplemental information.</p>	

For events related to the above changes in accounting policies, the Group has adjusted the opening figure of the current period or the comparative figure of last year under retrospective adjustment method and restated the comparable financial statement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Main changes of accounting policies (continued)

The impacts to the Group on assets and shareholders' equity from January 1, 2013 to December 31, 2013 of changes in accounting policies described above are as follow:

	2013.12.31	Long-term equity investment	RMB 2013.12.31 (Restated)
Available-for-sale financial assets	—	7,200,000.00	7,200,000.00
Long-term equity investment	53,183,437.72	(7,200,000.00)	45,983,437.72
Total amount affected shareholders' equity	—	—	—

	2013.1.1	Long-term equity investment	RMB 2013.1.1 (Restated)
Available-for-sale financial assets	—	7,200,000.00	7,200,000.00
Long-term equity investment	41,841,473.15	(7,200,000.00)	34,641,473.15
Total amount affected shareholders' equity	—	—	—

The impacts to the Company on assets and shareholders' equity from January 1, 2013 to December 31, 2013 of changes in accounting policies described above are as follow:

	2013.12.31	Long-term equity investment	RMB 2013.12.31 (Restated)
Available-for-sale financial assets	—	7,200,000.00	7,200,000.00
Long-term equity investment	3,789,503,102.60	(7,200,000.00)	3,782,303,102.60
Total amount affected shareholders' equity	—	—	—

	2013.1.1	Long-term equity investment	RMB 2013.1.1 (Restated)
Available-for-sale financial assets	—	7,200,000.00	7,200,000.00
Long-term equity investment	3,763,903,285.10	(7,200,000.00)	3,756,703,285.10
Total amount affected shareholders' equity	—	—	—

Notes to the Financial Statements

For the year ended 31 December 2014

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

In the application of the Group's accounting policies, which are described in Note 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 debts

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.

IV. 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)

Impairment 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. When calculating the net amount after deducting the disposal expenses from the fair value, the prices used in arms-length transactions between voluntarily transacting parties who are familiar with the conditions as at the date of the balance sheet will be adopted. 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.

Recognition of deferred tax assets

As at 31 December 2014, the Group recognized deferred tax assets at RMB441,378,429.46 (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 year in which the reversal is incurred. If the actual earnings accrued in the future is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized in the consolidated income statement in the year in which they are incurred.

Fees for after-sale services

Generally, the Group provides one, two or multiple free maintenance services to its domestic customers and provides a warranty period to their domestic customers for a certain period since the date of purchase, during which period free repairs and maintenance services are provided. The Group makes provisions for after-sale services annually according to the sales volumes of vehicles and history of repairs and maintenances. As at 31 December 2014, provisions for after-sale services amounted to RMB549,701,518.61 (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 twelve 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.

Notes to the Financial Statements

For the year ended 31 December 2014

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

Note 1: Saved from the tax incentives set out in Note V 2, the applicable tax rates of the relevant companies of the Group in 2013 and 2014 are listed on the above table.

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 Manufacturing Company Limited ("Baoding Nuobo") (保定市諾博橡膠製品有限公司), Baoding Great Machinery Company Limited ("Baoding Great") (保定市格瑞機械有限公司), Baoding Yixin Automotive Parts Company Limited ("Baoding Yixin") (保定億新汽車配件有限公司), Baoding Xinyuan Automobile Inner Decoration Co.,Ltd ("Baoding Xinyuan") (保定信遠汽車內飾件有限公司) Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited ("Great Wall Internal Combustion Engine") (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.

V. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.2 Income tax exemption for new and high-tech enterprise

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 approved and 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%.

2.1.3 Income tax credit for small-scaled minimal profit enterprise

Pursuant to the Circular on Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Small-Scaled Minimal Profit Enterprise (關於小型微利企業所得稅優惠政策有關問題的通知) (Caishui [2014] No. 34) issued by the Ministry of Finance and the State Administration of Taxation, Baoding Lean Automotive Occupational Training School (保定市精益汽車職業培訓學校) ("Lean School") and Baoding Qinchuang Property Services Company Limited (保定市勤創物業服務有限公司) ("Qinchuang Property"), which are subsidiaries of the Company, satisfied all conditions as prescribed of in the Circular above for Small-Scaled Minimal Profit Enterprise with annual taxable income less than RMB100,000 (include RMB100,000) between January 1, 2014 to December 31, 2016, the taxable income is reduced to 50% of its total income, and the applicable enterprise income tax rate is 20%.

2.2 Value-added tax incentives

According to the requirements under the Notice Regarding Taxation Concessionary Policies on Fostering Employment of Disabled People" ([2007] 92號文《關於促進殘疾人就業稅收優惠政策的通知》) ("Cai Shui [2007] No. 92) issued by the Ministry of Finance and State Administration of Taxation, Baoding Nuobo, Baoding Great and Baoding Yixin all of which are subsidiaries of the Company, were entitled to immediate refund of value-added tax based on the number of disabled staff employed upon approval by competent authorities as their 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 year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2014.12.31	RMB 2013.12.31
Cash:		
RMB	1,001,148.28	1,195,745.91
USD	154,438.18	76,910.14
HKD	13,232.03	14,327.78
EUR	32,902.46	104,170.75
JPY	24,917.40	6,637.95
KRW	40.24	40.81
GBP	98,464.93	163,768.22
RUB	391.18	656.07
THB	24.53	24.82
AUD	45,216.61	4,854.84
SGD	1,438.28	1,507.93
Bank deposits:		
RMB	2,794,671,236.18	5,369,576,334.49
USD	196,522,890.95	148,978,111.65
HKD	4.87	4.85
EUR	72,616,033.12	2,452,045.37
JPY	0.05	—
RUB	866,827.35	67,621.77
GBP	4.68	—
AUD	15,463,077.39	1.14
CHF	19,636.07	—
Other cash and bank balances:		
RMB	289,843,443.76	1,398,456,529.54
USD	7,497,821.68	8,965,442.98
HKD	—	57,400,157.35
EUR	15,386,823.14	3,052,007.67
Total	3,394,260,013.36	6,990,516,902.03
Include: overseas cash and bank deposits	188,498,363.55	119,614,768.63

As at 31 December 2014, the Group had restricted cash and bank balances of RMB312,728,088.58, in which guarantee on bank acceptance bills amounted to RMB188,581,950.96, guarantee on letter of credit amounted to RMB113,536,137.62, deposited investment fund RMB5,000,000.00 and other guarantees amounted to RMB5,610,000.00.

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 verification accounts for setting up subsidiaries amounted to RMB504,500,000.00 and other guarantees amounted to RMB3,240,000.00.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Financial assets at fair value through profit or loss

Category	31/12/2014	RMB 31/12/2013
Derivative financial assets — Forward exchange contracts	214,440.00	4,270,117.86
Total	214,440.00	4,270,117.86

3. Bills receivable

(1) Classification of bills receivable:

Category	31/12/2014	RMB 31/12/2013
Bank acceptance bills	23,352,366,377.86	17,548,258,868.49
Total	23,352,366,377.86	17,548,258,868.49

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

Category	31/12/2014	RMB 31/12/2013
Bank acceptance bills	3,805,371,907.60	4,241,268,867.12
Total	3,805,371,907.60	4,241,268,867.12

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

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

Category	31/12/2014	RMB 31/12/2013
Bank acceptance bills	9,909,310,303.90	9,349,329,601.75
Total	9,909,310,303.90	9,349,329,601.75

As above, those bills which were endorsed but yet undue have been terminated.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable

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

Category	31/12/2014						31/12/2013					
	Carrying amount		Provision for bad debts			Book value	Carrying amount		Provision for bad debts			Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value		Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	
Individually significant and subject to separate provision	681,297,957.92	88.98	(26,133,575.13)	3.84	655,164,382.79	582,523,983.81	87.92	(231,915.55)	0.04	582,292,068.26		
Accounts receivable with high risks based on the characteristics of credit risk as a group	82,321,497.69	10.75	(7,975,478.59)	9.69	74,363,019.10	80,039,700.96	12.08	(6,019,014.43)	7.52	74,020,686.53		
Accounts receivable which are individually insignificant but subject to separate provision	2,054,226.92	0.27	(1,451,597.39)	70.66	602,629.53	—	—	—	—	—	—	
Total	765,673,682.53	100.00	(35,560,651.11)	4.64	730,113,031.42	662,563,684.77	100.00	(6,250,929.98)	0.94	656,312,754.79		

Accounts receivable which are individually significant and subject to separate provision:

Accounts receivable (by customers)	2014.12.31				Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)		
Customer 1	328,651,405.13	(19,313,883.68)	5.88		Past due
Customer 2	104,371,318.60	(1,834,073.69)	1.76		Past due
Customer 3	17,534,334.22	(1,643,159.55)	9.37		Past due
Customer 4	9,328,309.48	(72,020.41)	0.77		Past due
Customer 5	5,380,315.50	(4,776.13)	0.09		Past due
Customer 6	3,265,661.67	(3,265,661.67)	100.00		Past due
Others	212,766,613.32	—			
Total	681,297,957.92	(26,133,575.13)	3.84		

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

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

Aging	2014.12.31				2013.12.31				RMB
	Amount	Ratio (%)	Provision for bad debts	Book value	Amount	Ratio (%)	Provision for bad debts	Book value	
Within 1 year	748,324,339.41	97.73	(26,864,962.21)	721,459,377.20	647,223,351.43	97.69	(2,352,268.96)	644,871,082.47	
1 to 2 years	13,314,882.10	1.74	(4,797,027.88)	8,517,854.22	12,950,702.32	1.95	(1,740,630.00)	11,210,072.32	
2 to 3 years	1,760,630.00	0.23	(1,740,630.00)	20,000.00	2,389,631.02	0.36	(2,158,031.02)	231,600.00	
Over 3 years	2,273,831.02	0.30	(2,158,031.02)	115,800.00	—	—	—	—	
Total	765,673,682.53	100.00	(35,560,651.11)	730,113,031.42	662,563,684.77	100.00	(6,250,929.98)	656,312,754.79	

Accounts receivable are agreed by the contract or agreement, the credit period is normally from 3 to 6 months, when not agreed, and not recovered within 90 days, it is regarded as beyond the credit period.

(3) Provision for bad debts, written back or reversed bad debts during the reporting period

Provision for bad debts amounted to RMB34,421,841.50, written back or reversed bad debts amounted to RMB5,048,240.37.

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

Item	RMB
Amount	
Accounts receivable actually written off	63,880.00

(5) Five units with largest amounts of accounts receivable

Name of unit	Balance at end of the year	Percentage of total accounts receivables (%)	Amount of provision of bad debts
Customer 1	328,651,405.13	42.92	(19,313,883.68)
Customer 2	104,371,318.60	13.63	(1,834,073.69)
Customer 3	39,931,812.57	5.22	—
Customer 4	31,103,246.48	4.06	—
Customer 5	23,345,313.54	3.05	—
Total	527,403,096.32	68.88	(21,147,957.37)

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Prepayment

(1) Prepayment by aging:

Aging	31/12/2014		31/12/2013		RMB
	Amount	Ratio (%)	Amount	Ratio (%)	
Within 1 year	703,929,120.97	97.33	441,046,172.53	98.88	
1 to 2 years	18,642,822.77	2.57	5,012,474.75	1.12	
2 to 3 years	759,651.44	0.10	4,418.75	—	
Over 3 years	920.00	—	5,000.00	—	
Total	723,332,515.18	100.00	446,068,066.03	100.00	

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

Name of unit	RMB	
	Amount	Percentage of total prepayment (%)
Supplier 1	145,961,985.36	20.18
Supplier 2	62,237,558.09	8.60
Supplier 3	56,985,915.99	7.88
Supplier 4	34,524,192.59	4.77
Supplier 5	32,244,130.07	4.46
Total	331,953,782.10	45.89

6. Interest receivable

Item	RMB	
	2014.12.31	2013.12.31
Interest from loans and advances to customers	768,723.25	—
Interest from deposit in central bank and placements with other financial institutions	4,128,612.60	—
Total	4,897,335.85	—

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables

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

Category	31/12/2014						31/12/2013					
	Carrying amount		Provision for bad debts			Book value	Carrying amount		Provision for bad debts			Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value		Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	
Individually significant and subject to separate provision	2,875,977,522.70	99.21	(1,744,140.00)	0.06	2,874,233,382.70	2,529,246,159.58	98.82	—	—	—	2,529,246,159.58	
Other receivables with high risks based on the characteristics of credit risk as a group	21,983,743.23	0.76	(188,867.45)	0.86	21,794,875.78	30,075,544.61	1.18	(128,287.45)	0.43	29,947,257.16		
Other receivables which are individually insignificant but subject to separate provision	759,533.70	0.03	—	—	759,533.70	—	—	—	—	—	—	
Total	2,898,720,799.63	100.00	(1,933,007.45)	0.07	2,896,787,792.18	2,559,321,704.19	100.00	(128,287.45)	0.01	2,559,193,416.74		

Other receivables which are individually significant and subject to separate provision:

Other receivables	2014.12.31			
	Amount	Provision for bad debts	Provision ratio (%)	Reason for provision
Unit 1	2,573,908,122.60	—	—	
Unit 2	149,153,000.00	—	—	
Unit 3	32,089,709.54	—	—	
Unit 4	25,000,000.00	—	—	
Unit 5	19,104,276.99	—	—	
Unit 6	1,744,140.00	(1,744,140.00)	100.00	Unrecoverable
Others	74,978,273.57	—		
Total	2,875,977,522.70	(1,744,140.00)	0.06	

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

Aging	2014.12.31				2013.12.31			
	Amount	Ratio (%)	Provision for bad debts	Book Value	Amount	Ratio (%)	Provision for bad debts	Book Value
Within 1 year	589,646,670.49	20.34	(1,744,140.00)	587,902,530.49	2,480,433,405.55	96.92	(43,867.45)	2,480,389,538.10
1 to 2 years	2,299,768,194.53	79.34	—	2,299,768,194.53	76,531,043.48	2.99	—	76,531,043.48
2 to 3 years	6,536,723.20	0.22	—	6,536,723.20	1,884,599.24	0.07	—	1,884,599.24
Over 3 years	2,769,211.41	0.10	(188,867.45)	2,580,343.96	472,655.92	0.02	(84,420.00)	388,235.92
Total	2,898,720,799.63	100.00	(1,933,007.45)	2,896,787,792.18	2,559,321,704.19	100.00	(128,287.45)	2,559,193,416.74

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables (continued)

(3) Provision for bad debts, written back or reversed bad debts during the reporting period:

Provision for bad debts amounted to RMB1,915,710.56, there were no provision written back or reversed during the reporting period.

(4) Other receivables actually written off during the reporting period

Item	RMB Amount
Other receivables actually written off	110,990.56

(5) Other receivables were disclosed by nature as follows:

Nature	2014.12.31	RMB 2013.12.31
Petty Cash	13,823,281.28	15,347,249.55
Deposits	2,702,443,697.05	2,377,433,225.65
Export rebates	19,104,276.99	2,497,555.57
Energy-saving subsidies	149,153,000.00	149,126,000.00
Others	14,196,544.31	14,917,673.42
Total	2,898,720,799.63	2,559,321,704.19

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

Name of unit	Relationship with the Group	Amount	Aging	Percentage of the total other receivables (%)	RMB Balance of provision for bad debt
Unit 1	Performance Bond	2,573,908,122.60	Within in 2 year	88.79	—
Unit 2	Energy-saving subsidies	149,153,000.00	Within in 3 year	5.15	—
Unit 3	Customs deposit	32,089,709.54	Within in 1 year	1.11	—
Unit 4	Steels deposit	25,000,000.00	Within in 6 months	0.86	—
Unit 5	Export rebates	19,104,276.99	Within in 1 year	0.66	—
Total		2,799,255,109.13		96.57	—

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

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventory

(1) Inventory categories

Item	31/12/2014		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	1,031,447,542.90	(2,707,895.58)	1,028,739,647.32
Work in progress	530,241,333.32	(268,275.37)	529,973,057.95
Finished goods	1,833,988,126.35	(4,361,354.25)	1,829,626,772.10
Low-valued consumables	81,876,658.13	(210,573.96)	81,666,084.17
Outsourced processing materials	380,989.11	—	380,989.11
Total	3,477,934,649.81	(7,548,099.16)	3,470,386,550.65

Item	31/12/2013		
	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

(2) Provision for obsolete stocks

Inventory categories	1/1/2014	Provision for the year	Decrease for the year		31/12/2014
			Reversals	Write-offs	
Raw materials	4,303,642.21	273,505.11	(1,633,384.96)	(235,866.78)	2,707,895.58
Work in progress	—	268,275.37	—	—	268,275.37
Finished goods	2,049,060.69	6,142,916.32	—	(3,830,622.76)	4,361,354.25
Low-valued consumables	142,768.42	285,677.43	—	(217,871.89)	210,573.96
Total	6,495,471.32	6,970,374.23	(1,633,384.96)	(4,284,361.43)	7,548,099.16

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventory (continued)

(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 twelve months	Percentage of the reversal to the closing balance of such inventory during the twelve months (%)
Raw materials	Note 1	Note 2	0.16
Work in progress	Note 1	—	—
Finished goods	Note 1	Note 2	—
Low-valued consumables	Note 1	Note 2	—

Descriptions of inventories:

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

Note 2: As the estimated net realizable value of whole vehicle products at the end of 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 the twelve months, the provision for obsolete stocks had been written off.

9. Non-current assets due within one year

Item	Note	2014.12.31	RMB 2013.12.31
Loans due within one year	(VI)11	52,161,068.06	—

10. Other current assets

	31/12/2014	RMB 31/12/2013
Paint for vehicles	4,102,971.02	4,003,843.00
Taxes to be credited	651,725,709.71	13,874,652.27
Mould (Note 1)	16,916,432.90	11,975,329.52
Others	8,480,509.38	18,826,727.67
Total	681,225,623.01	48,680,552.46

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

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Loans and advances to customers

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

	2014.12.31	RMB 2013.12.31
Personal loans and advances	154,976,741.66	—
Of which: automotive consumption loans	154,976,741.66	—
Total amount of loans and advances to customers	154,976,741.66	—
Less: impairment of loans	2,307,593.14	—
Include: individually assessed	—	—
collectively assessed	2,307,593.14	—
Net amount of loans and advances to customers	152,669,148.52	—
Less: loans and advances to customers due within one year	52,161,068.06	—
Loans and advances to customers	100,508,080.46	—

(2) Loans and advances to customers were disclosed by collaterals:

Item	2014.12.31		2013.12.31	
	Book value	Ratio (%)	Book value	Ratio (%)
Loans with collaterals	154,976,741.66	100.00	—	—
Include: secured loans	154,976,741.66	100.00	—	—
Total amount of loans and advances to customers	154,976,741.66	100.00	—	—

(3) There were no overdue loans at the end of the reporting period.

(4) Changes in provision for impairment of loans.

	Personal loans and advances	Collectively assessed	Total
Balance at 31.12.2013	—	—	—
Provision for impairment	2,307,593.14	2,307,593.14	2,307,593.14
Written off	—	—	—
Reversal	—	—	—
Balance at 31.12.2014	2,307,593.14	2,307,593.14	2,307,593.14

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	2014.12.31			2013.12.31 (Restated)			RMB
	Carrying value	Impairment	Book value	Carrying value	Impairment	Book value	
Available-for-sale equity instrument measured at cost	7,200,000.00	—	7,200,000.00	7,200,000.00	—	7,200,000.00	
Total	7,200,000.00	—	7,200,000.00	7,200,000.00	—	7,200,000.00	

(2) Available-for-sale equity instrument measured at cost at the end of reporting period

Investee	2014.1.1	Book value			Impairment			Holding proportion in investee (%)	Cash dividend for this year	RMB
		Increase	Decrease	2014.12.31	2014.1.1	Increase	Decrease			
China Automobile Development United Investment Co. Ltd.	4,200,000.00	—	—	4,200,000.00	—	—	—	—	2.07	—
China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited	3,000,000.00			3,000,000.00	—	—	—	—	6.90	—
Total	7,200,000.00	—	—	7,200,000.00	—	—	—	—	—	—

The above investees are non-listed companies, and fair value of investment cannot be reliably measured.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long-term equity investment

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

Investee	2014.1.1	Increase	Decrease	Movement in this year					2014.12.31	RMB Impairment at the end of the year
				Gain or loss recognised under equity method	Adjustment other comprehensive income	Declared Changes in other equity or profit	Impairment	others		
Joint-venture										
Baoding Jiehua Automobile Components and Accessories Company Limited ("Baoding Jiehua")	17,022,230.04	–	–	351,668.57	–	–	–	–	17,373,898.61	–
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. ("Yanfeng Johnson")	28,961,207.68	–	–	19,655,138.58	–	–	–	–	48,616,346.26	–
Total	45,983,437.72	–	–	20,006,807.15	–	–	–	–	65,990,244.87	–

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.

14. Investment properties

Item	Buildings and Properties		Total
1. Original book value			
2014.1.1	6,553,769.66		6,553,769.66
Additions for the year	419,900.00		419,900.00
Deductions for the year	–		–
2014.12.31	6,973,669.66		6,973,669.66
2. Accumulated amortization and depreciation			
2014.1.1	(463,739.91)		(463,739.91)
Additions for the year	(165,267.34)		(165,267.34)
Deductions for the year	–		–
2014.12.31	(629,007.25)		(629,007.25)
3. Book value			
2014.12.31	6,344,662.41		6,344,662.41
2014.1.1	6,090,029.75		6,090,029.75

Note: The above investment properties were accounted by cost.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets

Fixed assets

Item	Properties	Equipment	Transports	Others	RMB Total
I. Original book value					
2014.1.1	7,291,080,870.31	9,367,414,471.03	186,347,068.62	2,063,403,304.02	18,908,245,713.98
Additions for the year	856,698,179.15	2,352,765,252.76	95,504,604.05	960,277,096.71	4,265,245,132.67
1. Purchase	50,891,238.00	302,416,230.54	9,564,676.55	115,319,559.42	478,191,704.51
2. Transfer from construction in progress	805,806,941.15	2,049,637,911.11	50,232,920.46	841,282,523.34	3,746,960,296.06
3. Transfer from inventories	—	711,111.11	35,707,007.04	3,675,013.95	40,093,132.10
Deductions for the year	(4,715,319.61)	(15,251,332.90)	(10,062,945.15)	(27,065,657.74)	(57,095,255.40)
1. Disposal and scrap	(3,486,553.40)	(12,798,791.28)	(9,845,491.56)	(26,713,665.52)	(52,844,501.76)
2. Transfer to construction in progress	(1,213,124.21)	(2,340,668.09)	—	(290,598.30)	(3,844,390.60)
3. Foreclosed	—	—	(217,453.59)	—	(217,453.59)
4. Others	(15,642.00)	(111,873.53)		(61,393.92)	(188,909.45)
2014.12.31	8,143,063,729.85	11,704,928,390.89	271,788,727.52	2,996,614,742.99	23,116,395,591.25
II. Total accumulated depreciation					
2014.1.1	614,997,931.55	2,459,835,841.24	95,811,505.74	1,015,618,522.07	4,186,263,800.60
Additions for the year	256,302,214.43	946,991,168.35	26,498,704.22	376,365,655.95	1,606,157,742.95
1. Provision for this period	256,302,214.43	946,991,168.35	26,498,704.22	376,365,655.95	1,606,157,742.95
Deductions for the year	(1,685,566.93)	(9,078,478.03)	(7,795,394.64)	(17,883,626.03)	(36,443,065.63)
1. Disposal and scrap	(1,551,606.90)	(8,754,571.78)	(7,725,670.87)	(17,781,348.75)	(35,813,198.30)
2. Transfer to construction in progress	(133,960.03)	(306,037.26)	—	(85,527.08)	(525,524.37)
3. Foreclosed	—	—	(69,723.77)	—	(69,723.77)
4. Others	—	(17,868.99)	—	(16,750.20)	(34,619.19)
2014.12.31	869,614,579.05	3,397,748,531.56	114,514,815.32	1,374,100,551.99	5,755,978,477.92
III. Provision for impairment					
2014.1.1	—	36,073,238.64	—	28,980,099.86	65,053,338.50
Additions for the year	136,268.33	11,655,886.30	—	11,202,476.99	22,994,631.62
1. Provision for this period	136,268.33	11,655,886.30	—	11,202,476.99	22,994,631.62
Deductions for the year	—	(213,344.49)	—	(804,246.74)	(1,017,591.23)
1. Disposal and scrap	—	(213,344.49)	—	(804,246.74)	(1,017,591.23)
2014.12.31	136,268.33	47,515,780.45	—	39,378,330.11	87,030,378.89
VI. Book value					
2014.12.31	7,273,312,882.47	8,259,664,078.88	157,273,912.20	1,583,135,860.89	17,273,386,734.44
2014.1.1	6,676,082,938.76	6,871,505,391.15	90,535,562.88	1,018,804,682.09	14,656,928,574.88

As at 31 December 2014, among the fixed assets, the net book value of properties without title certificates amounted to RMB4,357,424,590.96, (As at 31 December 2013: RMB3,712,413,737.09) and the application of relevant title certificates is in progress.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Construction in progress

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

Project	31/12/2014			31/12/2013		
	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	—	—	—	838,347.95	—	838,347.95
Annual production of 400,000 sets of axles and brakes	13,068,494.34	—	13,068,494.34	128,290,267.75	—	128,290,267.75
Annual production of 400,000 sets of interior and exterior decorations	2,965,930.53	—	2,965,930.53	38,965,459.97	—	38,965,459.97
Annual production of 300,000 sets of EG engines	3,323,198.53	—	3,323,198.53	70,091,130.40	—	70,091,130.40
Annual production of 200,000 sets of six-speed manual transmissions	—	—	—	40,622,856.60	—	40,622,856.60
Annual production of 400,000 sets of aluminium alloy casting	14,589,190.19	—	14,589,190.19	24,013,243.89	—	24,013,243.89
Annual production of 400,000 sets of automotive lightings	940,170.94	—	940,170.94	27,641,592.86	—	27,641,592.86
Tianjin Automobile project	158,070,063.06	—	158,070,063.06	502,978,177.05	—	502,978,177.05
Tianjin parts and components project	178,657,886.53	—	178,657,886.53	323,237,594.26	(82,564.10)	323,155,030.16
Tianjin branch's residential area supporting project	8,836,314.52	—	8,836,314.52	16,780,791.26	—	16,780,791.26
Industrial park phase I II III Reconstruction and expansion	270,334,425.82	(11,013,179.46)	259,321,246.36	252,152,970.60	(851,065.00)	251,301,905.60
Steam project	—	—	—	3,570,000.00	—	3,570,000.00
Xindatong reconstruction	913,108.97	—	913,108.97	32,584,178.01	—	32,584,178.01
Jiaozhuang infrastructure	546,016.00	—	546,016.00	7,588,391.57	—	7,588,391.57
Jiaozhuang equipment	108,414,998.56	—	108,414,998.56	123,920,244.87	—	123,920,244.87
New technology centre	1,317,596,809.79	—	1,317,596,809.79	842,546,398.45	—	842,546,398.45
Xushui Automobile Project	2,222,241,438.49	—	2,222,241,438.49	1,050,010,890.20	—	1,050,010,890.20
Xushui parts and components project	624,243,787.77	—	624,243,787.77	384,028,907.77	—	384,028,907.77
Xushui supporting infrastructure project	83,794,848.03	—	83,794,848.03	2,997,549.98	—	2,997,549.98
Part and Components Department Reconstruction project	276,965,007.46	(144,620.00)	276,820,387.46	117,470,368.17	(167,646.93)	117,302,721.24
Total	5,285,501,689.53	(11,157,799.46)	5,274,343,890.07	3,990,329,361.61	(1,101,276.03)	3,989,228,085.58

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Construction in progress (continued)

(2) Changes in major construction in progress

Project	Budget amount	1/1/2014	Additions for the year	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount for the year	Ratio of capitalized interest amount for the year (%)	Sources of fund	RMB
											31/12/2014
Annual production of 100,000 sets of diesel engines of model number GW4D20	320,735,700.00	838,347.95	731,947.44	(1,570,295.39)	–	100.00	–	–	–	Fundraised and Internal resources	–
Annual production of 400,000 sets of axles and brakes	588,593,900.00	128,290,267.75	45,555,144.16	(160,609,117.57)	(167,800.00)	98.14	–	–	–	Fundraised and Internal resources	13,068,494.34
Annual production of 400,000 sets of interior and exterior decorations	575,893,500.00	38,965,459.97	818,882.05	(7,364,977.76)	(29,453,433.73)	100.00	–	–	–	Fundraised and Internal resources	2,965,930.53
Annual production of 300,000 sets of EG engines	547,163,800.00	70,091,130.40	2,085,883.92	(68,853,815.79)	–	99.46	–	–	–	Fundraised and Internal resources	3,323,198.53
Annual production of 200,000 sets of six-speed manual transmissions	432,561,100.00	40,622,856.60	2,987,618.54	(42,871,981.66)	(738,493.48)	100.00	–	–	–	Fundraised	–
Annual production of 400,000 sets of aluminium alloy casting	303,376,600.00	24,013,243.89	42,631,513.21	(48,571,585.00)	(3,483,981.91)	100.00	–	–	–	Fundraised	14,589,190.19
Annual production of 400,000 sets of automotive lightings	180,677,200.00	27,641,592.86	–	(26,701,421.92)	–	100.00	–	–	–	Fundraised and Internal resources	940,170.94
Tianjin Automobile project	4,510,986,600.00	502,978,177.05	285,788,166.88	(526,584,613.55)	(104,111,667.32)	94.78	–	–	–	Internal resources	158,070,063.06
Tianjin parts and components project	1,789,692,853.31	323,237,594.26	555,130,418.89	(696,368,081.14)	(3,342,045.48)	76.03	–	–	–	Internal resources	178,657,886.53
Tianjin branch's residential area supporting project	493,019,700.00	16,780,791.26	18,014,765.94	(25,959,242.68)	–	88.26	–	–	–	Internal resources	8,836,314.52
Industrial park phase I II III Reconstruction and expansion	749,793,526.00	252,152,970.60	258,257,029.77	(220,891,651.18)	(19,183,923.37)	99.66	–	–	–	Internal resources	270,334,425.82
Steam project	68,735,000.00	3,570,000.00	2,834,500.00	(6,404,500.00)	–	100.00	–	–	–	Internal resources	–
Xindatong reconstruction	61,516,077.00	32,584,178.01	2,865,342.38	(34,535,402.30)	(1,009.12)	100.00	–	–	–	Internal resources	913,108.97
Jiaozhuang Infrastructure	144,108,000.00	7,588,391.57	2,961,843.60	(10,004,219.17)	–	100.00	–	–	–	Internal resources	546,016.00
Jiaozhuang equipment	1,273,996,105.00	123,920,244.87	152,859,321.92	(163,646,807.78)	(4,717,760.45)	100.00	–	–	–	Internal resources	108,414,998.56
New technology center	1,893,518,600.00	842,546,398.45	484,402,934.69	(9,352,523.35)	–	70.08	–	–	–	Internal resources	1,317,596,809.79
Xushui Automobile Project	8,723,315,142.00	1,050,010,890.20	1,960,438,454.63	(771,933,905.57)	(16,274,000.77)	56.16	–	–	–	Internal resources	2,222,241,438.49
Xushui parts and components project	5,183,737,114.63	384,028,907.77	1,035,727,876.91	(791,808,310.24)	(3,704,686.67)	47.08	–	–	–	Internal resources	624,243,787.77
Xushui supporting infrastructure project	1,017,939,720.00	2,997,549.98	85,534,186.67	(4,482,302.62)	(254,586.00)	44.41	–	–	–	Internal resources	83,794,848.03
Part and Components Department Reconstruction project	493,176,314.64	117,470,368.17	306,436,361.25	(128,445,541.39)	(18,496,180.57)	88.48	–	–	–	Internal resources	276,965,007.46
Total	29,352,536,552.58	3,990,329,361.61	5,246,062,192.85	(3,746,960,296.06)	(203,929,568.87)		–				5,285,501,689.53

Note: During the year, the book value of construction in progress decreased by RMB128,200,580.58 due to transfer into intangible assets.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Construction in progress (continued)

(3) Impairment of construction in progress during the reporting period

Item	RMB	Provision of the current period	The reason of provision
Industrial park phase I, II, III Reconstruction and expansion			Impairment on moulds in progress
	10,193,179.46		
Total	10,193,179.46		

17. Intangible assets

Intangible assets

Item	Land use rights	Others	RMB
			Total
I. Original book value			
2014.1.1	2,572,626,655.07	93,720,242.37	2,666,346,897.44
Additions for the year	399,690,179.30	36,149,597.47	435,839,776.77
1. Purchase	278,581,779.30	29,057,416.89	307,639,196.19
2. Transfer in from construction in progress	121,108,400.00	7,092,180.58	128,200,580.58
Deductions for the year	(2,656,780.18)	(743,683.52)	(3,400,463.70)
2014.12.31	2,969,660,054.19	129,126,156.32	3,098,786,210.51
II. Total accumulated amortization			
2014.1.1	181,586,803.88	41,924,573.45	223,511,377.33
Additions for the year	54,921,606.20	11,243,071.33	66,164,677.53
Deductions for the year	(2,656,780.18)	(743,683.52)	(3,400,463.70)
2014.12.31	233,851,629.90	52,423,961.26	286,275,591.16
III. Book value			
2014.12.31	2,735,808,424.29	76,702,195.06	2,812,510,619.35
2014.1.1	2,391,039,851.19	51,795,668.92	2,442,835,520.11

As at 31 December 2014, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB379,528,335.25 (As at 31 December 2013: RMB73,443,234.46), 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	31/12/2014	RMB
		31/12/2013
Located in mainland China — 10 to 50 years	2,735,808,424.29	2,391,039,851.19

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Goodwill

Name of investee or matters generating goodwill	1/1/2014	Additions for the year	Deductions for the year	31/12/2014	RMB
					Impairment provision as at the end of the year
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 evaluated the recoverable amount and expected that no impairment provision will be required for goodwill during the reporting period.

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	2014.12.31		2013.12.31	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for bad debts	37,493,658.56	6,484,105.26	6,379,217.43	1,586,261.69
Provision for loans	769,197.71	192,299.43	—	—
Impairment of inventories	7,548,099.16	1,376,788.56	6,495,471.32	1,418,961.76
Impairment of fixed assets	87,030,378.89	13,873,396.84	65,053,338.50	10,323,924.41
Impairment of construction in progress	11,157,799.46	1,688,131.92	1,101,276.03	190,212.51
Accrued expenses which are deductible upon payment	490,019,459.53	107,041,384.74	416,988,167.13	90,728,437.56
Taxable upon receipt of advance payment	218,549,971.68	53,783,988.64	121,381,548.96	30,128,122.27
Deductible loss	59,634,690.98	14,908,672.75	20,103,166.36	5,025,791.59
Deferred income	966,646,432.78	173,639,382.02	1,009,075,914.11	181,838,111.81
Unrealized profit through internal transactions in consolidated financial statement	299,265,820.12	67,647,554.65	307,609,294.19	69,210,699.54
Others	28,578,770.46	8,143,245.57	41,720,309.46	10,699,776.97
Total	2,206,694,279.33	448,778,950.38	1,995,907,703.49	401,150,300.11

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(2) Deferred tax liabilities before offsetting

Item	2014.12.31		2013.12.31		RMB
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities	
Difference between the book value of accumulated depreciation and tax base	(40,986,831.09)	(6,148,024.66)	—	—	
Held for trading financial assets	(214,440.00)	(32,166.00)	(4,270,117.86)	(640,517.68)	
Temporary difference of interests receivable	(4,881,321.03)	(1,220,330.26)	—	—	
Total	(46,082,592.12)	(7,400,520.92)	(4,270,117.86)	(640,517.68)	

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

Item	2014.12.31		2013.12.31		RMB
	Amount of deferred tax assets and liabilities after netting	Deferred tax assets after offsetting at end of the year	Amount of deferred tax assets and liabilities after netting	Deferred tax assets after offsetting at end of the year	
Deferred tax assets	(7,400,520.92)	441,378,429.46	(640,517.68)	400,509,782.43	

20. Short term borrowing

Project	2014.12.31		2013.12.31		RMB
Pledge loans (Note 1)	—	—	—	182,198,866.04	
Total	—	—	—	182,198,866.04	

Note 1: At the end of the reporting period, the balance of the Group's pledge loans were amounts due to accounts receivable factoring.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Bills payable

Category	31/12/2014	RMB 31/12/2013
Bank acceptance bills	4,138,158,178.41	4,539,529,276.71
Total	4,138,158,178.41	4,539,529,276.71

22. Accounts payable

(1) Accounts payable

Item	31/12/2014	RMB 31/12/2013
Within 1 year	14,038,702,703.11	10,679,098,194.42
1 to 2 years	35,714,726.38	23,611,323.23
2 to 3 years	15,552,947.66	6,599,429.45
Over 3 years	3,181,554.51	2,860,795.05
Total	14,093,151,931.66	10,712,169,742.15

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

Item	2014.12.31	RMB Reason for unsettled
Supplier 1	7,630,082.60	Not reached an agreement
Supplier 2	5,072,456.09	Not reached an agreement
Supplier 3	4,128,943.68	Payment returned
Supplier 4	3,054,600.00	Payment terms have not been reached
Total	19,886,082.37	

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Advance from customers

(1) Advance from customers

Item	31/12/2014	RMB 31/12/2013
Within 1 year	3,156,766,946.54	2,796,143,327.00
1 to 2 years	14,838,191.02	8,261,935.97
2 to 3 years	6,253,183.17	1,971,864.66
Over 3 years	2,187,018.01	2,375,640.82
Total	3,180,045,338.74	2,808,752,768.45

(2) Advance from customers aged over one year with significant amount:

Item	2014.12.31	RMB Reason for unsettled
Customer 1	4,901,659.02	Payment terms have not been reached
Customer 2	3,705,395.94	Payment terms have not been reached
Customer 3	3,105,977.11	Payment terms have not been reached
Total	11,713,032.07	

24. Salaries payable

(1) Salaries payable disclosed as follow:

Item	2014.1.1	Increase	Decrease	2014.12.31
1. Short-term salaries payable	1,095,178,326.59	5,115,306,659.05	(4,883,977,406.86)	1,326,507,578.78
2. Post-employee benefits-defined contribution plan	1,383,438.08	335,670,236.82	(336,959,804.49)	93,870.41
Total	1,096,561,764.67	5,450,976,895.87	(5,220,937,211.35)	1,326,601,449.19

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Salaries payable (continued)

(2) Short-term salaries payable disclosed as follow:

Item	2014.1.1	Increase	Decrease	RMB 2014.12.31
1. Salaries, bonuses, allowances and subsidies	895,219,117.66	4,315,757,658.48	(4,156,709,669.84)	1,054,267,106.30
2. Staff welfare	90,418,262.29	433,563,495.28	(355,583,681.31)	168,398,076.26
3. Staff bonuses and welfare fund	69,592,379.84	8,540.00	(866,066.16)	68,734,853.68
4. Social insurance premiums	817,701.96	155,617,908.82	(156,410,963.57)	24,647.21
Of which: Medical insurance	(7,573.03)	128,027,452.92	(128,020,031.56)	(151.67)
Work-related injury insurance	825,943.80	17,437,192.71	(18,240,128.15)	23,008.36
Maternity insurance	(668.81)	10,153,263.19	(10,150,803.86)	1,790.52
5. Housing provident funds	5,251.00	80,525,499.88	(80,529,840.97)	909.91
6. Labour union expenditures	30,748,645.96	55,446,631.11	(57,522,349.57)	28,672,927.50
7. Employees' education expenses	3,525,997.94	5,030,981.04	(5,384,391.42)	3,172,587.56
8. Service charge	4,850,969.94	69,355,944.44	(70,970,444.02)	3,236,470.36
Total	1,095,178,326.59	5,115,306,659.05	(4,883,977,406.86)	1,326,507,578.78

(3) Defined contribution plan

Item	2014.1.1	Increase	Decrease	RMB 2014.12.31
Basic retirement insurance	1,382,759.60	305,078,419.13	(306,371,848.63)	89,330.10
Unemployment insurance	678.48	30,591,817.69	(30,587,955.86)	4,540.31
Total	1,383,438.08	335,670,236.82	(336,959,804.49)	93,870.41

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 year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Taxes payable

Item	31/12/2014	RMB 31/12/2013
Value added tax	195,179,938.46	16,355,614.36
Consumption tax	210,168,355.96	144,218,254.05
Business tax	356,031.14	212,693.43
Enterprise income tax	395,943,084.57	293,297,642.08
Individual income tax	7,371,534.92	4,552,277.32
Urban maintenance and construction tax	33,881,832.63	33,195,254.36
Education surcharges	24,736,811.69	23,697,750.82
Duty stamp	8,931,011.70	8,523,859.12
Real estate tax	748,424.65	507,722.56
Others	2,779,358.68	2,713,871.52
Total	880,096,384.40	527,274,939.62

26. Other payables

(1) Other payables disclosed by nature as follow:

Item	31/12/2014	RMB 31/12/2013
Project payment	461,132,083.19	1,081,116,400.93
Equipment payment	844,039,533.67	746,129,744.97
Deposit	396,403,624.84	379,165,204.65
Others	76,724,202.75	63,639,003.11
Total	1,778,299,444.45	2,270,050,353.66

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

Item	2014.12.31	RMB 2013.12.31
Within 1 year	1,457,769,455.57	1,772,740,945.94
1 to 2 years	235,959,474.70	428,435,056.24
2 to 3 years	33,271,937.38	29,437,315.60
Over 3 years	51,298,576.80	39,437,035.88
Total	1,778,299,444.45	2,270,050,353.66

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Other payables (continued)

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

Item	2014.12.31	RMB Reason for outstanding
Unit1	18,331,111.11	Payment terms have not been reached
Unit2	13,949,432.00	Payment terms have not been reached
Unit3	13,890,587.51	Warranty
Unit4	11,663,405.00	Payment terms have not been reached
Unit5	11,607,379.65	Payment terms have not been reached
Total	69,441,915.27	

27. Non-current liabilities due within one year

Item	Note	31/12/2014	RMB 31/12/2013
Non-current liabilities due within one year	(VI)29	75,657,544.16	69,258,714.61

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

28. Other current liabilities

Item	31/12/2014	RMB 31/12/2013
Accrued after-sale service expenses	549,701,518.61	496,688,994.94
Accrued advertising and media service expenses	1,914,254.01	6,300,184.03
Accrued transportation costs	19,151,644.52	10,034,796.87
Accrued technology development expenditure	13,326,188.47	24,062,506.83
Accrued utilities fees	11,189,411.71	18,571,976.44
Accrued port charges	2,530,147.72	3,865,575.90
Others	74,716,896.75	74,154,261.26
Total	672,530,061.79	633,678,296.27

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Deferred income

The closing balances of deferred income are all related to government grants.

Type	2014.1.1	Additions for the year	Credited to Non-operating income for the year	Other movements	31/12/2014	related to an asset/related to income
Infrastructure supporting fund (Note 1)	805,780,866.25	—	(24,999,355.18)	—	780,781,511.07	related to an asset
Government industrial policy supporting fund (Note 2)	390,033,925.66	—	(21,045,030.68)	—	368,988,894.98	related to an asset
Soft soil foundation subsidy (Note 3)	281,475,466.18	—	(6,114,973.96)	—	275,360,492.22	related to an asset
Hybrid power SUV development project (Note 4)	98,000,000.00	—	—	—	98,000,000.00	related to income
New technical centre infrastructure construction project (Note 5)	91,300,000.00	—	(62,531.43)	—	91,237,468.57	related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 6)	64,186,635.47	—	(14,597,429.44)	—	49,589,206.03	related to an asset
Urban construction fund (Note 7)	57,782,878.63	—	(2,319,828.34)	—	55,463,050.29	related to an asset
Connected car project (Note 8)	12,000,000.00	—	—	—	12,000,000.00	related to an asset
Capital for new technical centre infrastructure construction (Note 9)	11,156,427.60	—	—	(11,156,427.60)	—	related to an asset
Subsidies for material technological innovation projects (Note 10)	7,666,666.53	—	(1,150,000.04)	—	6,516,666.49	related to an asset
Development fund for SMEs (Note 11)	5,294,014.00	—	(295,479.84)	—	4,998,534.16	related to an asset
863 plan (pure electronic motor) (Note 12)	1,119,200.00	1,720,000.00	(2,839,200.00)	—	—	related to income
Diesel engine development project fund (Note 13)	800,000.00	—	(100,000.00)	—	700,000.00	related to an asset
863 plan (power) (Note 14)	—	2,872,800.00	(2,872,800.00)	—	—	related to income
New plug-in SUV project (Note 15)	—	1,500,000.00	(1,500,000.00)	—	—	related to income
Engine construction project (Note 16)	—	12,000,000.00	—	—	12,000,000.00	related to an asset
The core technology of domestic automotive electronic chip (Note 17)	—	600,000.00	(129,300.00)	—	470,700.00	related to income
Subsidies for innovation demonstration enterprise (Note 18)	—	100,000.00	—	—	100,000.00	related to income
863 – integration data platform project (Note 19)	—	250,000.00	(250,000.00)	—	—	related to income
High grade CNC technology project (Note 20)	—	560,000.00	—	—	560,000.00	related to income
Fund for technology based SMEs (Note 21)	—	1,000,000.00	—	—	1,000,000.00	related to income
Total	1,826,596,080.32	20,602,800.00	(78,275,928.91)	(11,156,427.60)	1,757,766,523.81	
Less: Non-current liabilities due within one year	(69,258,714.61)	—	—	—	(75,657,544.16)	
Deferred income	1,757,337,365.71	20,602,800.00	(78,275,928.91)	(11,156,427.60)	1,682,108,979.65	

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Deferred income (continued)

Note 1: According to the "Circular Regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited" issued by Baoding Xushui government, Xushui government allocated money to the Company as the supporting fund for the infrastructure (buildings and ancillary facilities) construction of 500,000-automobile and components and parts production base project in new Great Wall industrial area in Baoding.

Note 2: According to the "Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area" and the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, the Company and Tianjin Great Wall Wantong Automotive Parts Company Limited (Tianjin Wantong) and Tianjin Great Wall Lean Automotive Parts Company Limited (Tianjin Lean), subsidiaries of the Company, received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009.

Note 3: According to the "Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area", the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and "Payment agreement of soft soil foundation treatment subsidy" of Tianjin Economic and Technological Development Zone Development Bureau, the Company and two subsidiaries of the company, Tianjin Wantong and Tianjin Lean, received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area.

Note 4: 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 5: 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 6: This refers to value-added tax refunded to the Company and Changcheng Axles Industries (Changcheng Axles), a subsidiary of the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.

Note 7: 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 8: 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 9: 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. According to relevant documents, the allocated money for the infrastructure construction of the new technology centre was amounted RMB11,868,540.00 and has been returned.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Deferred income (continued)

Note 10: 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 11: According to "Circular regarding the Granting of the Development Fund for SMEs to Baoding Great Wall Resource Recycling Co., Ltd., the Bureau of Finance in Qingyuan granted a fund to Baoding Great Wall Resource Recycling Co.,Ltd.(Great Wall Resource Recycling), a subsidiary of the Company. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.

Note 12: According to "Mission statement of National High Technology Research and Development Program (Program 863) (Project No. 2012AA111202)", 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 RMB1,720,000.

Note 13: According to "Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch) in 2011", the company's GW4D20 Diesel product development project was granted directly from the Bureau of Finance in Hebei Province.

Note 14: 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 and the development on diesel for high pressure beard common rail car was granted project research fund. The company received research funding amounted to RMB2,872,800.

Note 15: According to "Mission Statement of Special Project on Major Technology Achievement in Hebei Province", the Hebei Provincial 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 RMB1,500,000 during the reporting period.

Note 16: According to "Notice Regarding the Fund for Technological Renovation in 2014 by Baoding Finance Bureau and Bureau of Industry and Information," Baoding Finance Bureau allocated fund amounted to RMB12,000,000 for the construction of the Company's engine test center project.

Note 17: According to "Major Subject of National Science and Technology—Agreement on Technology of Domestic Automotive Electronic Chip", the Company assisted to complete the project until acceptance, and amount of RMB600,000 was granted during the reporting period.

Note 18: According to "Mission Statement of Project by Science and Technology Department of Hebei Province", Hebei Province Department of Finance allocated fund to the Company for training expense on innovative staffs which amounted to RMB100,000 this year.

Note 19: 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 positive development of integrated car database platform building was granted project research funding amounted to RMB250,000.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Deferred income (continued)

Note 20: According to the "Mission Statement 2014ZX04002-071 by Scientific Development Department", the Company took charge of the research project of typical forming process and key equipment technology pf aluminium alloy autobody parts in the major special projects of "high-end CNC machine and fundamental manufacturing equipment" and was granted project research funding amounted to RMB560,000 this year.

Note 21: According to the "Mission Statement of Little Giant (Nurture) Enterprise Project by Hebei Science and Technology (Project No. 14C1303123005)", Baoding Science and Technology Bureau allocated fund amounted to RMB1,000,000 to Baoding Great Machinery Company Limited, a subsidiary of the Company. The fund was allocated for the development of "High-Reliability Automotive Ball Pin Assembly" project under Little Giant (Nurture) Enterprise Project by Hebei Science and Technology.

30. Share capital

As at 31 December 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	Opening balance	Changes for the year				Subtotal	Closing balance	RMB
		New issue	Bonus shares	Shares transfer from reserve	Others			
For the year 2014:								
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 year 2013:								
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

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Capital reserves

Item	Opening balance	Additions for the year	Deductions for the year	RMB Closing balance
For the year 2014:				
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 fair value of 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 year 2013:				
Capital premiums	4,509,010,149.89	—	—	4,509,010,149.89
Other capital reserves	(47,900,840.64)	—	(7,237,105.23)	(55,137,945.87)
Of which: Transfer from capital reserves under the previous standards	14,823,095.08	—	(911,286.00)	13,911,809.08
Difference between the consideration of acquiring minority interest in subsidiary and the fair value of minority interest (Note 1)	(31,236,284.46)	—	(6,325,819.23)	(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	4,461,109,309.25	—	(7,237,105.23)	4,453,872,204.02

Note 1: The Company and Billion Sunny Development, the Company's subsidiary, acquired minority interests in Macs (Baoding) Auto A/C Systems Co.,Ltd (Macs) in 2013, and the difference between the attributable carrying amount of net assets of the subsidiary, which was calculated at the proportion of additional shareholding, and the costs of acquisition was debited in capital reserves.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Surplus reserves

Item	Opening balance	RMB		
		Additions for the year	Deductions for the year	Closing balance
For the year 2014:				
Statutory surplus reserves	1,827,713,243.05	137,164,401.18	—	1,964,877,644.23
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	10,595,737.96	—	156,930,046.45
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	2,281,860,702.64	147,760,139.14	—	2,429,620,841.78
For the year 2013:				
Statutory surplus reserves (Note 1)	1,780,400,059.35	156,230,218.21	(108,917,034.51)	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	129,719,165.95	16,615,142.54	—	146,334,308.49
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	2,217,932,376.40	172,845,360.75	(108,917,034.51)	2,281,860,702.64

Note 1: As at November 2013, the Company merged the Company's subsidiaries, namely Baoding Xincheng Automobile Development Company Limited, Baoding Great Wall Botai Electrical Appliance Manufacture Co., Ltd and Baoding Xinchang Automobile Accessories Company Limited. The surplus reserves from previous period of the merged subsidiaries are credited to undistributed profits of the Company.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
For the year 2014:		
Undistributed profits at the beginning of the year	18,224,548,503.39	
Add: Net profits attributable to the shareholders		
of the Company of the year	8,041,535,517.60	
Other	—	
Less: Appropriation of statutory surplus reserves	(137,164,401.18)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(10,595,737.96)	(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 year	23,623,537,021.85	
For the year 2013:		
Undistributed profits at the beginning of the year	11,799,009,548.92	
Add: Net profits attributable to the shareholders		
of the Company of the year	8,223,648,390.71	
Other	108,917,034.51	(VI), 32
Less: Appropriation of statutory surplus reserves	(156,230,218.21)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(16,615,142.54)	(2)
Distribution of cash dividends	(1,734,181,110.00)	
Appropriation of staff incentive bonus and welfare fund	—	(2)
Undistributed profits at the end of the year	18,224,548,503.39	

(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.

Appropriation of statutory surplus reserves during current year is the subsidiaries' appropriation of surplus reserves.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Undistributed profits (continued)

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

(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 3,042,423,000.00 shares with a par value of RMB1 each.

(4) Distribution of profits after balance sheet date

On the basis of a total of 3,042,423,000.00 shares with a par value of RMB1 each in 2014, the Company proposed to declare a cash dividend of RMB2,433,938,400.00 at RMB0.80 per share (tax inclusive) in respect of the year ended 31 December 2014 has been proposed by the Board of Directors and is subject to approval by the shareholders in general meeting.

34. Operating revenue and operating costs

(1) Operating revenue

Item	2014	RMB 2013
Revenue from principal businesses	62,370,772,469.40	56,470,444,146.29
Of which: Revenue from the sale of automobiles	59,345,501,289.71	53,796,377,928.75
Revenue from the sale of automotive parts and components	2,432,716,708.05	2,038,790,325.13
Revenue from the sale of moulds and others	475,373,960.95	512,843,412.33
Revenue from providing services	117,180,510.69	122,432,480.08
Revenue from other businesses	220,000,135.27	313,870,198.01
Total	62,590,772,604.67	56,784,314,344.30

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Operating revenue and operating costs (continued)

(2) Operating costs

Item	2014	RMB 2013
Costs from principal businesses	45,108,474,577.88	40,329,600,319.04
Of which: Expenses from the sales of automobiles	42,803,518,285.70	38,233,033,069.57
Expenses from the sales of automotive parts and components	1,817,592,960.84	1,567,954,450.67
Expenses from the sale of moulds and others	378,119,352.93	419,768,056.70
Expenses from providing services	109,243,978.41	108,844,742.10
Expenses from other businesses	143,286,490.51	208,394,343.08
Total	45,251,761,068.39	40,537,994,662.12

35. Interest income

Item	2014	RMB 2013
Personal loans and advances	1,972,170.41	—
Due from placements with banks and other financial institutions	6,358,338.61	—
Total	8,330,509.02	—

36. Business tax and surcharges

Item	2014	RMB 2013
Business tax	2,566,378.53	12,363,584.99
Consumption tax	1,671,451,933.97	1,493,604,669.38
Urban maintenances and construction tax	334,004,959.93	307,680,224.28
Educational surcharges	241,587,014.71	221,159,741.13
Others	31,996,723.65	22,223,441.61
Total	2,281,607,010.79	2,057,031,661.39

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Sales expenses

Item	2014	RMB 2013
Transportation expenses	929,856,850.06	826,041,334.27
After-sale services expenses	643,382,827.14	526,141,132.97
Wages and salaries	191,696,192.67	169,852,375.45
Taxes	31,176,313.86	32,599,298.20
Advertising and media services fees	163,504,626.03	206,707,743.58
Port charges	41,521,804.46	54,466,259.33
Travelling expenses	18,597,335.05	15,260,072.06
Others	65,019,184.53	64,194,393.94
 Total	2,084,755,133.80	1,895,262,609.80

38. Administrative expenses

Item	2014	RMB 2013
Technology development expenditures	2,571,581,207.82	1,692,880,148.50
Wages and salaries	615,374,183.68	634,550,564.55
Taxes	118,107,557.19	93,898,100.15
Depreciation and Amortization	178,874,157.99	86,665,426.36
Business reception fees	7,710,774.06	9,674,736.33
Office expenses	71,290,124.26	49,931,761.09
Repair and maintenance fees	136,669,190.54	81,564,182.19
Auditors' remuneration (Note 1)	3,334,942.19	2,914,576.94
Service charges	22,645,357.48	22,249,674.49
Others	96,754,460.87	73,087,953.53
 Total	3,822,341,956.08	2,747,417,124.13

Note 1: Among this, the Company pay the mid-term and annual auditors' remuneration to Deloitte with RMB3.08 million.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Finance expenses

Item	2014	RMB 2013
Pledge loan interest expenses	11,063,073.47	—
Less: interest income from bank deposits	(98,042,012.94)	(99,984,275.65)
Foreign currency translation differences	(53,249,922.81)	3,483,699.84
Interest of discount on notes	1,297,519.34	4,061,604.02
Others	9,550,424.81	8,589,028.64
 Total	 (129,380,918.13)	 (83,849,943.15)

40. Impairment loss on assets

Item	2014	RMB 2013
1. Loss on bad debts	31,289,311.69	(7,726,422.57)
2. Loss on impairment of inventory	5,336,989.27	7,606,906.78
3. Loss on impairment of fixed assets	22,994,631.62	13,484,488.47
4. Loss on impairment of construction in progress	10,193,179.46	851,065.00
5. Loss on impairment of loans	2,307,593.14	—
 Total	 72,121,705.18	 14,216,037.68

41. Profit or loss from changes in fair value

Item	2014	RMB 2013
Profit or loss from changes in fair value from derivative financial instruments	(4,055,677.86)	(7,381,189.40)
 Total	 (4,055,677.86)	 (7,381,189.40)

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Investment income

Breakdown:

Item	2014	RMB 2013
Income from long-term equity investments under equity method	20,006,807.15	11,341,964.57
Income from available-for-sale financial asset investments	11,831,669.85	36,861,734.52
Investment gains from the disposal of long-term equity investments	—	10,972,610.88
Total	31,838,477.00	59,176,309.97

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

The Group has no gains on investments in listed companies.

43. Non-operating income

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

Item	2014	2013	RMB Amount included in extraordinary gains and losses
Total gains from disposal of non-current assets	1,475,506.96	2,458,346.61	1,475,506.96
Of which: Gains from disposal of fixed assets	1,467,957.95	2,458,346.61	1,467,957.95
Gains from disposal of construction in progress	7,549.01	—	7,549.01
Government grants	362,719,006.90	210,023,578.95	362,719,006.90
Gains from compensation	38,554,807.82	12,117,078.72	38,554,807.82
Unpayable amount	6,556,699.16	35,442,068.95	6,556,699.16
Others	31,267,945.87	18,796,428.20	31,267,945.87
Total	440,573,966.71	278,837,501.43	440,573,966.71

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Non-operating income (continued)

(2) Government grants credited in profit and loss of the year:

Item	2014	2013	RMB
			related to an asset/ related to income
Infrastructure supporting fund	24,999,355.18	2,365,365.75	related to an asset
Funds in support of the industrial policy of the government	21,045,030.68	21,045,030.67	related to an asset
Subsidies for soft soil foundation section	6,114,973.96	6,114,973.96	related to an asset
Domestic equipment rebate	14,597,429.44	18,139,069.99	related to an asset
Urban construction funds	2,319,828.34	2,319,828.34	related to an asset
New technology center of land	(712,112.40)	237,370.80	related to an asset
Significant technical innovation project grant	1,150,000.04	1,150,000.04	related to an asset
Special funds for SME development	295,479.84	295,479.84	related to an asset
863 plan (pure electronic motor)	2,839,200.00	1,940,800.00	related to income
Engine development	100,000.00	100,000.00	related to an asset
863 plan (power)	2,872,800.00	2,268,000.00	related to income
C20 pure electric car research and development	—	2,000,000.00	related to income
Core technology of domestic automotive electronic chip	129,300.00	—	related to income
863— integration data platform project	250,000.00	—	related to income
Subsidies for disposal of scrap cars	1,062,000.00	—	related to income
New technology center construction project	62,531.43	—	related to an asset
Welfare enterprises VAT refund (Note 1)	20,953,351.82	18,821,289.29	related to income
Other government grants	264,639,838.57	133,226,370.27	related to income
Includes: Technical transformation project funds and foreign trade service	4,774,766.00	1,533,621.00	related to income
Innovation subsidy	1,050,000.00	200,000.00	related to income
Fiscal subsidy	247,803,945.62	122,114,053.07	related to income
Technology development bonus	190,000.00	930,000.00	related to income
Giant project subsidy supported by Hebei province	500,000.00	500,000.00	related to income
Discount subsidy for imported products	1,793,276.00	4,992,516.00	related to income
Special subsidy for high-level talents	2,260,950.95	1,036,000.00	related to income
New plug-in SUV project	1,500,000.00	—	related to income
Special fund for open economy development	2,000,000.00	—	related to income
Construction project of master studio for training and development of provincial high-level talents	1,500,000.00	—	related to income
Others	1,266,900.00	1,920,180.20	related to income
Total	362,719,006.90	210,023,578.95	

Note 1: During the reporting period, Baoding Nuobo, Baoding Great and Baoding Yixin, subsidiaries of the Group, were recognized as social welfare enterprises by Department of Civil Affairs of Hebei Province. Pursuant to "Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Corporate Income Tax Incentives on Enterprises Which Recruit the Disabled (Caishui [2007] No.92)", 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.

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Non-operating expenses

Item	2014	RMB	
		2013	Amount included in extraordinary gains and losses
Total loss on disposal of non-current assets	23,882,139.56	14,282,657.51	23,882,139.56
Of which: Loss on disposal of fixed assets	12,392,144.44	14,272,506.36	12,392,144.44
Loss on disposal of construction in progress	11,489,995.12	—	11,489,995.12
Loss on disposal of intangible assets	—	10,151.15	—
Donations	9,011,211.27	6,088,689.12	9,011,211.27
Expenses for compensations and fines	9,004,320.46	3,789,059.93	9,004,320.46
Others	2,281,699.91	2,992,626.38	2,281,699.91
Total	44,179,371.20	27,153,032.94	44,179,371.20

45. Income tax expenses

Item	2014	RMB	
		2013	
Current income tax	1,639,968,520.81	1,684,127,866.26	
Deferred income tax	(41,089,337.58)	3,462,207.52	
Total	1,598,879,183.23	1,687,590,073.78	

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

Item	2014	RMB	
		2013	
Total profit	9,640,075,628.40	9,919,721,781.39	
Income tax rate	25%	25%	
Income tax calculated at tax rate of 25%	2,410,018,907.10	2,479,930,445.35	
Tax holidays, exemptions and concessionary rates	(629,388,553.59)	(699,439,943.74)	
Additional tax deduction for research and development expenses	(170,369,758.36)	(116,234,751.30)	
Tax effect of non-taxable income	(14,148,983.91)	(4,263,076.13)	
Tax effect of non-deductible expenses	2,767,571.99	27,597,399.60	
Total	1,598,879,183.23	1,687,590,073.78	

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Net profit

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

Item	Note	2014	RMB 2013
Depreciation for fixed assets	(VI)15	1,606,157,742.95	1,095,173,891.02
Amortisation for investment properties	(VI)14	165,267.34	161,943.13
Amortisation of intangible assets	(VI)17	66,164,677.53	59,852,333.91
Total amount of depreciation and amortization		1,672,487,687.82	1,155,188,168.06
(Gain)/loss on disposal of non-current assets	(VI)43,44	22,406,632.60	11,824,310.90
Gross rental income from investment properties		1,900,000.00	1,900,000.00
Employee benefits expense	(VI)24	5,450,976,895.87	4,562,673,443.07

47. 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		2014	RMB 2013
Net profit attributable to ordinary shareholders		8,041,535,517.60	8,223,648,390.71
Of which: Net profit attributable to continuing operations		8,041,535,517.60	8,223,648,390.71
Total		8,041,535,517.60	8,223,648,390.71

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

Item	2014	2013
Number of outstanding ordinary shares at the beginning of the year	3,042,423,000.00	3,042,423,000.00
Add: Weighed number of ordinary shares issued in the year	—	—
Less: Weighted number of ordinary shares repurchased in the year	—	—
Weighted number of outstanding ordinary shares at the end of the year	3,042,423,000.00	3,042,423,000.00

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Item	2014	RMB 2013
Based on the net profit attributable to shareholders of the Company:		
Basic earnings per share	2.64	8,223,648,390.71 2.70
Diluted earnings per share	N/A	N/A
Based on the net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	2.64	8,223,648,390.71 2.70
Diluted earnings per share	N/A	N/A

48. Other comprehensive income

Foreign currency translation differences

Item	2014	RMB 2013
Opening balance	(6,806,391.32)	(6,230,241.74)
Exchange differences arising on translation to presentation currency	(90,786,205.37)	(576,149.58)
Closing balance	(97,592,596.69)	(6,806,391.32)

49. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	2014	RMB 2013
Interest income from bank deposits	98,042,012.94	99,984,275.65
Government grants	272,804,638.57	136,454,370.27
Reparations (penalty) income	29,694,040.66	12,117,078.72
Others	36,252,571.79	18,776,428.20
Total	436,793,263.96	267,332,152.84

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**49. Notes to cash flow statements (continued)****(2) Other cash paid relating to operating activities**

Item	2014	RMB 2013
Advertising and media services fee	167,890,556.05	243,496,449.95
Transportation costs and port charges	963,597,235.05	877,224,513.56
Technology development expenditures	858,134,467.34	696,232,781.97
After-sale charges and repair charges	727,039,494.01	529,312,931.54
Business entertainment expenses and office expenses	92,961,135.77	61,545,521.79
Travelling expenses	18,597,335.05	15,260,072.06
Consultation fees	22,645,357.48	22,249,674.49
Others	151,521,878.06	188,504,146.92
Total	3,002,387,458.81	2,633,826,092.28

(3) Other cash received relating to investing activities

Item	2014	RMB 2013
Government grants	12,000,000.00	222,779,482.00
Total	12,000,000.00	222,779,482.00

(4) Other cash received relating to financing activities

Item	2014	RMB 2013
Decrease in restricted bank deposits	1,155,136,481.75	—
Total	1,155,136,481.75	—

(5) Other cash paid relating to financing activities

Item	2014	RMB 2013
Increase in restricted bank deposits	—	726,427,896.94
Acquisition of a subsidiary of minority interests	—	29,906,700.00
Total	—	756,334,596.94

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Supplemental information of cash flow statements

(1) Supplemental information of cash flow statements

Supplemental information	2014	RMB 2013
1 Reconciliation of net profits and cash flow from operating activities:		
Net profits	8,041,196,445.17	8,232,131,707.61
Add: Impairment provisions for assets	72,121,705.18	14,216,037.68
Depreciation of fixed assets	1,606,157,742.95	1,095,173,891.02
Amortization of intangible assets	66,164,677.53	59,852,333.91
Amortization of long-term prepaid expenses	11,478,445.29	9,496,711.64
Depreciation of real estate held for investment	165,267.34	161,943.13
(Gains)/losses from change of fair value	4,055,677.86	7,381,189.40
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets	22,406,632.60	11,824,310.90
Amortization of deferred income	(78,275,928.91)	(54,747,919.39)
Financing costs/(gains)	(48,419,236.11)	10,288,521.97
Investment losses/(gains)	(31,838,477.00)	(59,176,309.97)
(Increase)/decrease in deferred tax assets	(40,868,647.03)	3,462,207.52
(Increase)/decrease in inventories	(1,327,906,531.33)	(383,706,724.00)
(Increase)/decrease in operating receivables	(7,041,825,875.56)	(2,785,109,635.49)
Increase/(decrease) in operating payables	4,841,172,509.42	2,877,795,131.63
Net cash flows from operating activities	6,095,784,407.40	9,039,043,397.56
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	3,081,531,924.78	5,522,642,764.49
Less: Cash balance at the beginning of the year	5,522,642,764.49	5,595,535,544.33
Net increase in cash and cash equivalents	(2,441,110,839.71)	(72,892,779.84)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Supplemental information of cash flow statements (continued)

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

Item	2014	RMB 2013
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 from 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	—	—

(3) Components of cash and cash equivalents

Item	2014	RMB 2013
I. Cash		
Of which: Cash in hand	3,081,531,924.78	5,522,642,764.49
Bank deposits readily available for payment	1,372,214.12	1,568,645.22
Other cash and bank balances readily available for payment	3,080,159,710.66	5,521,074,119.27
II. Cash and cash equivalent balance at the end of the year	3,081,531,924.78	5,522,642,764.49

Notes to the Financial Statements

For the year ended 31 December 2014

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Monetary items denominated in foreign currency

Monetary items denominated in foreign currency:

Item	Closing balance of foreign currency	Exchange rate	RMB Closing balance of RMB
Cash			
Include: RMB	32,264,742.82	1.0000	32,264,742.82
USD	33,336,122.68	6.1190	203,983,734.65
HKD	16,773.40	0.7889	13,232.03
EUR	11,808,004.55	7.4556	88,035,758.72
JPY	485,048.96	0.0514	24,917.45
KRW	7,112.05	0.0057	40.24
GBP	10,317.76	9.5437	98,469.61
RUB	3,540.12	0.1105	391.18
THB	129.99	0.1887	24.53
AUD	3,370.04	5.0174	16,908.83
SGD	310.00	4.6396	1,438.28
CHF	3,131.00	6.2715	19,636.07
Accounts receivable			
Include: USD	72,056,999.58	6.1190	440,916,780.42
EUR	11,789,772.82	7.4556	87,899,830.22
Other accounts receivable			
Include: AUD	38,610.00	5.0174	193,721.81
EUR	23,915.00	7.4556	178,300.67
USD	107,752.60	6.1190	659,338.16
Accounts payable			
Include: EUR	1,223,315.09	7.4556	9,120,548.00
USD	365,741.30	6.1190	2,237,971.00
GBP	229,450.00	9.5437	2,189,802.00
CAD	2,741.35	5.2755	14,462.00
HKD	1,613.70	0.7889	1,273.00
Other accounts payable			
Include: JPY	20,950,000.00	0.0514	1,076,222.45
EUR	9,675,467.60	7.4556	72,136,416.23
USD	4,730,009.30	6.1190	28,942,926.91
CHF	3,131.00	6.2715	19,636.07
GBP	31,967.50	9.5437	305,088.23

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. Net current assets

Item	31/12/2014	RMB 31/12/2013
Current assets	35,313,744,747.57	31,026,191,451.06
Less: Current liabilities	(26,144,697,042.57)	(22,839,474,722.18)
Net current assets	9,169,047,705.00	8,186,716,728.88

53. Total assets less current liabilities

Item	31/12/2014	31/12/2013
Total assets	61,345,252,123.45	52,604,808,931.29
Less: Current liabilities	(26,144,697,042.57)	(22,839,474,722.18)
Total assets less current liabilities	35,200,555,080.88	29,765,334,209.11

VII. CHANGES IN BUSINESS COMBINATION

1. Subsidiaries acquired through business combination of enterprises not under common control

There was no subsidiaries acquired through business combination of enterprises not under common control during the reporting period.

2. Subsidiaries acquired through business combination of enterprises under common control

There was no subsidiaries acquired through business combination of enterprises under common control during the reporting period.

3. Disposal of subsidiaries

There was no disposal of subsidiaries during the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2014

VII. CHANGES IN BUSINESS COMBINATION (continued)

4. Other reasons of changes in scope of business combination.

Subsidiaries established by investment

Name	Founded time	Closing balance of net assets	Closing balance of net profit
Haval Motors Australia Pty Ltd. ("Haval Australia") (哈弗汽車澳大利亞有限公司)	Established in 2013.11 Registered capital in 2014.1	17,841,921.24	(4,292,756.44)
Qinchuang Property 勸創物業	2014.1	8,056,587.78	56,587.78
Shanghai Haval Automotive Technology Limited Company ("Shanghai Haval") (上海哈弗汽車科技有限公司)	2014.1	895,234.29	(604,765.71)
Haval Motor Rus Limited Liability Company ("Haval Russia") (俄羅斯哈弗汽車有限責任公司)	2014.2	139,736,600.20	29,513,702.62
Baoding Haval Auto Sales Company Limited ("Haval Auto Sales") (保定哈弗汽車銷售有限公司)	2014.3	(16,575,195.51)	(21,575,195.51)
Baoding Zhiteng Automation Technology Company Limited ("Zhiteng Automation") (保定市智騰自動化科技有限公司)	2014.3	98,523,089.94	(1,476,910.06)
Tianjin Great Wall Binyin Automotive Finance Company Ltd ("Automotive Finance") (天津長城濱銀汽車金融有限公司)	2014.5	546,960,008.73	(3,039,991.27)
Australia Sinyos Technology and Trade Pty Ltd ("Sinyos Technology and Trade") (澳大利亞森友斯科貿有限公司)	2014.5	—	—
Haval Motor Manufacturing Rus Limited Liability Company ("Russia Manufacturing") (俄羅斯哈弗汽車製造有限責任公司)	2014.7	45,706,164.09	14,671,372.88
Haval Motors South Africa Proprietary Limited ("Haval South Africa") (哈弗汽車南非有限公司)	2014.8	—	—

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Group

Subsidiaries established by investment

Full name of subsidiaries	Place of main management	Place of registration	Business nature	RMB	
				Direct	Indirect
Great Wall Baoding Huabei Automobile Company Limited (保定長城華北汽車有限公司) ("Great Wall Huabei")	Gaobeidian	Gaobeidian	Manufacture of automotive parts and components	100.00	—
Great Wall Internal Combustion Engine (長城內燃機)	Dingxing, Baoding	Dingxing, Baoding	Manufacture of automotive parts and components	100.00	—
Baoding Great (保定格瑞)	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Changcheng Axles (長城橋業)	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Baoding Nuobo (保定諾博)	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—
Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司) ("Beijing Great")	Beijing	Beijing	Manufacture of automotive parts and components	75.00	—
Baoding Great Wall 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")	Baoding	Baoding	Provision of after-sales service	100.00	—
Baoding Great Wall Automobile Sales Company Limited (保定長城汽車銷售有限公司) ("Great Wall Sales")	Baoding	Baoding	Marketing and sale of automobiles	100.00	—
Macs (麥克斯)	Baoding	Baoding	Manufacture of automotive parts and components	75.00	25.00
Tide Technology and Trade Company Limited (泰德科貿有限公司) ("Tide Technology and Trade")	Hong Kong	Hong Kong	Investment and financing services	100.00	—
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司) ("Russia Great Wall")	Russia	Russia	Export and import of automobiles and related spare parts and provision of after-sales services	100.00	—

Notes to the Financial Statements

For the year ended 31 December 2014

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries established by investment (continued)

Full name of subsidiaries	Place of main management	Place of registration	Business nature	RMB	
				Proportion of shareholdings (%)	Proportion of voting rights (%)
Direct	Indirect				
Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司) ("Mind Component")	Baoding	Baoding	Manufacture of automotive parts and components	75.00	25.00
Tianjin Lean (天津精益)	Tianjin Development Zone	Tianjin Development Zone	Manufacture of automotive parts and components	—	100.00
Baoding Jinggong Foundry Company Limited (保定長城精工鑄造有限公司) ("Jinggong Foundry")	Shunping, Baoding	Shunping, Baoding	Manufacture of steel casting and provision of after-sales service	100.00	—
Baoding Great Wall Ants Logistics Company Limited (保定市長城螞蟻物流有限公司) ("Great Wall Ants")	Baoding	Baoding	Logistics and ordinary goods transportation	100.00	—
Lean School (精益學校)	Baoding	Baoding	Occupational training	100.00	—
Tianjin Boxin Automobile Parts Co., Ltd. (Tianjin Boxin) (天津博信汽車零部件有限公司)	Tianjin	Tianjin	Manufacture of automotive parts and components	100.00	—
Ningxia Great Wall Automobile Leasing Company Limited (寧夏長城汽車租賃有限公司) ("Ningxia Leasing")	Yinchuan Economic and Technological Development Zone	Yinchuan Economic and Technological Development Zone	Buildings rental	100.00	—
Great Wall Resource Recycling (長城再生資源)	Qingyuan, Baoding	Qingyuan, Baoding	Processing, recycling and sale of waste and used material	100.00	—
Baoding Exquisite Auto Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司) ("Exquisite Mould")	Baoding	Baoding	Research and development and manufacture of auto moulds	100.00	—
Nuobo Rubber Manufacturing Co., Ltd (諾博橡膠製品有限公司) ("Xushui Nuobo")	Baoding	Baoding	Manufacture of automotive parts and components	100.00	—

VIII. INTERESTS IN OTHER ENTITIES (continued)**1. Interests in subsidiaries** (continued)**(1) Structure of the Group** (continued)*Subsidiaries established by investment (continued)*

Full name of subsidiaries	Place of main management	Place of registration	Business nature	RMB	
				Direct	Indirect
Baoding Great Wall Automobile Component Sales Co., Ltd. (保定長城汽車配件銷售有限公司) ("Xushui Component")	Baoding	Baoding	Sale of automotive parts and components and lubricants	100.00	—
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")	Beijing	Beijing	Business information consultation	—	100.00
Xushui Clean Heat Supplying Co., Ltd. 徐水縣科林供熱有限公司 ("Clean Heat")	Baoding	Baoding	Heat production and supply	100.00	—
Haval Automotive Rental Co., Ltd (originally named Baoding Great Wall Automotive Rental Co., Ltd.) (哈弗汽車租賃有限公司，原保定市長城汽車出租有限公司) ("Haval Rental")	Baoding	Baoding	Auto Rental	100.00	—
Qinchuang Property (Note 1) (勤創物業)	Baoding	Baoding	Property management	100.00	—
Shanghai Haval (Note 2) (上海哈弗)	Shanghai	Shanghai	Automotive technology research, development and technical consultation	100.00	—
Haval Australia (Note 3) (哈弗澳大利亞)	Australia	Australia	Auto selling	—	100.00
Haval Russia (Note 4) (俄羅斯哈弗)	Russia	Russia	Auto selling	—	100.00
Haval Auto Sales (Note 5) (哈弗銷售)	Baoding	Baoding	Auto selling	100.00	—
Zhiteng Automation (Note 6) (智騰自動化)	Baoding	Baoding	Industrial automation research development and manufacturing	100.00	—

Notes to the Financial Statements

For the year ended 31 December 2014

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Structure of the Group (continued)

Subsidiaries established by investment (continued)

Full name of subsidiaries	Place of main management	Place of registration	Business nature	RMB	
				Proportion of shareholdings (%)	Proportion of voting rights (%)
Direct	Indirect				
Automotive Finance (Note 7) (汽車金融)	Tianjin	Tianjin	Design, production and sale of automotive parts and components	90.00	—
Sinyos Technology and Trade (Note 8) (森友斯科貿)	Australia	Australia	Auto selling	—	100.00
Russia Manufacturing (Note 9) (俄羅斯製造)	Russia	Russia	Auto manufacture	—	100.00
Haval South Africa (Note 10) (哈弗南非)	South Africa	South Africa	Auto selling	—	100.00

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 RUB950 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.

Note 9. Russia Manufacturing is a wholly owned subsidiary which has been established in Russia by the Company in July 2014, with a registered capital of RUB260 million.

Note 10. Haval South Africa is a wholly owned subsidiary which has been established in South Africa by the Company in August 2014, with a registered capital of ZAR1,000.

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Subsidiaries acquired through business combination of enterprises not under common control

Full name of subsidiaries	Place of main management	Place of registration	Business nature	RMB	
				Proportion of shareholdings (%)	Voting rights
				direct	indirect
Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development")	Hong Kong	Hong Kong	Investment holding	—	100.00
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")	Baoding	Baoding	Design, production and sale of automotive parts and components	100.00	—
Baoding Xinyuan (保定信遠)	Baoding	Baoding	Design, production and sale of automotive parts and components	75.00	25.00

Subsidiaries acquired through business combination of enterprises under common control

Full name of subsidiaries	Place of main management	Place of registration	Business nature	RMB	
				Proportion of shareholdings (%)	Voting rights
				direct	indirect
Tianjin Wantong (天津萬通)	Tianjin Development Zone	Tianjin Development Zone	Manufacture of automotive parts and components	—	100.00
Baoding Yixin Auto Parts Company Limited (保定億新汽車配件有限公司) ("Baoding Yixin")	Baoding	Baoding	Manufacture of automotive parts and components	75.00	25.00

Notes to the Financial Statements

For the year ended 31 December 2014

VIII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(2) Significant non-wholly-owned subsidiary

Full name of subsidiaries	Proportion of minority shareholdings (%)	Total profit or loss attributable to minority interests	Dividends attributable to minority interests	RMB	
				Balance of Minority interests	
Automotive Finance	10%	303,999.13	—	54,696,000.87	

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

Full name of subsidiaries	2014.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Automotive Finance	433,012,378.03	121,007,793.54	554,020,171.57	7,060,162.84	—	7,060,162.84

Full name of subsidiaries	2014				Cash flows from operating activities
	Operating revenue	Net profit	Total comprehensive income		
Automotive Finance	8,331,585.19	(3,039,991.27)	(3,039,991.27)	(172,865,447.98)	

2. There were no transaction which caused changes in proportion of equity but still under control.

VIII. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures

(1) Financial information about insignificant joint venture as follows:

	Closing balance/Amount incurred during current period	Opening balance/Amount incurred during current period
Joint venture :		
Baoding Jiehua	17,373,898.61	17,022,230.04
Yanfeng Johnson	48,616,346.26	28,961,207.68
Total book value of investment	65,990,244.87	45,983,437.72
Follows were calculated by the proportion of shareholding:		
— Net profit	21,417,923.84	11,763,537.30
— Other comprehensive income	—	—
— Total comprehensive income	21,417,923.84	11,763,537.30

Notes to the Financial Statements

For the year ended 31 December 2014

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Major financial instruments of the Group include cash and bank balances, derivative financial instruments, receivables, loans and advances to customers 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.

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

1 Objective and policies of risk management

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

1.1 Market risk

1.1.1 Foreign exchange risk

Foreign exchange risk represents risks of loss incurred as a result of changes in exchange rates. 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, all assets and liabilities of the Group were denominated in RMB.

Item	31/12/2014	RMB 31/12/2013
Cash and cash equivalents	324,459,294.41	101,673,523.46
Accounts receivable	528,816,610.64	290,700,647.85
Other receivables	1,031,360.64	2,761,271.78
Accounts payable	(13,564,056.00)	(6,166,485.20)
Other payables	(102,480,289.90)	(137,620,540.23)
Total	738,262,919.79	251,348,417.66

The Group manages its foreign exchange risk by purchase forward exchanges contracts.

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1 Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.1 Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk

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

Item	Fluctuation of foreign exchange rate	2014		RMB
		Influence on profit	Influence on shareholders' interest	
USD	5% strengthening against RMB	30,718,947.77	30,718,947.77	
USD	5% weakening against RMB	(30,718,947.77)	(30,718,947.77)	
EUR	5% strengthening against RMB	4,742,846.27	4,742,846.27	
EUR	5% weakening against RMB	(4,742,846.27)	(4,742,846.27)	
GBP	5% strengthening against RMB	(119,821.03)	(119,821.03)	
GBP	5% weakening against RMB	119,821.03	119,821.03	
JPY	5% strengthening against RMB	(52,565.25)	(52,565.25)	
JPY	5% weakening against RMB	52,565.25	52,565.25	
AUD	5% strengthening against RMB	10,531.53	10,531.53	
AUD	5% weakening against RMB	(10,531.53)	(10,531.53)	

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.

Notes to the Financial Statements

For the year ended 31 December 2014

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1 Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.1 Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk (continued)

Item	Fluctuation of foreign exchange rate	RMB	
		2013	Influence on shareholders' interest
USD	5% strengthening against RMB	10,033,522.33	10,033,522.33
USD	5% weakening against RMB	(10,033,522.33)	(10,033,522.33)
EUR	5% strengthening against RMB	(111,456.26)	(111,456.26)
EUR	5% weakening against RMB	111,456.26	111,456.26
HKD	5% strengthening against RMB	2,865,714.29	2,865,714.29
HKD	5% weakening against RMB	(2,865,714.29)	(2,865,714.29)
GBP	5% strengthening against RMB	(104,194.23)	(104,194.23)
GBP	5% weakening against RMB	104,194.23	104,194.23
JPY	5% strengthening against RMB	(126,022.15)	(126,022.15)
JPY	5% weakening against RMB	126,022.15	126,022.15

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.

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1 Objective and policies of risk management (continued)

1.1 Market risk (continued)

1.1.2 Interest rate risk

Sensitivity analysis of interest rate risk

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

In accordance with the assumption above, with no changes in other factors, the influence on profit and shareholders' interest (before tax) which caused by reasonable fluctuation of interest risk in this period were as follow:

Item	Fluctuation of interest risk	RMB	
		2014 Influence on profit	Influence on shareholders' interest
Bank deposit	Increase 25 basis points	8,482,219.25	8,482,219.25
Bank deposit	Decrease 25 basis points	(8,482,219.25)	(8,482,219.25)
Loans and advances to customers	Increase 100 basis points	1,526,691.49	1,526,691.49
Loans and advances to customers	Decrease 100 basis points	(1,526,691.49)	(1,526,691.49)

1.2 Credit risk

As at 31 December 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.

Notes to the Financial Statements

For the year ended 31 December 2014

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1 Objective and policies of risk management (continued)

1.2 Credit risk (continued)

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. The Group uses letter of credit and insurance with Sinosure to manage credit risk from oversea sales without any collateral from customers. 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 68.88% (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 1.17% of the Group's revenue in 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, other receivables and loans and advance of the Group are disclosed in note (VI) (3), (4) (7) and (11).

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.

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

1 Objective and policies of risk management (continued)

1.3 Liquidity risk (continued)

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

Item	31/12/2014			RMB
	Within 6 months	6-12 months	Over one year	
Bills payable	(4,138,158,178.41)	—	—	(4,138,158,178.41)
Accounts payable	(14,082,115,436.56)	(11,036,495.10)	—	(14,093,151,931.66)
Other payables	(897,412,949.96)	(880,886,494.49)	—	(1,778,299,444.45)
Dividend payables	—	(156,709.77)	—	(156,709.77)

Item	31/12/2013			RMB
	Within 6 months	6-12 months	Over one year	
Short-term borrowings	(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 year ended 31 December 2014

X. FAIR VALUE

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

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

Item	Fair value	RMB		
		31/12/2014	31/12/2013	Fair value level
Fair value measurement				
Held-for-trading financial assets				
Derivative financial assets-forward exchange contracts	Asset RMB214,440.00	Asset	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and the contract forward rate, discounted at a rate that reflects the credit risk of various counterparties.

Group management believes that the carrying value of the other financial assets and financial liabilities in financial statements are close to the fair value of those assets and liabilities.

XI. RELATED PARTIES AND TRANSACTIONS

1. Holding company of the Company

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

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

2. Subsidiaries of the Company

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

XI. RELATED PARTIES AND TRANSACTIONS (continued)

3. Joint ventures of the Company

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

4. Other related parties of the Company

Name	Relationship with the company	Code
Baoding Wan Wei Municipal Engineering Co.Ltd (保定市萬維市政工程有限公司)	Company indirectly controlled by Wei Jian Jun	30802820-2
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 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 Tai Hang Pump Manufacturing Company Limited (保定市太行制泵有限公司)	Company directly controlled by controlling shareholder	10597749-1
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 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
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
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 Tian Yan)	10596659-X
Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd. (湖北開特汽車電子電器系統股份有限公司)	Independent director as an independent director of the entity	17760740-6
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)	Senior management as director of the entity	05555879-X
Beijing Eastern Riwa Technology Company Limited (北京市東方日瓦科貿有限公司)	Company directly controlled by Wei Jian Jun	10299371-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
The Management Centre of Collective Assets of Nanyuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產託管中心)	Minority shareholder of the controlling shareholder (which have significant influence)	72879122-0

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XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions

(1) Procurement of raw materials and accessories

Related parties	Related party transaction	2014	RMB 2013
Yanfeng Johnson	Purchase of raw materials	353,913,247.25	446,162,894.56
Hebei Baoding Tai Hang Group Company Limited	Purchase of raw materials	24,102.56	37,777.78
Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd	Purchase of raw materials	8,661,482.61	4,474,746.12

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

Related parties	Related party transaction	2014	RMB 2013
Yanfeng Johnson	Sales of automobiles or components and parts of automobiles	493,344.34	250,633.74
Baoding Bo Chuang Real Estate Development Co., Ltd.	Sales of automobiles or components and parts of automobiles	80,170.94	—
Baoding Furui Landscape Co., Ltd	Sales of automobiles or components and parts of automobiles	59,658.12	—

(3) Purchase of fixed assets

Related parties	Related party transaction	2014	RMB 2013
Baoding Great Wall Real Estate Development and Construction Co., Ltd.	Purchase of fixed assets	64,800.00	—
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	—	384,615.38
Yanfeng Johnson	Purchase of fixed assets	—	55,665.31
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase of fixed assets	—	27,665.00

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(4) Sales of fixed assets

Related parties	Related party transaction	2014	RMB 2013
Baoding Wan Wei Municipal Engineering Co.Ltd	Sales of fixed assets	12,414.53	—
Baoding Great Wall Real Estate Development and Construction Co., Ltd.	Sales of fixed assets	—	49,038.46

(5) Purchase of services

Related parties	Related party transaction	2014	RMB 2013
Baoding Bo Chuang Real Estate Development Co., Ltd.	Purchase of services	1,085,643.60	—
Baoding Bo Chuang Property Service Co., Ltd.	Purchase of services	8,891.40	—
Hebei Baoding Tai Hang Group Company Limited	Purchase of services	—	63,931.62

(6) Rendering of services

Related parties	Related party transaction	2014	RMB 2013
Yanfeng Johnson China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited	Rendering of services Rendering of services	1,803,783.58 141,509.43	2,214,733.58 —

Notes to the Financial Statements

For the year ended 31 December 2014

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(7) Claims and others

Related parties	Related party transaction	2014	RMB 2013
Yanfeng Johnson	Claims and others	756,172.25	323,796.87
Baoding Rui Cheng Real Estate Development Co., Ltd.	Claims and others	77,361.49	—
Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd	Claims and others	51,282.05	43,688.88
Baoding Bo Chuang Real Estate Development Co., Ltd.	Claims and others	—	(305,261.98)
Others	Claims and others	—	(26,436.74)

(8) Emolument of key management

Item	2014	RMB'000 2013
Emolument of key management	30,994	23,690

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

(a) Independent non-executive directors' remuneration

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

Name	2014	RMB'000 2013
He Bao Yin	21	48
Wei Lin	21	48
Li Ke Qiang	21	48
Huang Zhi Xiong	143	143
Lu Chuang	27	—
Liang Shang Shang	27	—
Ma Li Hui	27	—
Total	287	287

There are no other remuneration payable to independent non-executive directors (2013:None).

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument of key management (continued)

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

2014	RMB'000			
	Director's emoluments	Salaries, bonus, allowance and benefit in kind	Retiring benefit	Total
Executive directors:				
Wei Jian Jun	—	4,639	11	4,650
Liu Ping Fu	—	549	—	549
Wang Feng Ying (Note 1)	—	4,450	11	4,461
Yang Zhi Juan	—	491	11	502
Hu Ke Gang	—	1,654	—	1,654
Non-executive directors:				
He Ping	48	—	—	48
Niu Jun	—	—	—	—
Supervisor:				
Yuan Hong Li	8	—	—	8
Zhu En Ze	—	285	—	285
Luo Jin Li	18	—	—	18
Zong Yi Xiang	11	—	—	11
Total	85	12,068	33	12,186

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For the year ended 31 December 2014

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument of key management (continued)

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

2013	Director's emoluments	Salaries, bonus, allowance and benefit in kind	Retiring benefit	RMB'000
				Total
Executive directors:				
Wei Jian Jun	—	3,249	10	3,259
Liu Ping Fu	—	512	—	512
Wang Feng Ying (Note 1)	—	2,827	10	2,837
Yang Zhi Juan	—	404	10	414
Hu Ke Gang	—	1,333	—	1,333
Non-executive directors:				
He Ping	48	—	—	48
Niu Jun	—	—	—	—
Supervisor:				
Yuan Hong Li	18	—	—	18
Zhu En Ze	—	334	—	334
Luo Jin Li	18	—	—	18
Total	84	8,659	30	8,773

Note 1: Wang fengying is also the Chief Executive of the Group and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

No director or supervisor waived or agreed to waive any emolument during the year. The Group did not make any payment to director or supervisor as inventive upon their joining the Group or as compensation for the loss of their offices.

XI. RELATED PARTIES AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(8) Emolument of key management (continued)

(c) Five highest emolument individuals

Of the five individuals with the highest emoluments in the Group, the emoluments of two (2013: two) of them are included in the above table. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014	2013	RMB'000
Salary, bonus, allowance and other benefits	9,453	6,392	
Contributions to pension	30	31	
Total	9,483	6,423	

Their emoluments were within the following bands:

	2014	2013
HK\$0 to HK\$1,000,000 (equivalent to RMB0 to RMB788,900)	—	—
HK\$1,000,000 to HK\$2,000,000 (equivalent to RMB788,900 to RMB1,577,800)	—	—
HK\$2,000,000 to HK\$3,000,000 (equivalent to RMB1,577,800 to RMB2,366,700)	—	3
HK\$3,000,000 to HK\$4,000,000 (equivalent to RMB2,366,700 to RMB3,155,600)	1	—
HK\$4,000,000 to HK\$5,000,000 (equivalent to RMB3,155,600 to RMB3,944,500)	2	—

Notes to the Financial Statements

For the year ended 31 December 2014

XI. RELATED PARTIES AND TRANSACTIONS (continued)

6. Amounts due from/due to related parties

Item	Related parties	2014.12.31	RMB 2013.12.31
Accounts receivable	Baoding Bo Chuang Real Estate Development Co., Ltd.	2,465.20	—
Sub-total:		2,465.20	—
Other receivables	Baoding Bo Chuang Real Estate Development Co., Ltd.	300,000.00	300,000.00
Other receivables	Baoding Wan Wei Municipal Engineering Co. Ltd	14,525.00	—
Sub-total		314,525.00	300,000.00
Bills payable	Yanfeng Johnson	33,010,000.00	—
Bills payable	Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd.	4,262,000.00	2,171,000.00
Sub-total		37,272,000.00	2,171,000.00
Accounts payable	Yanfeng Johnson	93,581,264.45	147,682,861.14
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	185,496.58	194,122.65
Accounts payable	Hubei Kait Automotive Electronic & Electrical Systems Co., Ltd.	4,409,016.38	2,392,984.99
Accounts payable	Beijing Eastern Riwa Technology Company Limited	—	741,188.39
Sub-total		98,175,777.41	151,011,157.17
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	4,779,511.85	—
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	8,006.00	—
Other payables	Hebei Baoding Tai Hang Group Company Limited	52,000.00	—
Sub-total		4,839,517.85	—
Advance from customers	Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding	34,000.00	—
Sub-total		34,000.00	—
Dividends receivable	Yanfeng Johnson	8,000,000.00	9,000,000.00
Sub-total		8,000,000.00	9,000,000.00

XII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

Item	2014.12.31	RMB'000 2013.12.31
Contracted for but not provided	7,330,498	5,600,401
Authorised by the Board of Directors but not contracted for	5,664,665	7,277,514
Others	—	—
— Capital commitments of joint ventures not included in consolidated financial statements	650	858

(2) Operating lease commitments

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

Item	2014.12.31	RMB'000 2013.12.31
Minimum lease payments under non-cancellable operating leases:		
Within one year from the balance sheet date	8,032	1,908
In the second year from the balance sheet date	5,919	1,120
In the third year from the balance sheet date	2,404	1,120
Subsequent years	14,102	7,424
Total	30,457	11,572

Notes to the Financial Statements

For the year ended 31 December 2014

XIII. OTHER SIGNIFICANT EVENTS

1. Segment reporting

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

Revenue from external customers by location of revenue sources:

Item	2014	RMB 2013
Revenue from external customers in China	59,467,547,004.37	51,942,765,547.70
Northeast China	4,759,862,752.10	4,805,240,728.07
Northern China	10,907,368,407.04	11,663,171,080.28
Eastern China	15,671,066,071.55	13,038,151,909.64
Central China	13,550,741,776.69	9,791,623,162.69
Northwest China	5,627,793,779.15	5,352,543,993.13
Southwest China	8,950,714,217.84	7,292,034,673.89
Revenue from external customers in other countries	3,131,557,185.49	4,841,548,796.60
Russia	950,391,920.18	1,646,349,835.25
Chile	338,668,359.97	415,683,095.50
Iraq	239,816,542.99	265,823,657.77
Ecuador	226,510,727.07	120,436,046.69
Iran	202,332,954.49	245,957,669.80
South Africa	161,111,231.99	238,452,207.84
Australia	157,878,417.04	453,788,760.85
Bulgaria	110,078,014.98	152,676,920.63
Algeria	109,772,236.90	349,246,405.79
Peru	85,361,428.28	124,848,435.88
Other overseas countries	549,635,351.60	828,285,760.60
Total	62,599,104,189.86	56,784,314,344.30

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 the PRC.

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

XIV. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY**1. Cash and bank balances**

Item	2014.12.31	RMB 2013.12.31
Cash:		
RMB	363,248.30	436,289.36
USD	154,438.18	76,910.14
HKD	13,232.03	14,327.78
EUR	32,902.46	104,170.75
JPY	24,917.40	6,637.95
KRW	40.24	40.81
GBP	98,464.93	163,768.22
RUB	391.18	656.07
THB	24.53	24.82
AUD	16,903.92	4,854.84
SGD	1,438.28	1,507.93
Bank deposits:		
RMB	846,785,565.14	4,049,282,700.80
USD	6,088,541.94	21,909,259.05
EUR	72,609,627.12	2,445,188.68
JPY	0.05	—
GBP	4.68	—
AUD	4.11	0.27
CHF	19,636.07	—
Other cash and bank balances:		
RMB	46,131,340.72	348,883,533.33
USD	6,053,379.84	2,133,915.00
Total	978,394,101.12	4,425,463,785.80
Include: overseas cash and bank deposits	—	—

As at 31 December 2014, the Company had restricted cash and bank balances of RMB52,184,720.56, in which guarantee on bank acceptance bills amounted to RMB39,396,340.72, guarantee on letter of credit amounted to RMB7,178,379.84, and other guarantees amounted to RMB5,610,000.00.

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 year ended 31 December 2014

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

(continued)

2. Bills receivable

(1) Classification of bills receivable

Category	31/12/2014	RMB 31/12/2013
Bank acceptance bills	19,639,242,895.83	14,337,820,267.66
Total	19,639,242,895.83	14,337,820,267.66

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

Category	31/12/2014	RMB 31/12/2013
Bank acceptance bills	1,827,207,120.00	2,418,760,000.00
Total	1,827,207,120.00	2,418,760,000.00

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

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

Category	31/12/2014	RMB 31/12/2013
Bank acceptance bills	12,751,018,545.09	16,171,118,500.00
Total	12,751,018,545.09	16,171,118,500.00

The above bills endorsed but yet undue have been derecognised.

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

(continued)

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

Item	31/12/2014					31/12/2013				
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt		
	Amount	Ratio (%)	Amount	ratio (%)	Book value	Amount	Ratio (%)	Amount	ratio (%)	Book value
Individually significant and subject to separate provision	799,275,750.33	96.83	(25,172,440.39)	3.15	774,103,309.94	1,181,754,647.04	97.65	—	—	1,181,754,647.04
Accounts receivables sorted based on the characteristics of credit risk as a group	24,723,939.91	3.00	(479,916.05)	1.94	24,244,023.86	28,490,050.69	2.35	(1,006.63)	—	28,489,044.06
Accounts receivable which are individually insignificant but subject to separate provision	1,451,597.39	0.17	(1,451,597.39)	100.00	—	—	—	—	—	—
Total	825,451,287.63	100.00	(27,103,953.83)	3.28	798,347,333.80	1,210,244,697.73	100.00	(1,006.63)	—	1,210,243,691.10

Accounts receivable which are individually significant and subject to separate provision:

Accounts receivable (by customers)	2014.12.31				Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)		
Customer 1	305,757,557.51	(18,429,545.48)	6.03		Pass due
Customer 2	104,371,318.60	(1,834,073.69)	1.76		Pass due
Customer 3	17,534,334.22	(1,643,159.55)	9.37		Pass due
Customer 4	3,265,661.67	(3,265,661.67)	100.00		Pass due
Others	368,346,878.33	—	—		
Total	799,275,750.33	(25,172,440.39)	3.15		

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

3. Accounts receivable (continued)

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

Aging	2014.12.31				2013.12.31				RMB
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value	
Within 1 year	812,775,735.33	98.47	(23,818,024.11)	788,957,711.22	1,172,330,198.23	96.87	(1,006.63)	1,172,329,191.60	
1 to 2 years	12,559,752.30	1.52	(3,285,929.72)	9,273,822.58	37,682,899.50	3.11	—	37,682,899.50	
2 to 3 years	—	—	—	—	231,600.00	0.02	—	231,600.00	
Over 3 years	115,800.00	0.01	—	115,800.00	—	—	—	—	
Total	825,451,287.63	100.00	(27,103,953.83)	798,347,333.80	1,210,244,697.73	100.00	(1,006.63)	1,210,243,691.10	

(3) *Provision for bad debts, written back or revised bad debts during the reporting period:*

Provision for bad debts amounted to RMB27,423,977.18, written back or reversed bad debts amounted to RMB257,149.98 during the reporting period.

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

Name of unit	Amount of written off	RMB
Total Amounts written off	63,880.00	

(5) *Five units with largest amounts of accounts receivable*

Name of unit	Balance at the year end	Percentage of total accounts receivable (%)	Amount of provision of bad debts	RMB
Customer 1	305,757,557.51	37.04	(18,429,545.48)	
Customer 2	104,371,318.60	12.64	(1,834,073.69)	
Customer 3	39,931,812.57	4.84	—	
Customer 4	31,103,246.48	3.77	—	
Customer 5	23,345,313.54	2.83	—	
Total	504,509,248.70		(20,263,619.17)	

XIV. 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	31/12/2014						31/12/2013					
	Carrying amount		Provision for bad debts			Book value	Carrying amount		Provision for bad debts			Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value		Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	
Individually significant and subject to separate provision	2,887,568,848.91	99.56	(1,744,140.00)	0.06	2,885,824,708.91	2,566,529,778.18	99.24	—	—	—	2,566,529,778.18	
Other receivables sorted based on the characteristics of credit risk as a group	12,828,383.58	0.44	(45,000.00)	0.35	12,783,383.58	19,660,122.14	0.76	(84,420.00)	0.43	19,575,702.14		
Other receivables which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—	—	—	—	
Total	2,900,397,232.49	100.00	(1,789,140.00)	0.06	2,898,608,092.49	2,586,189,900.32	100.00	(84,420.00)	—	—	2,586,105,480.32	

Other receivables which are individually significant and subject to separate provision:

Other accounts receivable (by customers)	2014.12.31				Reason for provision
	Other accounts receivable	Provision for bad debts	Provision ratio (%)		
Unit 1	2,573,908,122.60	—	—		
Unit 2	149,153,000.00	—	—		
Unit 3	32,089,709.54	—	—		
Unit 4	25,000,000.00	—	—		
Unit 5	18,721,050.90	—	—		
Unit 6	1,744,140.00	(1,744,140.00)	100.00	Unrecoverable	
Others	86,952,825.87	—	—		
Total	2,887,568,848.91	(1,744,140.00)	0.06		

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

4. Other receivables (continued)

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

Aging	2014.12.31				2013.12.31			RMB
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	
Within 1 year	562,092,211.57	19.38	(1,744,140.00)	560,348,071.57	2,490,563,965.74	96.30	–	2,490,563,965.74
1 to 2 years	2,310,623,400.15	79.66	–	2,310,623,400.15	95,541,514.58	3.69	–	95,541,514.58
2 to 3 years	25,471,631.42	0.88	–	25,471,631.42	–	–	–	–
Over 3 years	2,209,989.35	0.08	(45,000.00)	2,164,989.35	84,420.00	0.01	(84,420.00)	–
Total	2,900,397,232.49	100.00	(1,789,140.00)	2,898,608,092.49	2,586,189,900.32	100.00	(84,420.00)	2,586,105,480.32

(3) Provision for bad debts, written back or reversed bad debts during the reporting period:

Provision for bad debts amounted to RMB1,744,140.00 there were no provision written back or reversed during the reporting period.

(4) Other accounts receivable actually written off during the reporting period

Name of unit	RMB Amount of written off
Written off	39,420.00

(5) Other accounts receivable disclosed as nature:

Nature of other accounts receivable	2014.12.31	2013.12.31	RMB
Petty cash	9,120,867.65	11,218,652.64	
Deposit	2,698,734,012.87	2,375,853,443.24	
Energy-saving subsidies	149,153,000.00	149,126,000.00	
Others	43,389,351.97	49,991,804.44	
Total	2,900,397,232.49	2,586,189,900.32	

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

(continued)

4. Other receivables (continued)**(6) Five units with largest amounts of other accounts receivable**

Name of unit	Nature of other accounts receivable	Amount	Aging	Percentage of the total other receivables (%)	RMB	
					Closing balance of provision of bad debts	
Unit 1	Performance Bond	2,573,908,122.60	Within 2 year	88.74	—	
Unit 2	Energy-saving subsidies	149,153,000.00	Within 3 year	5.14	—	
Unit 3	Customs deposit	32,089,709.54	Within 1 year	1.11	—	
Unit 4	Steels deposit	25,000,000.00	Within 6 months	0.86	—	
Unit 5	Customs deposit	18,721,050.90	Within 6 months	0.65	—	
Total		2,798,871,883.04		96.50	—	

(7) There were no other accounts receivable related to government grants.**5. Inventory****(1) Inventory categories**

Item	31/12/2014		
	Book balance	Provision for obsolete stocks	Book value
Raw materials	790,470,922.71	(385,654.29)	790,085,268.42
Work in progress	462,780,321.69	(268,275.37)	462,512,046.32
Finished goods	727,916,780.11	(4,448,432.70)	723,468,347.41
Low-valued consumables	51,481,190.82	—	51,481,190.82
Total	2,032,649,215.33	(5,102,362.36)	2,027,546,852.97

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

5. Inventory (continued)

(1) Inventory categories (continued)

Item	Book balance	RMB	
		31/12/2013 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

(2) Provision for obsolete stocks

Inventory categories	1/1/2014	Provision for the year	Decrease for the year		31/12/2014
			Reversals	Write-offs	
Raw materials	—	385,654.29	—	—	385,654.29
Work in progress	—	268,275.37	—	—	268,275.37
Finished goods	2,049,060.69	11,264,807.44	—	(8,865,435.43)	4,448,432.70
Total	2,049,060.69	11,918,737.10	—	(8,865,435.43)	5,102,362.36

(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 year	Percentage of the reversal or write-off to the closing balance of such inventory during the year (%)	
			obsolete stocks during the year	inventory during the year (%)
Raw materials	Note 1	—	—	—
Work in progress	Note 1	—	—	—
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 raw materials, work in progress and finished goods.

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

XIV. 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:

Investee	2014.1.1	Movement							2014.12.31	Closing balance of provision for bad debt
		Addition	Reduction	Investment profit or loss recognised under equity method	Adjustment of other comprehensive income	Change in other equity	Declared cash dividends or profit	Provision for impairment		
Investment in subsidiaries										
Great Wall Huabei	268,092,310.00	–	–	–	–	–	–	–	–	268,092,310.00
Great Wall Internal Combustion Engine	583,255,808.00	–	–	–	–	–	–	–	–	583,255,808.00
Changcheng Axles (Note 1)	209,846,614.49	137,709,100.00	–	–	–	–	–	–	–	347,555,714.49
Baoding Nuobo	72,240,000.00	–	–	–	–	–	–	–	–	72,240,000.00
Beijing Great	750,000.00	–	–	–	–	–	–	–	–	750,000.00
Baoding Great	23,000,000.00	–	–	–	–	–	–	–	–	23,000,000.00
Great Wall After-sales (Note 2)	150,000.00	34,700,000.00	–	–	–	–	–	–	–	34,850,000.00
Macs	25,021,090.00	–	–	–	–	–	–	–	–	25,021,090.00
Tide Technology and Trade	159,353,665.00	–	–	–	–	–	–	–	–	159,353,665.00
Russia Great Wall	404,335.00	–	–	–	–	–	–	–	–	404,335.00
Mind Component (Note 3)	450,000.00	70,800,000.00	–	–	–	–	–	–	–	71,250,000.00
Exquisite Foundry	85,000,000.00	–	–	–	–	–	–	–	–	85,000,000.00
Baoding Yixin	9,750,000.00	–	–	–	–	–	–	–	–	9,750,000.00
Great Wall Ants	86,000,000.00	–	–	–	–	–	–	–	–	86,000,000.00
Lean School	100,000.00	–	–	–	–	–	–	–	–	100,000.00
Tianjin Boxin	1,891,553,510.28	–	–	–	–	–	–	–	–	1,891,553,510.28
Ningxia Leasing	20,000,000.00	–	–	–	–	–	–	–	–	20,000,000.00
Great Wall Resource Recycling	50,000,000.00	–	–	–	–	–	–	–	–	50,000,000.00
Great Wall Boxiang	39,116,124.26	–	–	–	–	–	–	–	–	39,116,124.26
Exquisite Mould	5,000,000.00	–	–	–	–	–	–	–	–	5,000,000.00
Baoding Xinyuan	47,025,720.36	–	–	–	–	–	–	–	–	47,025,720.36
Xushui Component	7,000,000.00	–	–	–	–	–	–	–	–	7,000,000.00
Clean Heat (Note 4)	140,000,000.00	35,000,000.00	–	–	–	–	–	–	–	175,000,000.00
Haval Rental (Note 5)	20,000,000.00	5,000,000.00	–	–	–	–	–	–	–	25,000,000.00
Great Wall Sales	8,000,000.00	–	–	–	–	–	–	–	–	8,000,000.00
Automotive Finance	–	495,000,000.00	–	–	–	–	–	–	–	495,000,000.00
Qinchuang Property	–	8,000,000.00	–	–	–	–	–	–	–	8,000,000.00
Shanghai Haval	–	1,500,000.00	–	–	–	–	–	–	–	1,500,000.00
Haval Auto Sales	–	5,000,000.00	–	–	–	–	–	–	–	5,000,000.00
Xushui Nuobo (Note 6)	–	255,000,000.00	–	–	–	–	–	–	–	255,000,000.00
Zhiteng Automation	–	100,000,000.00	–	–	–	–	–	–	–	100,000,000.00
Sub-total	3,751,109,177.39	1,147,709,100.00	–	–	–	–	–	–	–	4,898,818,277.39

Notes to the Financial Statements

For the year ended 31 December 2014

XIV. 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)

Investee	2014.1.1	Movement							2014.12.31	Closing balance of provision for bad debt
		Investment profit or loss recognised under equity method	Adjustment of other comprehensive income	Change in other equity	Declared cash dividends or profit	Provision for impairment	Others			
Investment in joint venture										
Baoding Jiehua	17,022,230.04	–	–	351,668.57	–	–	–	–	–	17,373,898.61
Sub-total	17,022,230.04	–	–	351,668.57	–	–	–	–	–	17,373,898.61
Investment in associate										
Yanfeng Johnson	14,171,695.17	–	–	9,827,569.29	–	–	–	–	–	23,999,264.46
Sub-total	14,171,695.17	–	–	9,827,569.29	–	–	–	–	–	23,999,264.46
Total	3,782,303,102.60	1,147,709,100.00	–	10,179,237.86	–	–	–	–	–	4,940,191,440.46

Note 1. In April 2014, the Company acquired 25% shares of Great Wall Axles from Billion Development, a subsidiary of the Company, upon completion of the acquisition, the Company holds 100% shares of Great Wall Axles directly.

Note 2. In April 2014, the Company injected capital amounted to RMB34,700,000 to Great Wall After-sales, upon completion of the capital injection, the registered capital of Great Wall After-sales increased from RMB300,000 to RMB35,000,000.

Note 3. In May 2014, the Company and Billion Development a subsidiary of the Company injected capital amounted to RMB94,400,000 to Mind Component, among the capital injected, the Company injected RMB70,800,000 and Billion Development injected RMB23,500,000. Upon completion of the capital injection, the registered capital of Mind Component increased from RMB600,000 to RMB95,000,000.

Note 4. In July 2014, the Company injected capital amounted to RMB35,000,000 to Clean Heat, upon completion of the capital injection, the registered capital of Clean Heat increased from RMB140,000,000 to RMB170,500,000.

Note 5. In July 2014, the Company injected capital to Baoding Great Wall Automotive Rental Co., Ltd., the registered capital of Baoding Great Wall Automotive Rental Co., Ltd. increased from RMB20,000,000 to RMB100,000,000. Baoding Great Wall Automotive Rental Co., Ltd. changed its name to Haval Automotive Rental Co., Ltd. The capital injection amounted to RMB5,000,000 during the reporting period.

Note 6. In March 2014, the Company acquired 100% shares of Xushui Nuobo from Baoding Nuobo, a subsidiary of the Company, upon completion of the acquisition; the Company holds 100% shares of Xushui Nuobo directly.

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

(continued)

7. Fixed assets**Fixed assets:**

Item	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total	RMB
I. Original book value						
2014.1.1	6,162,601,011.11	7,294,178,248.82	49,417,238.44	1,682,850,381.58	15,189,046,879.95	
Additions for the year	650,735,944.06	2,003,536,220.57	14,442,317.12	818,596,198.17	3,487,310,679.92	
1. Purchase	22,820,775.91	201,099,587.11	2,356,174.11	48,681,417.90	274,957,955.03	
2. Transfer from construction in progress	627,915,168.15	1,802,323,812.95	11,039,404.98	769,818,928.94	3,211,097,315.02	
3. Transfer from inventories	—	112,820.51	1,046,738.03	95,851.33	1,255,409.87	
Deductions for the year	(998,642.70)	(9,050,587.82)	(3,414,588.85)	(24,250,935.01)	(37,714,754.38)	
1. Disposal and scrap	(983,000.70)	(7,222,389.52)	(3,197,135.26)	(24,002,900.83)	(35,405,426.31)	
2. Transfer to construction in progress	—	(1,709,401.72)	—	(230,769.23)	(1,940,170.95)	
3. Foreclosed	—	—	(217,453.59)	—	(217,453.59)	
4. Others	(15,642.00)	(118,796.58)	—	(17,264.95)	(151,703.53)	
2014.12.31	6,812,338,312.47	9,288,663,881.57	60,444,966.71	2,477,195,644.74	18,638,642,805.49	
II. Total accumulated depreciation						
2014.1.1	427,976,765.45	1,713,857,372.27	14,953,183.16	815,859,926.98	2,972,647,247.86	
Additions for the year	201,434,655.95	766,651,477.19	6,586,483.37	303,448,742.00	1,278,121,358.51	
1. Provision for this period	201,434,655.95	766,651,477.19	6,586,483.37	303,448,742.00	1,278,121,358.51	
Deductions for the year	(217,790.01)	(4,421,155.12)	(1,568,089.28)	(14,638,658.69)	(20,845,693.10)	
1. Disposal and scrap	(217,790.01)	(4,186,339.69)	(1,498,365.51)	(14,565,062.07)	(20,467,557.28)	
2. Transfer to construction in progress	—	(216,946.44)	—	(69,423.13)	(286,369.57)	
3. Foreclosed	—	—	(69,723.77)	—	(69,723.77)	
4. Others	—	(17,868.99)	—	(4,173.49)	(22,042.48)	
2014.12.31	629,193,631.39	2,476,087,694.34	19,971,577.25	1,104,670,010.29	4,229,922,913.27	
III. Provision for impairment						
2014.1.1	—	33,847,386.34	—	25,546,715.84	59,394,102.18	
Additions for the year	136,268.33	11,195,127.09	—	9,001,952.55	20,333,347.97	
1. Provision for this period	136,268.33	11,195,127.09	—	9,001,952.55	20,333,347.97	
Deductions for the year	—	(92,783.82)	—	(792,687.56)	(885,471.38)	
1. Disposal and scrap	—	(92,783.82)	—	(792,687.56)	(885,471.38)	
2014.12.31	136,268.33	44,949,729.61	—	33,755,980.83	78,841,978.77	
IV. Book value						
2014.12.31	6,183,008,412.75	6,767,626,457.62	40,473,389.46	1,338,769,653.62	14,329,877,913.45	
2014.1.1	5,734,624,245.66	5,546,473,490.21	34,464,055.28	841,443,738.76	12,157,005,529.91	

As at 31 December 2014, among the fixed assets, the net book value of properties without title certificates amounted to RMB3,765,364,205.15 (As at 31 December 2013: RMB3,187,521,353.78) and the application of relevant title certificates is in progress.

Notes to the Financial Statements

For the year ended 31 December 2014

XIV. 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	31/12/2014			31/12/2013		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Annual production of 300,000 sets of EG engines	3,323,198.53	—	3,323,198.53	70,091,130.40	—	70,091,130.40
Annual production of 200,000 sets of six-speed manual transmissions	—	—	—	40,622,856.60	—	40,622,856.60
Annual production of 400,000 sets of aluminium alloy casting	20,411,508.93	—	20,411,508.93	29,835,562.63	—	29,835,562.63
Annual production of 400,000 sets of automotive lightings	940,170.94	—	940,170.94	27,641,592.86	—	27,641,592.86
Tianjin automobile project	158,070,063.06	—	158,070,063.06	502,978,177.05	—	502,978,177.05
Tianjin branch's parts and components project	60,950,625.76	—	60,950,625.76	168,739,711.49	—	168,739,711.49
Tianjin branch's residential area supporting project	8,836,314.52	—	8,836,314.52	16,780,791.26	—	16,780,791.26
Industrial park phase I. II. III	270,334,425.82	(11,013,179.46)	259,321,246.36	252,152,970.60	(851,065.00)	251,301,905.60
Steam project	—	—	—	3,570,000.00	—	3,570,000.00
Xindatong Reconstruction	913,108.97	—	913,108.97	32,584,178.01	—	32,584,178.01
Jiaozhuang infrastructure	546,016.00	—	546,016.00	7,588,391.57	—	7,588,391.57
Jiaozhuang equipment	108,414,998.56	—	108,414,998.56	123,920,244.87	—	123,920,244.87
New technology center	1,317,596,809.79	—	1,317,596,809.79	842,546,398.45	—	842,546,398.45
Xushui Automobile Project	2,222,241,438.49	—	2,222,241,438.49	1,050,010,890.20	—	1,050,010,890.20
Xushui parts and components project	604,513,692.85	—	604,513,692.85	284,525,052.78	—	284,525,052.78
Xushui supporting infrastructure project	67,708,439.46	—	67,708,439.46	2,512,697.63	—	2,512,697.63
Others	200,152,747.40	—	200,152,747.40	12,136,681.13	—	12,136,681.13
Total	5,044,953,559.08	(11,013,179.46)	5,033,940,379.62	3,468,237,327.53	(851,065.00)	3,467,386,262.53

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

(continued)

8. Construction in progress (continued)

(2) Changes of major construction in progress

Project	Budget amount	1/1/2014	Additions	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated interest amount	Of which: capitalized interest amount (%)	Ratio of capitalized interest amount (%)	RMB	Sources of fund	31/12/2014
Annual production of 300,000 sets of EG engines	547,163,800.00	70,091,130.40	2,085,883.92	(68,853,815.79)	—	99.46	—	—	—	—	Fundraised and Internal resources	3,323,198.53
Annual production of 200,000 sets of six-speed manual transmissions	432,561,100.00	40,622,856.60	2,987,618.54	(42,871,981.66)	(738,493.48)	100.00	—	—	—	—	Fundraised	—
Annual production of 400,000 sets of aluminium alloy casting	303,376,600.00	29,835,562.63	42,831,513.21	(48,571,585.00)	(3,483,981.91)	100.00	—	—	—	—	Fundraised	20,411,508.93
Annual production of 400,000 sets of automotive lightings	180,677,200.00	27,841,592.86	—	(26,701,421.92)	—	100.00	—	—	—	—	Fundraised and Internal resources	940,170.94
Tianjin automobile project	4,510,986,600.00	502,978,177.05	310,707,081.35	(526,584,613.55)	(129,030,581.79)	94.78	—	—	—	—	Internal resources	158,070,063.06
Tianjin branch's parts and components project	998,463,000.00	168,739,711.49	455,050,803.85	(562,076,055.90)	(763,833.68)	79.05	—	—	—	—	Internal resources	60,950,625.76
Tianjin branch's residential area supporting project	493,019,700.00	16,780,791.26	18,014,765.94	(25,959,242.68)	—	88.26	—	—	—	—	Internal resources	8,836,314.52
Industrial park phase I, II, III	749,793,526.00	252,152,970.60	266,956,872.97	(220,876,851.18)	(27,898,566.57)	99.66	—	—	—	—	Internal resources	270,334,425.82
Steam project	68,735,000.00	3,570,000.00	2,834,500.00	(6,404,500.00)	—	100.00	—	—	—	—	Internal resources	—
Xindatong Reconstruction	61,516,077.00	32,584,178.01	2,865,342.38	(34,535,402.30)	(1,009.12)	100.00	—	—	—	—	Internal resources	913,108.97
Jiaozhuang infrastructure	144,108,000.00	7,588,391.57	2,961,843.60	(10,004,219.17)	—	100.00	—	—	—	—	Internal resources	546,016.00
Jiaozhuang equipment	1,273,996,105.00	123,920,244.87	152,859,321.92	(163,646,807.78)	(4,717,760.45)	100.00	—	—	—	—	Internal resources	108,414,998.56
New technology center	1,893,518,600.00	842,546,398.45	484,402,934.69	(9,352,523.35)	—	70.08	—	—	—	—	Internal resources	1,317,598,809.79
Xushui Automobile Project	8,723,315,142.00	1,050,010,890.20	1,960,438,454.63	(771,933,905.57)	(16,274,000.77)	56.16	—	—	—	—	Internal resources	2,222,241,438.49
Xushui parts and components project	5,183,737,114.63	284,525,052.78	1,004,855,618.47	(680,937,625.06)	(3,929,353.34)	44.51	—	—	—	—	Internal resources	604,513,692.85
Xushui supporting infrastructure project	824,574,300.00	2,512,697.63	65,506,350.83	(310,609.00)	—	35.43	—	—	—	—	Internal resources	67,708,439.46
Others	322,750,422.94	12,136,681.13	217,725,579.16	(11,476,155.11)	(18,233,357.78)	80.76	—	—	—	—	Internal resources	200,152,747.40
Total	26,712,292,287.57	3,468,237,327.53	4,992,884,485.46	(3,211,097,315.02)	(205,070,938.89)	—	—	—	—	—		5,044,953,559.08

Note: During the year, the book value of the construction in progress decreased by RMB124,182,715.47 due to transfer into intangible assets.

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

8. Construction in progress (continued)

(3) Impairment of construction in progress during the reporting period

Item	Provision of the current period	RMB The reason of provision
Industrial park phase I, II, III Reconstruction and expansion	10,193,179.46	Impairment on moulds in progress
Total	10,193,179.46	

9. Intangible assets

Intangible assets

Item	Land use rights	Others	RMB Total
I. Original book value			
2014.1.1	2,219,892,620.68	80,381,032.21	2,300,273,652.89
Additions for the year	399,690,179.30	19,071,201.44	418,761,380.74
1. Purchase	278,581,779.30	15,996,885.97	294,578,665.27
2. Transfer in from construction in progress	121,108,400.00	3,074,315.47	124,182,715.47
Deductions for the year	—	(637,103.52)	(637,103.52)
2014.12.31	2,619,582,799.98	98,815,130.13	2,718,397,930.11
II. Total accumulated amortization			
2014.1.1	129,800,681.39	39,226,264.66	169,026,946.05
Additions for the year	48,446,939.37	9,483,617.66	57,930,557.03
Deductions for the year	—	(637,103.52)	(637,103.52)
2014.12.31	178,247,620.76	48,072,778.80	226,320,399.56
III. Book value			
2014.12.31	2,441,335,179.22	50,742,351.33	2,492,077,530.55
2014.1.1	2,090,091,939.29	41,154,767.55	2,131,246,706.84

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

Item	31/12/2014	RMB 31/12/2013
Located in mainland China — 10 to 50 years	2,441,335,179.22	2,090,091,939.29

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

10. Short term borrowing

Category	31/12/2014	RMB 31/12/2013
Pledge loans (Note 1)	—	182,198,866.04
Total	—	182,198,866.04

Note 1: At the end of the previous reporting period, the balance of pledge loans were amounts due to account receivable factoring.

11. Bills payable

Category	31/12/2014	RMB 31/12/2013
Bank acceptance bills	2,228,314,043.46	2,572,362,386.32
Total	2,228,314,043.46	2,572,362,386.32

12. Accounts payable

(1) Accounts payable

Item	31/12/2014	RMB 31/12/2013
Within 1 year	14,943,116,529.09	11,236,019,553.02
1 to 2 years	44,161,866.60	17,773,365.70
2 to 3 years	15,504,507.04	4,155,057.00
Over 3 years	4,984,997.65	6,730,954.78
Total	15,007,767,900.38	11,264,678,930.50

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

Item	2014.12.31	RMB Reason for unsettled
Supplier 1	7,600,015.48	Not reached an agreement
Supplier 2	5,072,456.09	Not reached an agreement
Supplier 3	4,128,943.68	Payment returned
Supplier 4	3,054,600.00	Payment terms have not been reached
Total	19,856,015.25	

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

13. Advances from customers

(1) Advances from customers

Item	31/12/2014	RMB 31/12/2013
Within 1 year	2,198,256,861.74	2,565,768,901.16
1 to 2 years	14,806,867.86	8,123,941.55
2 to 3 years	6,250,534.77	1,645,113.27
Over 3 years	2,136,992.67	2,375,640.82
Total	2,221,451,257.04	2,577,913,596.80

(2) Advances from customers aged over one year with significant amount

Item	2014.12.31	RMB Reason for unsettled
Customer 1	4,901,659.02	Payment terms have not been reached
Customer 2	3,705,395.94	Payment terms have not been reached
Customer 3	3,105,977.11	Payment terms have not been reached
Total	11,713,032.07	

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

(continued)

14. Deferred income

The closing balances of deferred income are all related to government grants.

Category	1/1/2014	Additions for the year	Credited to Non-operating income for the year	Other movements	31/12/2014	RMB	related to an asset/related to income
Infrastructure supporting fund (Note 1)	784,516,179.09	—	(24,140,175.88)	—	760,376,003.21		related to an asset
Government industrial policy supporting fund (Note 2)	230,893,599.00	—	(5,565,637.52)	—	225,327,961.48		related to an asset
Soft soil foundation subsidy (Note 3)	158,319,679.50	—	(3,388,193.92)	—	154,931,485.58		related to an asset
Hybrid power SUV development project (Note 4)	98,000,000.00	—	—	—	98,000,000.00		related to income
New technical centre infrastructure construction project (Note 5)	91,300,000.00	—	(62,531.43)	—	91,237,468.57		related to an asset
Tax refund for purchasing domestic manufactured equipment (Note 6)	62,980,189.21	—	(14,319,706.12)	—	48,660,483.09		related to an asset
Urban construction fund (Note 7)	57,782,878.63	—	(2,319,828.34)	—	55,463,050.29		related to an asset
Connected car project (Note 8)	12,000,000.00	—	—	—	12,000,000.00		related to an asset
Capital for new technical centre infrastructure construction (Note 9)	11,156,427.60	—	—	(11,156,427.60)	—		related to an asset
Subsidies for material technological innovation projects (Note 10)	5,333,333.33	—	(800,000.00)	—	4,533,333.33		related to an asset
863 plan (pure electronic motor) (Note 11)	1,119,200.00	1,720,000.00	(2,839,200.00)	—	—		related to income
Diesel engine development project fund (Note 12)	800,000.00	—	(100,000.00)	—	700,000.00		related to an asset
863 plan (power) (Note 13)	—	2,872,800.00	(2,872,800.00)	—	—		related to income
New plug-in SUV project (Note 14)	—	1,500,000.00	(1,500,000.00)	—	—		related to income
Engine construction project (Note 15)	—	12,000,000.00	—	—	12,000,000.00		related to an asset
The core technology of domestic automotive electronic chip (Note 16)	—	600,000.00	(129,300.00)	—	470,700.00		related to income
Subsidies for innovation demonstration enterprise (Note 17)	—	100,000.00	—	—	100,000.00		related to income
863- integration data platform project (Note 18)	—	250,000.00	(250,000.00)	—	—		related to income
High grade CNC technology project (Note 19)	—	560,000.00	—	—	560,000.00		related to income
Total	1,514,201,486.36	19,602,800.00	(58,287,373.21)	(11,156,427.60)	1,464,360,485.55		
Less: Non-current liabilities due within one year	(50,774,818.07)	—	—	—	(55,107,664.84)		
Deferred income	1,463,426,668.29	19,602,800.00	(58,287,373.21)	(11,156,427.60)	1,409,252,820.71		

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

14. Deferred income (continued)

Note 1: According to the "Circular Regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited" issued by Baoding Xushui government, Xushui government allocated money to the Company as the supporting fund for the infrastructure (buildings and ancillary facilities) construction of 500,000-automobile and components and parts production base project in new Great Wall industrial area in Baoding.

Note 2: According to the "Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area" and the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, the Company and Tianjin Wantong and Tianjin Lean, subsidiaries of the Company, received industrial policy supporting fund from Tianjin Economic-Technological Development Area in 2009.

Note 3: According to the "Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area", the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and "Payment agreement of soft soil foundation treatment subsidy" of Tianjin Economic and Technological Development Zone Development Bureau, the Company and two subsidiaries of the company, Tianjin Wantong and Tianjin Lean, received soft soil foundation subsidiary from Tianjin Economic-Technological Development Area.

Note 4: 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 5: 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 the Central Infrastructure Expenditure Budget (Allocated Fund) for the construction project of the new technology centre of the Company exclusively.

Note 6: This refers to value-added tax refunded to the Company and Changcheng Axles Industries, a subsidiary of the Company, for the purchase of domestic manufactured equipment by foreign-invested enterprises.

Note 7: 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 8: 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 for the development of front installed telematics services platform and terminals based on the Big Dipper satellite system of the Company exclusively.

Note 9: 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. According to relevant documents, the allocated money for the infrastructure construction of the new technology centre was amounted RMB11,868,540.00 and has been returned.

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

(continued)

14. Deferred income (continued)

Note 10: 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. 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 11: According to "Mission statement of National High Technology Research and Development Program (Program 863)" (Project number:2012AA111202), 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 RMB1,720,000.

Note 12: According to "Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch)" in 2011, the company's GW4D20 Diesel product development project was granted directly from the Bureau of Finance in Hebei Province.

Note 13: According to "Mission statement of National High Technology Research and Development Program (Program 863)" (Project number: 2012AA111704), 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 RMB2,872,800.

Note 14: According to "Mission Statement of Special Project on Major Technology Achievement in Hebei Province", the Hebei Provincial Department of Science and Technology issued budget index for initiate fund of New Plug-in Hybrid Power SUV Development and Industrialisation in 2014, specialise in research activities during the transformation of New Plug-in Hybrid Power SUV achievement of the Company, which was granted project funding of RMB1,500,000 during the reporting period.

Note 15: According to "Notice Regarding the Fund for Technological Renovation in 2014 by Baoding Finance Bureau and Bureau of Industry and Information," Baoding Finance Bureau allocated fund amounted to RMB12,000,000 for the construction of the Company's engine test center project.

Note 16: According to "Major Subject of National Science and Technology— Agreement on Technology of Domestic Automotive Electronic Chip", the Company assisted to complete the project until acceptance, and amount of RMB600,000 was granted during the reporting period.

Note 17: According to "Mission Statement of Project by Science and Technology Department of Hebei Province", Hebei Province Department of Finance allocated fund to the Company for training expense on innovative staffs which amounted to RMB100,000 this year.

Note 18: 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 positive development of integrated car database platform building was granted project research funding amounted to RMB250,000.

Note 19: According to the "Mission Statement 2014ZX04002-071 by Scientific Development Department", the Company took charge of the research project of typical forming process and key equipment technology pf aluminium alloy autobody parts in the major special projects of "high-end CNC machine and fundamental manufacturing equipment" and was granted project research funding amounted to RMB560,000 this year.

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

15. Capital reserve

Item	Opening balance	Additions for the year	Deductions for the year	RMB Closing balance
2014				
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
2013				
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

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

(continued)

16. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
2014		
Undistributed profits at the beginning of the year	16,630,245,730.47	
Add: Net profit	7,798,706,925.20	
Less: Appropriation of statutory surplus reserves	—	(1)
Distribution of cash dividends	(2,494,786,860.00)	(2)
Undistributed profits at the end of the year	21,934,165,795.67	
2013		
Undistributed profits at the beginning of the year	10,561,619,917.42	
Add: Net profit	7,843,150,143.98	
Less: Appropriation of statutory surplus reserves	(40,343,220.93)	(1)
Distribution of cash dividends	(1,734,181,110.00)	
Undistributed profits at the end of the year	16,630,245,730.47	

(1) Appropriation of statutory surplus reserves

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

(2) Cash 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 3,042,423,000.00 shares with a par value of RMB1 each.

(3) Distribution of profits after balance sheet date

On the basis of a total of 3,042,423,000.00 shares with a par value of RMB1 each in 2014, the final cash dividend of RMB2,433,938,400.00 at RMB0.80 per share (tax inclusive) in respect of the year ended 31 December 2014 has been proposed by the Board of Directors and is subject to approval by the shareholders in general meeting.

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

17. Operating revenue and operating costs

(1) Operating revenue

Item	2014	RMB 2013
Revenue from principal businesses	59,891,642,355.01	53,633,788,611.99
Of which: Revenue from the sale of automobiles	58,256,667,769.68	52,083,522,161.83
Revenue from the sale of automotive parts and components	1,555,535,089.09	1,457,913,473.58
Revenue from the sale of moulds and others	34,710,774.41	55,491,554.41
Revenue from render service	44,728,721.83	36,861,422.17
Revenue from other businesses	453,161,967.21	520,019,044.60
Total	60,344,804,322.22	54,153,807,656.59

(2) Operating costs

Item	2014	RMB 2013
Operating costs from principal businesses	47,010,742,767.66	41,752,521,569.47
Of which: Costs incurred from the sale of automobiles	45,646,122,076.24	40,478,071,908.18
Costs incurred from the sale of automotive parts and components	1,289,060,300.05	1,192,100,230.38
Costs incurred from the sale of mould and others	28,393,400.21	51,593,651.40
Costs incurred from render service	47,166,991.16	30,755,779.51
Costs incurred from other businesses	387,667,821.74	421,385,786.63
Total	47,398,410,589.40	42,173,907,356.10

18. Business tax and surcharges

Item	2014	RMB 2013
Business tax	2,105,293.49	2,153,152.18
Consumption tax	1,671,451,933.97	1,493,604,669.38
Urban maintenances and construction tax	282,583,236.03	257,422,390.29
Educational surcharges	202,833,440.23	183,915,474.39
Others	29,319,182.65	20,593,267.26
Total	2,188,293,086.37	1,957,688,953.50

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

19. Administrative expenses

Item	2014	RMB 2013
Technology development expenditures	2,433,362,077.63	1,564,456,444.55
Wages and salaries	426,485,575.43	446,069,350.22
Taxes	95,145,481.47	72,799,104.63
Depreciation and amortization	150,064,397.12	59,958,676.66
Business reception fees	6,686,270.11	8,224,900.72
Office expenses	35,875,172.45	29,167,440.03
Repair and maintenance fees	99,116,622.18	44,136,492.94
Auditors' remuneration	3,039,406.92	2,508,315.47
Service charges	19,859,427.19	21,203,372.62
Others	57,418,195.49	41,760,292.92
Total	3,327,052,625.99	2,290,284,390.76

20. Investment income

(1) Breakdown:

Item	2014	RMB 2013
Income from long-term equity investments under equity method	10,179,237.86	5,729,436.37
Income from available-for-sale financial asset investment	6,655,978.08	31,086,600.09
Income (loss) from the disposal of long-term equity investments	—	260,298,646.45
Income from long-term equity investments under cost method	1,764,082,570.75	1,279,247,709.94
Total	1,780,917,786.69	1,576,362,392.85

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

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

21. Income tax expenses

Item	2014	RMB 2013
Current income	943,506,124.85	1,065,247,504.06
Deferred income tax	(2,763,010.12)	(21,067,667.86)
Total	940,743,114.73	1,044,179,836.20

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

Item	2014	RMB 2013
Total profit	8,739,450,039.93	8,887,329,980.18
Income tax rate	25%	25%
Income tax expenses calculated at tax rate of 25%	2,184,862,509.98	2,221,832,495.05
Tax holidays, exemptions and concessionary rates	(629,232,976.22)	(699,720,451.86)
Additional deduction for research and development costs	(164,922,061.10)	(111,031,285.67)
Tax effect of non-taxable income	(450,546,765.97)	(386,439,362.67)
Tax effect of non-deductible expenses	582,408.04	19,538,441.35
Total	940,743,114.73	1,044,179,836.20

XIV. 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	2014	RMB 2013
1. Reconciliation of net profits and cash flow from operating activities:		
Net profit	7,798,706,925.20	7,843,150,143.98
Add: Impairment provisions for assets	71,356,231.73	18,399,832.25
Depreciation of fixed assets	1,278,121,358.51	811,243,810.22
Amortization of intangible assets	57,930,557.03	50,124,612.78
Amortization of long-term prepaid expenses	4,024,980.64	6,741,719.70
Depreciation of real estate held for investment	165,267.34	161,943.13
(Gains)/losses from change of fair value	4,055,677.86	7,381,189.40
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets, net of gains	20,054,804.40	11,275,621.41
Amortization of deferred gains	(58,287,373.21)	(35,337,558.58)
Financing costs/(gains)	29,415,921.97	5,294,922.52
Investment losses/(gains)	(1,780,917,786.69)	(1,576,362,392.85)
(Increase)/decrease in deferred tax assets, net of increase	(2,763,010.12)	(21,067,667.86)
(Increase)/decrease in inventories, net of increase	(1,123,977,291.03)	(694,548,567.61)
(Increase)/decrease in operating receivables, net of increase	(5,900,755,218.34)	(2,444,102,230.42)
Increase/(decrease) in operating payables, net of decrease	4,247,279,170.21	3,330,479,332.60
Net cash flows from operating activities	4,644,410,215.50	7,312,834,710.67
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	926,209,380.56	4,074,446,337.47
Less: Cash balance at the beginning of the year	4,074,446,337.47	3,601,505,562.66
Add: Cash equivalents balance at the end of the year	—	—
Less: Cash equivalents balance at the beginning of the year	—	—
Net increase in cash and cash equivalents	(3,148,236,956.91)	472,940,774.81

Notes to the Financial Statements

For the year ended 31 December 2014

XIV. 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	2014.12.31	RMB 2013.12.31
1. Cash	926,209,380.56	4,074,446,337.47
Of which: Cash in hand	706,001.45	809,188.67
Bank deposits readily available for payment	925,503,379.11	4,073,637,148.80
Other cash and bank balances readily available for payment	—	—
2. Cash and cash equivalent balance as at the end of the year	926,209,380.56	4,074,446,337.47

23. Related party transactions

(1) Purchases of raw materials and components

Related party	Category of related party transaction	2014	RMB 2013
Subsidiaries of the Company	Purchase raw materials	14,498,941,104.58	13,601,641,767.26
Associates of the Company	Purchase raw materials	248,241,931.31	323,808,906.81

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

Related party	Category of related party transaction	2014	RMB 2013
Subsidiaries of the Company	Sales of automobiles or components and parts of automobiles	56,375,113,334.14	48,318,952,039.02
Associates of the Company	Sales of automobiles or components and parts of automobiles	493,344.34	243,813.23
Other related parties of the Company	Sales of automobiles or components and parts of automobiles	139,829.06	—

XIV. 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**

Related party	Category of related party transaction	RMB	
		2014	2013
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	147,818,287.23	13,541,891.84
Associates of the Company	Purchases of fixed assets and construction in progress	—	55,665.31
Other related parties of the Company	Purchases of fixed assets and construction in progress	64,800.00	27,665.00

(4) Sales of fixed assets

Related party	Category of related party transaction	RMB	
		2014	2013
Subsidiaries of the Company	Sales of fixed assets	11,739,961.60	35,577,324.49
Other related parties of the Company	Sales of fixed assets	12,414.53	—

(5) Acceptance of services

Related party	Category of related party transaction	RMB	
		2014	2013
Subsidiaries of the Company	Acceptance of services	386,593,694.52	283,304,982.49
Other related parties of the Company	Acceptance of services	1,094,535.00	32,991.45

Notes to the Financial Statements

For the year ended 31 December 2014

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

(continued)

23. Related party transactions (continued)

(6) *Rendering of services*

Related party	Category of related party transaction	RMB	
		2014	2014
Subsidiaries of the Company	Rendering of services	58,921,196.29	46,892,264.75
Associates of the Company	Rendering of services	1,756,607.33	2,091,059.58
Other related parties of the Company	Rendering of services	141,509.43	—

(7) *Claims and others*

Related party	Category of related party transaction	RMB	
		2014	2013
Subsidiaries of the Company	Claims and others	4,494,950.31	15,332,158.97
Associates of the Company	Claims and others	283,674.78	6,545.19
Other related parties of the Company	Claims and others	—	415,077.68

(8) *Emolument of key management*

Item	RMB'000	
	2014	2013
Emolument of key management	24,617	19,766

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

(continued)

24. Receivables and payables of related parties

Item	Related party	31/12/2014	RMB 31/12/2013
Accounts receivable	Subsidiaries of the Company	261,000,984.05	710,117,958.56
Subtotal:		261,000,984.05	710,117,958.56
Other receivables	Subsidiaries of the Company	35,771,089.75	40,395,934.08
Other receivables	Other related parties of the Company	314,525.00	300,000.00
Subtotal:		36,085,614.75	40,695,934.08
Prepayment	Subsidiaries of the Company	19,101,359.50	—
Subtotal:		19,101,359.50	—
Bills receivable	Subsidiaries of the Company	6,761,775.59	16,829,500.00
Subtotal:		6,761,775.59	16,829,500.00
Dividends receivable	Subsidiaries of the Company	284,327,049.84	213,493,374.21
Dividends receivable	Associates of the Company	8,000,000.00	9,000,000.00
Subtotal:		292,327,049.84	222,493,374.21
Accounts payable	Subsidiaries of the Company	4,418,161,474.78	3,559,169,418.84
Accounts payable	Associates of the Company	66,699,582.35	109,996,849.03
Accounts payable	Other related parties of the Company	132,007.80	297,713.80
Subtotal:		4,484,993,064.93	3,669,463,981.67
Other payables	Subsidiaries of the Company	6,223,167.22	6,896,744.84
Other payables	Other related parties of the Company	4,839,517.85	—
Subtotal:		11,062,685.07	6,896,744.84
Advance from customers	Subsidiaries of the Company	2,089,821,170.54	2,418,234,087.84
Advance from customers	Other related parties of the Company	34,000.00	—
Subtotal:		2,089,855,170.54	2,418,234,087.84
Bills payable	Subsidiaries of the Company	46,347,808.66	27,822,573.15
Bills payable	Associates of the Company	1,620,000.00	—
Subtotal:		47,967,808.66	27,822,573.15

Supplementary Information

I. SUPPLEMENTARY INFORMATION

1. Breakdown of extraordinary gains and losses

Item	2014	RMB 2013
Profit or loss from disposal of non-current assets	(22,406,632.60)	(11,824,310.90)
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 a fixed standard amount or quantity as stipulated by the State)	362,719,006.90	210,023,578.95
Gains resulting from the deficit between the investment cost of subsidiaries, associates and jointly controlled entities and the investor's interests in the fair value of the investee's identifiable net assets	—	—
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	11,831,669.85	47,834,345.40
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	—	—
Gains (losses) from changes in fair value	(4,055,677.86)	(7,381,189.40)
Non-operating gains and losses other than the above items	56,082,221.21	53,485,200.44
Effect of income tax	(79,287,543.23)	(54,914,298.39)
Effect of minority interests (after tax)	(229,268.59)	(831,263.02)
 Total	324,653,775.68	236,392,063.08

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.

2014	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	26.35	2.64	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	25.42	2.54	N/A

2013	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	33.41	2.70	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	32.61	2.63	N/A

Supplementary Information

I. SUPPLEMENTARY INFORMATION (continued)

3. Supplementary information on changes of accounting policies

According to ASBE 2 Long-term Equity Investment and eight other standards issued by MOF in 2014, the Company has modified the relevant accounting policies and retroactively restated to the compared financial statements. The restated consolidated balance sheet as of January 1, 2013 and December 31, 2013 are as follows:

CONSOLIDATED BALANCE SHEET

Item	2013.1.1	2013.12.31	RMB
	(Restated)	(Restated)	2014.12.31
Current Assets:			
Cash and bank balances	6,336,981,784.93	6,990,516,902.03	3,394,260,013.36
Financial assets at fair value through profit or loss	11,651,307.26	4,270,117.86	214,440.00
Bills receivable	14,790,887,422.30	17,548,258,868.49	23,352,366,377.86
Accounts receivable	691,488,679.17	656,312,754.79	730,113,031.42
Prepayments	391,549,732.29	446,068,066.03	723,332,515.18
Interests receivable	—	—	4,897,335.85
Dividends receivable	15,280,463.03	9,000,000.00	8,000,000.00
Other receivables	854,389,669.52	2,559,193,416.74	2,896,787,792.18
Inventories	2,695,117,691.59	2,763,890,772.66	3,470,386,550.65
Non-current Assets due within one year	—	—	52,161,068.06
Other current assets	60,330,465.60	48,680,552.46	681,225,623.01
Total Current Assets	25,847,677,215.69	31,026,191,451.06	35,313,744,747.57
Non-current Assets:			
Loans and advances to customers	—	—	100,508,080.46
Available-for-sale financial assets	7,200,000.00	7,200,000.00	7,200,000.00
Long-term receivables	22,970,074.17	—	—
Long-term equity investments	34,641,473.15	45,983,437.72	65,990,244.87
Investment properties	6,251,972.88	6,090,029.75	6,344,662.41
Fixed assets	9,019,119,819.20	14,656,928,574.88	17,273,386,734.44
Construction in progress	4,989,704,197.26	3,989,228,085.58	5,274,343,890.07
Intangible assets	2,214,215,362.85	2,442,835,520.11	2,812,510,619.35
Goodwill	2,163,713.00	2,163,713.00	2,163,713.00
Long-term prepaid expenses	17,486,693.00	27,678,336.76	47,681,001.82
Deferred tax assets	407,966,015.58	400,509,782.43	441,378,429.46
Total Non-current Assets	16,721,719,321.09	21,578,617,480.23	26,031,507,375.88
TOTAL ASSETS	42,569,396,536.78	52,604,808,931.29	61,345,252,123.45

I. SUPPLEMENTARY INFORMATION (continued)

3. Supplementary information on changes of accounting policies (continued)

CONSOLIDATED BALANCE SHEET (continued)

Item	2013.1.1 (Restated)	2013.12.31 (Restated)	RMB 2014.12.31
Current Liabilities:			
Short-term borrowings	—	182,198,866.04	—
Bills payable	4,341,672,114.91	4,539,529,276.71	4,138,158,178.41
Accounts payable	8,697,430,801.03	10,712,169,742.15	14,093,151,931.66
Advances from customers	3,195,376,434.87	2,808,752,768.45	3,180,045,338.74
Salaries payable	736,035,068.04	1,096,561,764.67	1,326,601,449.19
Taxes payable	537,079,490.65	527,274,939.62	880,096,384.40
Dividends payable	—	—	156,709.77
Other payables	1,219,640,824.99	2,270,050,353.66	1,778,299,444.45
Non-current liabilities due within one year	51,704,662.45	69,258,714.61	75,657,544.16
Other current liabilities	540,227,876.22	633,678,296.27	672,530,061.79
Total Current Liabilities	19,319,167,273.16	22,839,474,722.18	26,144,697,042.57
Non-current Liabilities:			
Deferred income	1,606,859,855.26	1,757,337,365.71	1,682,108,979.65
Total Non-current Liabilities	1,606,859,855.26	1,757,337,365.71	1,682,108,979.65
TOTAL LIABILITIES	20,926,027,128.42	24,596,812,087.89	27,826,806,022.22
SHAREHOLDERS' EQUITY:			
Share capital	3,042,423,000.00	3,042,423,000.00	3,042,423,000.00
Capital reserve	4,461,109,309.25	4,453,872,204.02	4,453,872,204.02
Other comprehensive income	(6,230,241.74)	(6,806,391.32)	(97,592,596.69)
Surplus reserve	2,217,932,376.40	2,281,860,702.64	2,429,620,841.78
Undistributed profits	11,799,009,548.92	18,224,548,503.39	23,623,537,021.85
Total Equity Attributable to Shareholders of the Company	21,514,243,992.83	27,995,898,018.73	33,451,860,470.96
Minority Interests	129,125,415.53	12,098,824.67	66,585,630.27
TOTAL SHAREHOLDERS' EQUITY	21,643,369,408.36	28,007,996,843.40	33,518,446,101.23
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	42,569,396,536.78	52,604,808,931.29	61,345,252,123.45

The supplemental information provided by the management was endorsed by the following representatives of Great Wall Motor Company Limited on March 20 2015:

Legal Representative:

General Manager:

Chief Financial Officer:

Head of Financial Department:

20 March 2015

Section 14 Index of Documents Available for Inspection

Index of Documents Available
for Inspection

Financial Statements Signed and Sealed by the Legal Representative, Person-in-charge of the Accounting Affairs and Person-in-charge of the Accounting Department.

Index of Documents Available
for Inspection

The Original Auditor's Report With the Seal of the Accounting Firm and Signatures and Seals of the Certified Public Accountants.

Chairman: Wei Jian Jun
Submission date approved by the Board: 20 March 2015



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