



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

2012

Annual Report



* For identification purpose only



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Annual Report 2012
Great Wall Motor Company Limited

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Corporate Information

H Share Stock Code:

2333 (Hong Kong)

A Share Stock Code:

601633 (Shanghai)

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

Mr. He Bao Yin

Mr. Li Ke Qiang

Mr. Wong Chi Hung, Stanley

Supervisor

Mr. Zhu En Ze

Independent Supervisors

Ms. Yuan Hong Li

Ms. Luo Jin Li

Company Secretary

Mr. Xu Hui

Audit Committee

Ms. Wei Lin

Mr. He Bao Yin

Mr. Li Ke Qiang

Mr. Wong Chi Hung, Stanley

Remuneration Committee

Ms. Wei Lin

Mr. He Bao Yin

Mr. Wei Jian Jun

Nomination Committee

Mr. Li Ke Qiang

Mr. Wei Jian Jun

Mr. He Bao Yin

Strategy Committee

Mr. Wei Jian Jun

Ms. Wang Feng Ying

Mr. He Ping

Mr. He Bao Yin

Mr. Li Ke Qiang

Authorised Representatives

Ms. Wang Feng Ying

Mr. Xu Hui

Registered Office

No. 2266 Chaoyang Road South,
Baoding, Hebei Province,
the PRC

Principal Place of Business in Hong Kong

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

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)

King & Wood Mallesons

Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants LLP

H Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Investor and Media Relations Consultant

CorporateLink Limited

18/F, Shun Ho Tower,

Nos 24-30 Ice House Street,

Central, Hong Kong

Principal Bankers

Agricultural Bank of China, Baoding Xinbei sub-branch

Bank of China, Baoding Yuhua sub-branch

The Industrial and Commercial Bank of China,

Baoding Yonghua Road sub-branch

China Construction Bank, Baoding Yudong office

Telephone

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Website

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Share Information

Places of listing:	Main Board of The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
Listing date:	15 December 2003 (Hong Kong) 28 September 2011 (Shanghai)
Number of issued shares:	As at 31 December 2012: 3,042,423,000 shares (2,009,243,000 A shares and 1,033,180,000 H shares)
Board lot:	500 shares (H shares) 100 shares (A shares)
H Share Stock Code:	2333 (Hong Kong)
A Share Stock Code:	601633 (Shanghai)
Financial year-end date:	31 December

Financial Highlights

1. Results Highlights

	2012 RMB'000	Year ended 31 December			
		2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Revenue	43,159,967	30,089,477	22,986,072	12,814,601	8,424,640
Total Profit	6,841,036	4,130,651	3,041,235	913,067	585,620
Net profit attributable to shareholders of the parent company	5,692,449	3,426,195	2,700,735	1,003,358	514,124
Earnings per share ^{Note 1}	RMB1.87	RMB1.22	RMB0.99	RMB0.37	RMB0.19

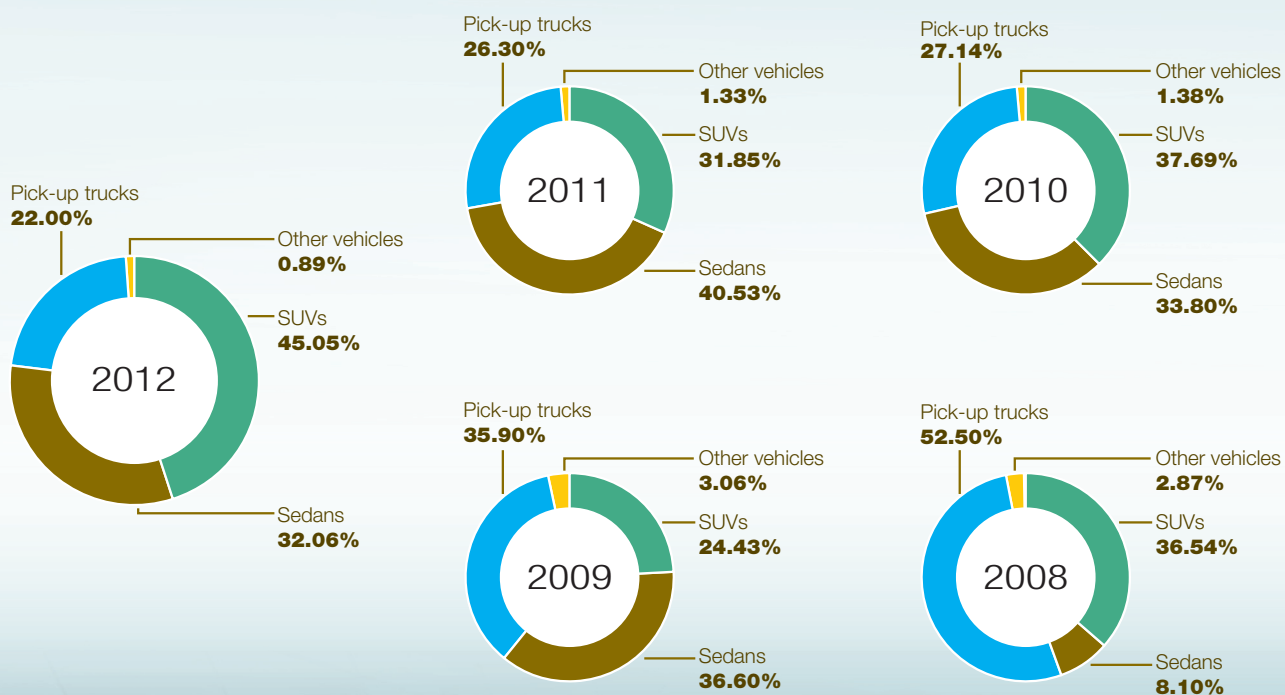
2. Summary of Financial Position

	2012	As at 31 December			
		2011	2010	2009	2008
Equity attributable to shareholders of the parent company (RMB million)	21,514	16,737	10,015	7,593	6,734
Total assets (RMB million)	42,569	33,135	23,698	14,970	10,697
Weighted average return on net assets (%) ^{Note 1}	29.88	27.83	30.76	14.03	7.85
Return on assets (%) ^{Note 2}	13.44	10.60	11.93	7.03	5.16
Accounts receivable turnover (Day) (including bills receivable)	104	104	90	65	43
Inventory turnover (Day)	31	39	38	43	49

Note:

- 1 For calculation, please refer to "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.
- 2 Net profit divided by total assets

3. Sales Volume Breakdown by Product



Chairman's Statement





Chairman's Statement

To all shareholders:

I am pleased to present the audited consolidated results of Great Wall Motor Company Limited (the "Company" or "Great Wall Motor") and its subsidiaries (the "Group") for the year ended 31 December 2012 (the "Year").

The Group achieved satisfactory growth in its annual results for the Year, with increased profit driven by growth in sales. The total revenue and profit after tax attributable to shareholders of the parent company amounted to RMB43,159,966,648.39 and RMB5,692,448,955.93 respectively, representing increases of 43.44% and 66.14% respectively from those of 2011.

During the Year, although there was no notable recovery in the global economy, the Chinese government's introduction of subsidies for energy-saving vehicles had mitigated the impact of depressed external economic performances on the domestic automobile industry. In addition, with the continued increase in domestic automobile manufacturers' production capacity, the automobile industry as a whole witnessed a stable growth. According to the information of China Association of Automobile Manufacturers, the production and sales volume of automobiles in China reached record highs again in 2012, which amounted to approximately 19,271,800 units and 19,306,400 units respectively, representing year-on-year increases of 4.6% and 4.33%. During the Year, the automobile sales volume of the Group reached 621,438 units, representing a year-on-year growth of 34.31%, which is much higher than the growth rate of the automobile industry. Meanwhile, domestic automobile enterprises had accelerated international market development and had improvement in competitiveness, leading to rapid growth and remarkable results in automobile exports. The statistics of China Association of Automobile Manufacturers showed that the total export volume of automobiles from China in 2012 amounted to 1,056,100 units, representing a year-on-year increase of 29.70%. During the Year, the Group also displayed satisfactory performance in overseas market sales. Its export volume for the Year reached 95,489 units, representing a year-on-year increase of 20.45%.

The Group's marketing strategies focus on three major categories: pick-up trucks, SUVs and sedans, with an aim to maintain the competitive advantage of pick-up trucks in the market, to consolidate SUVs' leading market position, and to expedite the growth of the sedan business. During the Year, the Group stepped up its efforts in the marketing of key models such as Haval H6, Great Wall C30, Great Wall C50, Wingle, etc, so as to maintain steady growth in their sales volume. At the same time, the Group launched Haval M4, which is a small SUV with a stylish and sporty look. Haval M4 is installed with Great Wall's 1.5L 100% aluminium Variable Value Timing ("VVT") engine. Using Multi-point Electronic Fuel Injection system and VVT technology, the engine features advanced technology, low emission and high efficiency, achieving the perfect blend of power performance and fuel economy. Following its launch, Haval M4 became a much sought after model in the market by young people, which resulted in excess demand. Haval M4 became a major growth driver of the Haval series, and enriched the product offerings available in the small SUV market in the PRC. The Group also launched a 2013 version of Great Wall C30 during the Year. Both the exterior appearance and accessories were upgraded, which further stimulated the growth in sales of the Group's sedans. With the dual effects of new product launch under domestic self-owned brands and price decline in products under brands of joint ventures, competition in the automobile market will intensify. The Company will continue to focus on product research and development to further improve its product quality, so as to enhance the Company's brand image. For pick-up trucks, the Company will further consolidate its dominant market position through launching new models and improving the performance of pick-up trucks. For SUVs, the Group will intensify its efforts in the research and development of SUVs, and tapping into the segmented markets of SUVs by introducing off-road SUVs, urban SUVs and crossover models meeting the State's policy on energy-saving and environmental protection. The Group will also step up its SUV marketing efforts to maintain its leading market share in the self-owned brand market. For the sedan market, the Group will continue to develop affordable sedans under the guidance of the State's policy for energy-saving products. Through upgrading and replacement of existing products, the Group will gradually improve its market share in the sedan sector. Furthermore, the Company is planning to strengthen its research and development capabilities in vehicles and automobile parts and components, and to conduct research and development of new energy automobiles according to stringent product development procedures.

2013 will still be a year full of opportunities and challenges. The Group will further adjust and optimize its product portfolio, as well as enhancing product quality. The Group will also strengthen its support for distributors and improve the after-sales services, while continuing to enhance customers' satisfaction and loyalty levels. In addition, the Group will maintain a sound financial position, and adopt prudent development strategies, with an aim to achieve steady growth in the coming year. On behalf of Great Wall Motor, the management would like to express their gratitude to the staff, shareholders, investors and customers for their continuous support to and trust in the Group. Committing to our motto of "improving little by little every day", we adopt a refined management approach and strive to create maximum returns for our shareholders.

Wei Jian Jun

Chairman

Baoding, Hebei Province, the PRC
21 March 2013



Management Discussion and Analysis





Management Discussion and Analysis

Operating Environment

Although there was no notable recovery in the global economy in 2012, the Chinese government's promulgation of a relaxed monetary policy and introduction of subsidies for energy-saving vehicles had mitigated the impact of depressed external economic performances on the domestic automobile industry. In addition, the economic benefits from large-scale production of domestic automobile manufacturers had gradually been realized. All these have stimulated a stable growth in the automotive industry.

According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of automobiles in China in 2012 reached 19,271,800 units and 19,306,400 units respectively, representing increases of 4.63% and 4.33% respectively when compared with those of 2011. The production and sales volume of passenger vehicles amounted to 15,523,700 units and 15,495,200 units respectively, representing increases of 7.17% and 7.07% respectively from those of the 2011.



Domestic automobile enterprises' emphasis on international market development and competitiveness enhancement had fuelled a rapid growth in automobile exports. According to the statistics of China Association of Automobile Manufacturers, the export volume of automobiles from China in 2012 amounted to 1,056,100 units, representing an increase of 29.70% year-on-year.

Financial Review

Revenue

During the Year, the total revenue of the Group amounted to RMB43,159,966,648.39, representing an increase of 43.44% as compared to that of 2011. The increase in revenue was mainly due to an increase in the overall sales volume of automobiles of the Group.

Sale of Automobiles

During the Year, the Group's revenue from sale of automobiles amounted to RMB40,728,457,563.03, representing an increase of 44.54% from that of 2011. The increase was mainly due to an increase in the overall sales volume of automobiles of the Group. During the Year, the Group sold 621,438 units of automobiles, representing an increase of 34.31% from that of 2011.

Automotive parts and components and others

In addition to the production of automobiles, the Group also engaged in the sale of major automotive parts and components used in the production of pick-up trucks, SUVs, and sedans. These mainly include self-manufactured engines, transmissions, front and rear axles, air-conditioning equipment, drag ball pins, lever assembly and other parts and components for the production of automobiles. Sale of automotive parts and components not only contributes to the Group's revenue but also ensures the availability of parts and components for after-sales services. During the Year, the Group reported a 27.23% increase in the revenue generated from the sale of automotive parts and components and others from 2011 to RMB2,431,509,085.36 in 2012. The increase was mainly attributable to: (1) the growth in the sales revenue of automobile-related businesses such as casting and tooling as a result of the Group's active market expansion; and (2) an increase in the revenue generated from sales of parts and components for after-sales services, as a result of an increase in the number of people owning automobiles.

Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to RMB11,598,465,280.30, representing an increase of 54.74% as compared to that of 2011. The increase in the Group's gross profit was mainly due to an increase in sales revenue. The Group's gross profit margin increased from 24.91% in 2011 to 26.87%, which was mainly due to adjustment in product portfolio and economies of scale as a result of enlarged sales volume.

Net profit attributable to shareholders of the parent company and earnings per share

The Group's net profit attributable to shareholders of the parent company for the Year increased by 66.14% to RMB5,692,448,955.93 when compared with 2011. The increase was mainly due to an increase in profit driven by growth in sales.

For the year ended 31 December 2012, basic earnings per share of the Company were RMB1.87. 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.

Management Discussion and Analysis

Selling and administrative expenses

During the Year, the selling expenses of the Group amounted to RMB1,656,352,069.11, representing an increase of 38.87% from that of 2011. The percentage of selling expenses to revenue decreased from 3.96% in 2011 to 3.84% in 2012. The increase in selling expenses was mainly due to increases in the transportation fees and after-sales service fees as a result of an increase in sales volume. During the Year, the administrative expenses of the Group amounted to RMB1,743,699,625.96, representing an increase of 35.82% from that of 2011. The percentage of administrative expenses to revenue decreased from 4.27% in 2011 to 4.04% in 2012. The increase in administrative expenses was mainly due to an increase in technology development expenses.

Finance costs

The Group's finance costs for 2012 were RMB-105,325,665.78, as compared with RMB-22,934,689.66 in 2011. The decrease in finance costs was mainly due to an increase in interest income.

Current assets and current liabilities

As at 31 December 2012, the Group's current assets mainly included cash and bank balances of RMB6,336,981,784.93, bills receivable of RMB14,790,887,422.30, accounts receivable of RMB691,488,679.17, inventories of RMB2,695,117,691.59, prepayments of RMB391,549,732.29 and other receivables of RMB854,389,669.52. The Group's current liabilities mainly included advances from customers of RMB3,195,376,434.87, salaries payable of RMB736,035,068.04, other payables of RMB1,219,640,824.99, taxes payable of RMB537,079,490.65, bills payable of RMB4,341,672,114.91, accounts payable of RMB8,697,430,801.03, and other current liabilities of RMB540,227,876.22.

Acquisition and disposal of assets

On 13 April 2012, Billion Sunny Development Limited ("Billion Sunny"), a wholly-owned subsidiary of the Company, entered into three respective equity transfer agreements with Dragonet International Co. Ltd. ("Dragonet"), pursuant to which Billion Sunny agreed to purchase from Dragonet 25% of the equity interest in each of Great Wall Baoding Vehicle Axles Company Limited ("Great Wall Axles"), Baoding Xinyuan Automobile Inner Decoration Co., Ltd. ("Xinyuan") and Baoding Mind Auto Component Co., Ltd. ("Mind"). The respective consideration for Billion Sunny's acquisition of Great Wall Axles, Xinyuan and Mind was RMB109,325,200.00, RMB17,245,700.00 and RMB2,025,800.00; and the aggregate amount of the consideration for the acquisition was RMB128,596,700.00. After completion of all the transactions contemplated under the three equity transfer agreements, Great Wall Axles, Xinyuan and Mind become wholly-owned subsidiaries of the Group. Billion Sunny financed the consideration and all other costs and fees through the Group's internal resources. After the acquisition, the Group is able to secure a steady supply of quality automotive parts and components from within the Group and the Company can strengthen its control over the timeliness and overall production costs of the upstream supply, thereby enhancing the competitiveness of the Group.

On 27 April 2012, Great Wall Axles, Xinyuan and Mind renewed their respective legal person business licenses.

On 26 June 2012, Billion Sunny, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Dragonet pursuant to which Billion Sunny agreed to purchase from Dragonet 25% of the equity interest in Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. ("Yanfeng Johnson") for a consideration of RMB7,673,100.00. Upon completion of the transaction contemplated under the equity transfer agreement, the Company holds 50% equity interest in Yanfeng Johnson. Billion Sunny financed the consideration and all other costs and fees through the Group's internal resources. After the acquisition, the Group will be able to secure a steady supply of automobile seating components and the Company can strengthen its control over the timeliness and overall production costs of the upstream supply, thereby enhancing the competitiveness of the Group.

On 3 July 2012, Yanfeng Johnson renewed its legal person business license.

Save as the above mentioned acquisitions, the Company and its subsidiaries and associates did not have other material acquisition or disposal of assets during the Year.

Capital structure

The Group generally finances its operations with its internal cash flows. As at 31 December 2012, the Group was in no borrowing 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. 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.

Since the Group's exported products had a relatively high price-performance and were very competitive, its export business was not affected by the pressure of RMB appreciation.

Employment, training and development

As at 31 December 2012, the Group employed a total of 53,549 employees. Employees were remunerated with reference to their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. Total staff cost accounted for 7.10% of the Group's total revenue as at 31 December 2012.

Taxation

Income tax of the Group in 2012 was RMB1,118,964,991.48.

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.

Management Discussion and Analysis

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

	For the year ended 31 December	
	2012 RMB'000 Audited	2011 RMB'000 Audited
China	36,983,023	25,050,105
Russia	1,861,078	1,400,651
Australia	852,425	730,869
South Africa	535,009	442,851
Iraq	516,898	283,761
Chile	488,114	434,026
Other countries	1,923,420	1,747,214
	43,159,967	30,089,477

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 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 621,438 units, representing an increase of 34.31% as compared to that of 2011. The continued growth in the Group's sales volume was attributable to the strong branding effect and constant launch of high quality products. The Group was able to maintain its leading position in the markets of SUVs and pick-up trucks with its premium product quality, comprehensive after-sales services and sales network.

(1) Pick-up trucks

According to the information 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 15 consecutive years, thereby consolidating the Company's leading market position in this respect. During the Year, the sales volume of pick-up trucks was 136,694 units, representing an increase of 12.35% when compared with that of 2011. The Group will continue to launch new models in order to strengthen its leading position in the pick-up truck market.

(2) *SUV*

During the Year, the Group maintained rapid growth in the domestic SUV market. During the Year, Great Wall Motor launched a small SUV model “Haval M4”, which gained popularity in the market. This together with the satisfactory growth in the sales of “Haval H6” during the Year enabled the Group’s SUV models to maintain a leading position in the PRC SUV market. “Haval H6” was launched in the second half of 2011. During the Year, the sales volume of SUVs rose by 90.01% to 279,956 units when compared with that of 2011.

(3) *Sedan*

During the Year, the sales volume of Great Wall Motor’s sedans reached 199,256 units, representing an increase of 6.27% when compared with that of 2011. The sales volume of “Great Wall C30” model reached 136,265 units during the Year. Through specialisation and with its professionalism and expertise, the Group will continue to step up its efforts to enhance the quality of its sedan series, with an aim to establish the brand of Great Wall Motor’s stylish compact car.

(4) *Other vehicles*

During the Year, the Group sold a total of 5,532 units of other vehicles (including MPVs, special vehicles), representing a decrease of 10.21% when compared with that of 2011.

(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 RMB2,431,509,085.36, representing an increase of 27.23% as compared with that of 2011 and accounting for 5.63% of the Group’s total revenue.

Domestic market

China’s automobile market saw a growth in 2012 when compared with 2011. During the Year, the Group steadily increased its sales through continued market expansion, improvement in the price performance of its products, and launch of several new models. Market data indicated that the Group’s sales were growing faster than that of the overall domestic automobile market, reflecting market confidence in the Group’s automobile brand name.

During the Year, the Group’s domestic sales volume and revenue generated from the sale of automobiles amounted to 525,949 units and RMB34,827,828,629.98 respectively, representing increases of 37.18% and 49.53%, respectively from those of 2011. During the Year, 94,421 units, 244,977 units and 181,107 units of pick-up trucks, SUVs, and sedans were sold domestically respectively.

Overseas markets

In 2012, the automobile exports from the PRC displayed satisfactory performance, with stable growth in exports when compared with that of 2011. During the Year, the Group speeded up the progress of product and technology innovation, and continued to develop new products and enhance product quality. This together with the commencement of operation of the overseas assembly plant led to an increase in the Group’s overseas sales volume.

Management Discussion and Analysis

The Group's export sales volume of automobiles for the year ended 31 December 2012 reached 95,489 units, representing an increase of 20.45% from that of 2011. Of the total export volume, 42,273 units, 34,979 units and 18,149 units of pick-up trucks, SUVs and sedans were sold respectively. The total export value of automobiles amounted to RMB5,900,628,933.05, representing an increase of 20.73% from that of 2011 and accounting for 13.67% of the revenue of the Group.

The Group's major export markets included the Middle East, Africa, Asia Pacific, South America and Europe, which formed a solid international sales network. In 2012, the Group exported its products to more than 120 countries and regions.

In 2012, in response to competition in the overseas markets, the Group adopted proactive strategies. Not only did the Group expand its vehicle export business, but it also sustained growth in the export volume of complete-knock down ("CKD") and semi-knocked down ("SKD") kits. The Group's overseas business thus continued to expand.

Launch of new products

During the Year, in view of the continued increase in the sales volume of key models such as Haval H6, Great Wall C30, Great Wall C50 and Wingle, etc, the Group launched Haval M4, a small SUV with a stylish and sporty look. Haval M4 is installed with Great Wall's 1.5L 100% aluminium Variable Value Timing ("VVT") engine. Using Multi-point Electronic Fuel Injection system and VVT technology, the engine features advanced technology, low emission and high efficiency, achieving the perfect blend of power performance and fuel economy. Following its launch, Haval M4 became a much sought after model in the market by young people, which resulted in satisfactory sales. Haval M4 became a major growth driver of the Haval series, and enriched the product offerings available in the small SUV market in the PRC.

The Group also launched a 2013 version of Great Wall C30 during the Year. Both the exterior appearance and accessories were upgraded, which further stimulated sales of the sedan.

Technology innovation

In line with the State's support for new energy vehicle development, the Group's technological research institute had established a specialised R&D team focusing on new energy vehicle technology, thereby enabling the Group to conduct its in-house research and development of new energy vehicles. The Group exhibited Haval H8, the European version of Wingle 5, the new energy model Haval E, and Great Wall C20EV during the Year. Haval E adopted a new generation of hybrid power system and solar battery power generation system. These two systems could effectively reduce fuel consumption. Approval of the commencement of commercial sales of Great Wall C20EV had been published in the national automotive product announcement. Great Wall C20EV is equipped with the Group's self-developed long-life, highly efficient lithium-ion batteries and permanent magnet synchronous motor technology, which will be applied in the sedan models newly developed by the Group in the future.

During the Year, the Group's Great Wall C50 and Haval H6 were equipped with its self-developed T (turbocharged) engines. Integrated with cutting-edge technology, this engine improves combustion efficiency, thereby reducing fuel consumption and carbon emission. As a result, this engine can effectively save energy and lower emission.

Outlook

Driven by the enormous purchasing potential in China, consumption will maintain a steady growth. Great Wall Motor will continue to further consolidate its brand recognition through continuous improvement of product mix. With respect to products, the Group will continue to focus on three major categories, namely pick-up trucks, SUVs, and sedans, with emphasis on improving the brand visibility of its SUVs through continued upgrade and replacement of existing products. Under the guidance of the State's policy, the Group will step up its efforts to develop energy-saving and environmental-friendly, high-quality, as well as high-performance automobiles and relevant automotive parts and components.

The Group will increase investment in in-house research and development of products, and will put more efforts in research and development of automobiles and automotive parts and components, with the aim to improve the performance of automobiles in all aspects.

In addition, the Group will continue to deepen technology cooperation with internationally renowned automotive parts and components manufacturing enterprises to ensure greater improvement in the quality of all of its car models. The Group is committed to become an automobile manufacturer with global recognition.

New products

On the front of new product development, Great Wall Motor will continue to focus on affordable and low emission vehicles with energy-saving and environmental-friendly features, as well as product quality and competitiveness enhancement. The Group expects to further improve its product lines in 2013. It plans to launch Haval H2, new model of Haval H6, new model of Great Wall C50, and the European version of Wingle 5, etc.

With respect to SUV, the Group will intensify its efforts in the research and development of SUVs, and tapping into the segmented markets of SUVs by introducing off-road SUVs, urban SUVs and crossover models meeting the State's policy on energy-saving and environmental protection. The Group will continue to expand its market share and enhance the brand image of Great Wall Motor.

Regarding sedans, the Group will continue to develop energy-saving, environmental-friendly model under the guidance of the State's policy to promote energy-saving products. Through upgrade and replacement of existing products, the Group will gradually solidify its market share in the sedan sector.

Meanwhile, the Group will sustain its pick-up truck market share through constant new product development and product performance enhancement.

Export markets

The Group has made progress in its export to overseas markets, with products exporting to different countries and regions around the world. The Group expects its export volume will rise gradually while income from export as a percentage of total revenue will increase gradually.

With the continuous expansion of overseas markets, the Group is conducting a study on increasing overseas sales through the establishment of overseas assembly plants.

Management Discussion and Analysis

As for its export market coverage, the Group will intensify its penetration of the markets in South Asia and Oceania, while consolidating its established position in the Middle East, Africa, Asia Pacific and South America.

The Group will continue to intensify its penetration of the international market. In addition to continued expansion of the export volume of automobiles, the Group will also keep increasing the export volume of SKD and CKD kits. The Group will further enhance its brand value and consolidate its position in overseas markets through a comprehensive after-sales service network.

New facilities

During the Year, the Group's production base for automobiles and automotive parts and components in the Tianjin Economic-Technological Development Area continued to adopt state-of-the-art technologies. The new facilities and advanced equipment will provide a solid foundation for Great Wall Motor in the development of new car models and expansion of production scale in the future. The Group's new production plant in Xushui, Baoding is also under construction.

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 People's Republic of China" 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 has paid its income tax at the rate of 15% from 2010 to 2012.

Directors, Supervisors and Senior Management



Executive Directors

Mr. Wei Jian Jun (魏建軍先生) (“Mr. Wei”) aged 49, is the chairman of the Company. He is responsible for formulating the management philosophy, determining the business strategies of the Company and providing guidance for the development of new products. Mr. Wei graduated from 中共河北省委黨校 (the Committee College of Hebei Province of the PRC Communist Party) in 1999 specializing in corporate management studies. He previously worked at 北京通縣微電機廠 (Beijing Tongxian Micro Motors Factory) in 1981, 保定地毯廠 (Baoding Carpet Factory) in 1983 and 保定太行水泵廠 (Baoding Taihang Pump-making Factory) in 1984. He joined 保定長城汽車工業公司 (Baoding Great Wall Motor Industry Company) (the predecessor of the Company) as the general manager in 1990. In 1991, he undertook contractual operation of 長城汽車工業公司 (Great Wall Motor Industry Company). Mr. Wei was accredited as or awarded 「保定市級勞動模範」 (Baoding City Labour Model) in 1990/1991, 1992/1993 and 1996/1997, 「河北省明星青年鄉鎮企業家」 (Hebei Province Future Star Young Village Entrepreneur) in 1993, 「保定市優秀企業家」 (Baoding City Exceptional Entrepreneur) and 「全國鄉鎮企業家」 (National Town Entrepreneur) in 1994, 「保定十大傑出青年」 (Baoding 10 Outstanding Young People) in 1996, 「河北省勞動模範」 (Hebei Labour Model) in 1999, 「保定市1999年度市長特別獎」 (Baoding City Mayor Special Award 1999) in 2000, 「河北省優秀民營企業家」 (Hebei Province Outstanding Entrepreneur), 「中國民營企業傑出代表」 (China Privately-owned Enterprise Outstanding Representative) in 2003, 「中國汽車工業基礎人物」 (Key Figure in the China Auto Industry) in 2008, 「河北省個體私營經濟領軍人物」 (Leader for Individual, Privately-Owned Enterprises in Hebei) in 2009 and 「河北省優秀民營企業家」 (Hebei Province Outstanding Entrepreneur) in 2011 and 2012 respectively. 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 18th National Congress of the Communist Party of China. Currently, Mr. Wei is the deputy chairman of 保定市工商聯合會 (the Baoding Industry and Commerce Association) and the representative to the People's Congress of Hebei Province. In addition, Mr. Wei is also a director of the Company's substantial shareholder, 保定創新長城資產管理有限公司 (Baoding Innovation Great Wall Asset Management Company Limited). Details of the disclosure of interests of the aforementioned substantial shareholder are set out under the section of “Shares Held by Substantial Shareholders”.

Mr. Liu Ping Fu (劉平福先生) (“Mr. Liu”), aged 63, is an assistant political work professional and the vice chairman of the Company. Mr. Liu graduated from 河北師範學院 (Hebei Normal College) specializing in Chinese language and literature in 1988. Mr. Liu served as the office supervisor of 保定市電子工業局勞動服務公司 (Baoding Electronics Industry Bureau's Labour Services Company) in 1989. He worked as the office supervisor of 保定市太行汽車零部件廠 (Baoding Taihang Automobile Parts and Components Factory) in 1992. He has 16 years of experience in administration and management. He was appointed as the general manager of 保定市南市區南大園鄉集體資產經管中心 (the Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding) in 2001. Mr. Liu joined the Company in 2001.

Directors, Supervisors and Senior Management

Ms. Wang Feng Ying (王鳳英女士) (“Ms. Wang”), aged 42, is an executive director and the general manager of the Company. Ms. Wang is responsible for formulating operation and management strategies of the Company. Ms. Wang graduated from 天津財經學院 (Tianjin Institute of Finance) in 1999 and obtained a master’s degree in economics. Ms. Wang was awarded 「中國行銷金鼎獎」 (the Chinese Marketing Professional “Golden Tripod” Award) (twice), named as 「中國汽車10年影響力行銷人物」 (Powerful Marketing Professional in China Automobile Industry In Past 10 Years) by 《銷售與市場》 (“Sales and Marketing”), awarded 「2012中國汽車年度人物特別成就獎」 (2012 People of the Year for Outstanding Achievement) from 易車網 (Easy.HK) and 「2012年中國汽車行銷成就獎」 (2012 China Automobile-Marketing Achievement Award) from 搜狐汽車 (Sohu Automobile); named as 「2011全球最具影響力的50位商界女性」 (The World’s 50 Most Powerful Women in Business in 2011) and 「2011中國最具影響力的25位商界女性」 (China’s 25 Most Powerful Women in Business in 2011) by Fortune magazine. In addition, she had been named as 「中國汽車英雄榜•行銷風雲人物」 (Top Marketing Professionals in China Automobile Industry) by 《汽車族》 (Motor Trend) for three times. She was awarded 「2012年中國汽車品牌戰略行銷人物獎」 (2012 Marketing Professional Award for China Automobile Branding Strategy) and named as 「2013福布斯亞洲商界權勢女性榜」 (Forbes’ 2013 Powerful Business Women in Asia), etc.. Ms. Wang has over 10 years of experience in sales and marketing management. Ms. Wang joined the Company in 1991 and is concurrently the general manager of 保定長城汽車銷售有限公司 (Baoding Great Wall Automobile Sales Company Limited).

Mr. Hu Ke Gang (胡克剛先生) (“Mr. Hu”), aged 67, is an executive director and a deputy general manager of the Company. Mr. Hu graduated from 河北大學 (Hebei University) in 1987, majoring in law. He was recognised as a senior economist by 河北省民辦科技機構高級職務資格評委會 (Council for Qualification Review of Senior Positions in Private Technology Institutions, Hebei) in 1996. Mr. Hu held the positions of deputy factory head of 郵電器材機械廠 (Post And Telecommunications Equipment Factory) in 1980 and the deputy factory head of 保定太行建築設備廠 (Baoding Taihang Construction Equipment Factory) in 1986. Mr. Hu has over 30 years of experience in corporate operations management. Mr. Hu joined the Company in 1995 and he was appointed as a deputy general manager of the Company in May 2005.

Ms. Yang Zhi Juan (楊志娟女士) (“Ms. Yang”), aged 46, is an executive director of the Company. She graduated from 河北大學 (Hebei University) in 1987, majoring in law and was admitted to practise law in the PRC in 1989. Between 1989 to 1994, she worked as a part-time lawyer in 河北平川律師事務所 (Hebei Ping Chuan Law Firm) (formerly known as 保定市第三律師事務所 (Baoding Third Law Firm)). Since 1991, she had acted as the office supervisor and assistant to general manager in 保定太行集團公司 (Baoding Taihang Group Company). Ms. Yang joined the Company in 1999 as the general office supervisor of 保定長城華北汽車有限責任公司 (Baoding Great Wall Huabei Automobile Company Limited) and the head of investment management department of the Company. She also participated in the preparation and establishment of a number of companies, including 保定長城華北汽車有限責任公司 (Baoding Great Wall Huabei Automobile Company Limited), 保定長城內燃機製造有限公司 (Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited) and the branches of the Company in Tianjin and Xushui as well as carrying out the projects of these companies. Ms. Yang is the assistant to head of the engineering institute of the Company.

Non-Executive Directors

Mr. He Ping (何平先生) ("Mr. He"), aged 36, is a non-executive director of the Company. He graduated from 復旦大學 (Fudan University) in 1997, majoring in international economic law and obtained a bachelor's degree in law. He worked as an intern in Shanghai branch of 君合律師事務所 (Jun He Law Offices) in 1996. Since June 1997, he had worked in the investment banking headquarters of 南方證券有限責任公司 (China Southern Securities Company Limited). From March 2002 to December 2005, Mr. He Ping successively acted as the deputy general manager and general manager at the investment banking headquarters of 國都證券有限責任公司 (Guo Du Securities Company Limited). Since December 2010, Mr. He has worked as the director of the investment department of 北京弘毅遠方投資顧問有限公司 (Beijing Hong Yi Yuan Fang Investment Consultants Advisor Company Limited). In October 2012, Mr. He was re-appointed as the general manager of its risk control and compliance department. Mr. He has been acting as a non-executive director of the Company since 2002.

Mr. Niu Jun (牛軍先生) ("Mr. Niu"), aged 38, is a non-executive director of the Company. He graduated from 河北科技大學 (Hebei University of Science and Technology) in 1996, majoring in marketing. In the same year, he joined the marketing and sales department of Baoding Great Wall Motor Industry Company (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 保定市長城汽車營銷網絡有限公司 (Baoding Great Wall Automobile Sales Network Company Limited). In 2002, he acted as the general manager of 保定市螞蟻物流網絡有限公司 (Baoding Ants Logistics Company Limited). Since October 2007, Mr. Niu has been acting as the general manager of 河北保滄高速公路有限公司 (Hebei Baocang Expressway Co., Ltd.). Mr. Niu has extensive experience in sales management. Mr. Niu has been acting as a non-executive director of the Company since 2003.

Independent Non-executive Directors

Ms. Wei Lin (韋琳女士) ("Ms. Wei"), aged 49, is a professor and master supervisor, and an independent non-executive director of the Company. Ms. Wei graduated from Tianjin University of Finance & Economics in 1986 with a major in accounting and acted as a teaching fellow in the university. She also obtained an MBA degree from the MBA programme jointly organised by Tianjin University of Finance & Economics 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 deputy secretary of the Business School at Tianjin University of Finance & Economics since 2005. She is also a member of the China Accounting Society and holds a certificate of qualification as Senior International Finance Manager, focusing on research of corporate finance and cost management. Ms. Wei has been acting as an independent non-executive director of the Company since 2008.

Mr. Li Ke Qiang (李克強先生) ("Mr. Li"), aged 50, is a professor and an independent non-executive director of the Company. Mr. Li graduated from the Department of Automotive Engineering at Tsinghua University in 1985 and obtained a doctorate degree in engineering from 重慶大學 (Chongqing University) in 1995. He is currently the head of the Department of Automotive Engineering and a supervisor of doctorate postgraduates at Tsinghua University, the vice-president of 北京市汽車工程學會 (Society of Automotive Engineers of Beijing), a fellow and special expert of the Society of Automotive Engineers of China 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, tandem brake system for hybrid vehicles and electric control gear-shifting device for four-wheel drive vehicles. Mr. Li has been acting as an independent non-executive director of the Company since 2008.

Directors, Supervisors and Senior Management

Mr. He Bao Yin (賀寶銀先生) (“Mr. He”), aged 48, is an independent non-executive director of the Company. He graduated from 中國政法大學 (China University of Political Science and Law) with a LLM in 1987. He taught at 北京經濟學院 (Beijing College of Economics Study) (now known as Capital University of Economics and Business) from 1987 to 1992, and received the title of lecturer in 1991. He is the founding partner establishing 北京金誠同達律師事務所 (Jincheng Tongda & NEAL) 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., Baoding Tianwei Baobian Electric Co., Ltd. and Baoding Swan Co., Ltd.. He is an arbitrator of China International Economic and Trade Arbitration Commission. Mr. He has been acting as an independent non-executive director of the Company since 2008.

Mr. Wong Chi Hung, Stanley (黃志雄先生) (“Mr. Wong”), aged 49, 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 Beijing University. 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 the independent non-executive director of the Company on 26 November 2010 and independent non-executive director of Huafeng Group Holdings Limited (華豐集團控股有限公司) on 31 July 2012.

Supervisors

Mr. Zhu En Ze (朱恩澤先生) (“Mr. Zhu”), aged 67, a supervisor of the Company, graduated from Agricultural University of Hebei in 1970. Prior to joining the Company, he was 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 secretary of CPC committee of the Company.

Ms. Yuan Hong Li (袁紅麗女士) (“Ms. Yuan”), aged 53, a supervisor of the Company, graduated from the College of Economics Studies at 河北大學 (Hebei University), majoring in economic management in 1999 and has 18 years of experience in administration and management. Ms. Yuan has been acting as a supervisor of the Company since 2001.

Ms. Luo Jin Li (羅金莉女士) (“Ms. Luo”), aged 53, a supervisor of the Company, graduated from 河北師範大學 (Hebei Normal University), majoring in physics in July 1982. In September 1982, Ms. Luo worked as a physics teacher at 保定二十四中學 (the 24th High School of Baoding). In March 1983, she worked at the labour education office of 保定運輸總公司 (Baoding Transportation Group Company), responsible for human resources management. Ms. Luo joined the personnel department of 河北大學 (Hebei University) in December 1993 and has been responsible for human resources management. She was accredited as an economist in March 1989, a senior political work professional in July 1999, a senior economist in December 2009 and an official senior economist in December 2012. Ms. Luo has been acting as a supervisor of the Company since 2003.

Senior Management

Mr. Hu Shu Jie (胡樹杰先生) (“Mr. Hu”), aged 41, is a deputy general manager of the Company. Mr. Hu graduated from 河北大學 (Hebei University), majoring in History in 1994 and acted as component department head of 保定市遠達集團 (Boading Yuanda Group). He joined the Company in 1996 and worked in 保定市長城汽車營銷網絡有限公司 (Baoding Great Wall Automobile Sales Network Company Limited) as the head of external affairs department, manager of the information management department, marketing manager and deputy general manager successively between 1996 and 2002. He acted as the general manager of 保定市長城汽車售後服務有限公司 (Baoding Great Wall Automobile After-sales Services Company Limited) in June 2002 and was appointed as the general manager of the first manufacturing division of the Company in April 2003. Mr. Hu was appointed as the general manager of the second manufacturing division of the Company in May 2005 and as a deputy general manager of the Company on 5 December 2005.

Mr. Huang Yong (黃勇先生) (“Mr. Huang”), aged 44, is a deputy general manager of the Company and supervisor of the technology center. Mr. Huang graduated from Beihang University in 1991. He joined the Company in 1992 and has 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. Now, he is mainly responsible for automobile development. Mr. Huang was appointed as a deputy general manager of the Company on 27 March 2006.

Mr. Zhang Xin (張鑫先生) (“Mr. Zhang”), aged 43, is a deputy general manager of the Company. Mr. Zhang graduated from 河北黨校 (Hebei Party School), majoring in economics management in 2003. He worked in 長城汽車營銷網絡有限公司 (Great Wall Automobile Sales Network Company Limited) as the head of the business department, manager of customer services department, manager of logistics department, manager of marketing management department and deputy general manager successively from 1992 to 2005. He acted as the general manager of 長城汽車售後服務有限公司 (Great Wall Automobile After-sales Services Company Limited) in July 2005. Mr. Zhang was appointed as a deputy general manager of the Company on 20 June 2006.

Mr. Zheng Chun Lai (鄭春來先生) (“Mr. Zheng”), aged 43, is a deputy general manager of the Company. He joined the Company in 1986 and has been working in the Company since then. In 1991, Mr. Zheng was assigned to establish 保定市太行汽車零部件廠 (Baoding Taihang Automobile Parts and Components Factory) and acted as the factory head. In 1994, he established 保定市信誠汽車發展有限公司 (Baoding Xin Cheng Automobile Development Company Limited) and acted as its general manager until 2008. He is the general manager of 保定市諾博橡膠製品有限公司 (Baoding Nuobo Rubber Manufacturing Company Limited). Mr. Zheng has more than 20 years of experience in corporate management, manufacturing and sales of automobile parts and components. Mr. Zheng was appointed as a deputy general manager of the Company on 27 March 2007.

Directors, Supervisors and Senior Management

Mr. Hao Jian Jun (郝建軍先生) (“Mr. Hao”), aged 40, is a deputy general manager and head of the engineering institute of the Company, general manager of 徐水縣科林供熱有限公司 (Xushui Colin Heating Co., Ltd.) (“Colin Heating”) and general manager of automation business department (自動化事業部) of the Company. Mr. Hao joined 太行集團 (Taihang Group) in 1993, and engaged in the work of stamping and tooling manufacturing, accumulating rich experience in tooling manufacturing. He joined 保定長城汽車橋業有限公司 (Great Wall Baoding Vehicle Axles Company Limited) in 1997 and was appointed as a supervisor of the tooling plant, completing the design and development of the tools for front and rear axles of certain automobile models. In 2004, Mr. Hao started to prepare and establish the tooling center of the Company and was appointed as the general manager of the tooling center in March 2005. Mr. Hao was appointed as a deputy general manager of the Company in November 2006, principally responsible for the work related to the engineering institute of the Company, Colin Heating and automation. He now concurrently serves as the head of the engineering institute of the Company, general manager of Colin Heating and general manager of automation business department of the Company.

Mr. Chai Wan Bao (柴萬寶先生) (“Mr. Chai”), aged 65, is a deputy general manager of the Company. He graduated from 空軍工程大學 (Air Force Engineering University), majoring in aircraft engines in 1969. Mr. Chai served in the 19th Air Force Division from 1969 to 1975, and worked in 鄭州輕型汽車廠 (Zhengzhou Light Truck Factory) as an engineer from 1975 to 1992, and as a deputy chief designer from 1992 to 2003 in 鄭州日產公司 (Zhengzhou Japan Production Company). Mr. Chai joined the Company in 2004 and was appointed as a deputy general manager of the Company in 2007.

Ms. Li Feng Zhen (李鳳珍女士) (“Ms. Li”), aged 50, is the chief financial controller of the Company. Ms. Li graduated from 河北財經學院 (Hebei Finance Institute), majoring in accountancy in 1993. She is qualified as a PRC registered accountant, PRC registered valuer and PRC registered tax adviser. In 1997, she completed the relevant qualification examination on securities business for registered accountants and obtained a certificate of qualification. Ms. Li had been accredited as 「先進會計工作者」 (Advanced Accountant) by county, local and provincial governments from 1990 to 1991 respectively. 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 has successively worked as the accounting head, financial manager and financial director of the management department. Ms. Li also worked as the department manager and deputy director of 保定會計師事務所 (Baoding Accounting Firm) from 1994 to 2000. She worked as the project manager of 北京信永會計師事務所 (Beijing Xinyong Accounting Firm) from 2000 to 2001. Ms. Li joined the Company in 2001 and was appointed as the chief financial controller of the Company in May 2005. In 2012, Ms. Li received 「2012 中國CFO年度人物之創新CFO獎」 (2012 Innovative CFO Award of CFO for the Year in China) at 「第六屆中國CFO年會暨2012中國CFO年度人物評選」 (The 6th China CFO annual meeting cum 2012 China CFO for the Year Award).

Mr. Zhang Wen Hui (張文輝先生) (“Mr. Zhang”), aged 37, is a deputy general manager of the Company. Mr. Zhang joined the Company in 2000 and was responsible for secretarial work and procurement. He was the secretary to general manager and deputy director of the supply division of GW Huabei Company. In 2001, he was the director of the supply division of the 事業一部 (main business department) of the Company. In 2003, he was transferred to the supporting facilities management department as the deputy manager and gained abundant experience in the supplier management. He was transferred to GW Internal Combustion Engine Company in 2005, responsible for its daily management and served as its deputy general manager and general manager, where he gained extensive experience in administration and management. In 2010, Mr. Zhang was appointed as the manager of the operation management department of the Company, mainly responsible for strategic management, development, price management and management innovation. He was appointed as a deputy general manager of the Company on 13 January 2012. In September 2012, he was transferred to strategic management department, and was appointed as a deputy general manager and the head of strategic management department of the Company, mainly responsible for strategic management and project management, performance management, investment management, etc..

Mr. Zhao Guo Qing (趙國慶先生) (“Mr. Zhao”), aged 35, is a deputy general manager of the Company. He joined Great Wall Motor in 2000 and was responsible for the human resources management. Mr. Zhao possesses extensive knowledge of administration and management. He was appointed as the director of the administration department of Zhengzhou Great Wall in 2002. He joined the manufacturing division of the Company in 2003, and had served as the director of human resources department and management department of the manufacturing division and gained considerable management experience. He was appointed as the director of lean promotion department in 2005 and was responsible for the promotion of lean manufacturing of the Group. He was appointed as the deputy director of the technology research institute and the director of the supporting facilities management department of the Company in June 2006, responsible for the management of supporting facilities.

Mr. Li Yan Qing (李彥青先生) (“Mr. Li”), aged 46, is a deputy general manager of the Company. He joined the Company in 1999 and has served as the supervisor, director, deputy general manager and general manager of motor painting workshop of the manufacturing division, mainly responsible for the automobile manufacturing and production management. He improved the quality and production capacity of Deer pick-up model and accumulated extensive experience in automobile production and management. Mr. Li was appointed as the director of lean management department of the Company in 2008, responsible for the lean production and cost control of the Company. Since September 2008, Mr. Li has commenced the preparation work for the establishment of Tianjin branch of the Company.

Mr. Xing Wen Lin (邢文林先生) (“Mr. Xing”), aged 43, is a deputy general manager of the Company and the general manager of the international department of Great Wall Automobile Sales Company. He joined the Great Wall Motor in 1991 and was responsible for sales work. Mr. Xing served as the deputy general manager of Great Wall Automobile Sales Company from February 1998 to February 2001, as the general manager of its market development department from February 2001 to February 2002, and as the general manager of its international department from February 2002 to April 2010. Since April 2010, Mr. Xing has been acting as a deputy general manager of the Company and the general manager of the international department of Great Wall Automobile Sales Company, responsible for the overall planning of the international department.

Mr. Dong Ming (董明先生) (“Mr. Dong”), aged 43, is a deputy general manager of the Company. Mr. Dong graduated from Minzu University of China, majoring in economic management. From September 1992 to September 2004, he had served in various positions successively in China Logistics News and China Times, including reporter, editor, deputy director of special edition department and deputy director of economic news department. Mr. Dong joined the Company in September 2004 and has 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.

Company Secretary

Mr. Xu Hui (徐輝先生) (“Mr. Xu”), aged 34, is the secretary of the Board and joined the Company in July 2001. Since the Company’s successful listing on the Hong Kong Stock Exchange in 2003 and the Shanghai Stock Exchange in 2011, Mr. Xu has been the key personnel in organising the Company’s general meetings and board meetings as well as co-ordinating the work in relation to A shares and H shares of the Company. He has been acting as the head of securities and legal affairs department (investment and development department was renamed as securities and legal affairs department in 2010) of the Company since July 2008. Mr. Xu was appointed as the Secretary of the Board on 7 June 2010.

Report of the Directors

The board of directors (the “Board”) of Great Wall Motor Company Limited (the “Company”) hereby presents its annual report together with the audited accounts of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 (the “Year”) .

Principal Business

The Company 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 activities during the Year.

The subsidiaries of the Company established in the PRC during the year ended 31 December 2012 or in previous years are limited companies.

Results and Dividends

The Group’s operating results for the year ended 31 December 2012 and the financial positions of the Company and the Group for the year ended 31 December 2012 are set out in the audited financial statements.

The Board has proposed to declare a final dividend of RMB0.57 per H share and A share of the Company (tax inclusive) for the year ended 31 December 2012.

Financial Information Summary

A summary of the consolidated results, assets and liabilities of the Group for the last five accounting years is set out below:

Consolidated Results

	For the year ended 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Total operating income	43,159,967	30,089,477	22,986,072	12,814,601	8,424,640
Total operating costs	36,526,361	26,105,111	20,072,606	11,977,035	7,908,143
Including: Operating costs	31,561,501	22,593,798	17,298,381	10,225,785	6,683,554
Business tax and surcharges	1,594,765	1,052,325	811,087	425,603	217,339
Selling expenses	1,656,352	1,192,712	1,070,203	704,830	461,665
Administrative expenses	1,743,700	1,283,873	873,664	626,940	559,647
Financial expenses	-105,326	-22,935	-7,820	-23,579	-49,340
Impairment loss on assets	75,369	5,338	27,091	17,456	35,278
Add: Gains or losses from changes in fair value	10,474	3,131	-1,953		
Investment income	19,322	24,357	56,271	21,210	15,172
Including: share of profit of associates and jointly controlled entities	2,216	11,954	42,050	21,559	6,838
Operating profit	6,663,402	4,011,854	2,967,784	858,776	531,669
Add: Non-operating income	220,571	126,308	82,493	63,307	61,545
Less: Non-operating expenses	42,937	7,511	9,042	9,016	7,594
Including: losses from disposal of non-current assets	27,127	2,522	4,165	4,927	1,370
Total profit	6,841,036	4,130,651	3,041,235	913,067	585,620
Less: Income tax expenses	1,118,965	619,998	214,151	-139,619	33,479
Net profit	5,722,071	3,510,653	2,827,084	1,052,686	552,141
Net profit attributable to shareholders of the parent company	5,692,449	3,426,195	2,700,735	1,003,358	514,124
Profit or loss attributable to minority interests	29,622	84,458	126,349	49,328	38,017

Assets and Liabilities

	As at 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Total assets	42,569,397	33,134,858	23,698,275	14,969,659	10,696,883
Total liabilities	20,926,027	16,113,354	13,297,969	7,131,499	3,679,443

Report of the Directors

Use of Proceeds from Public Offering (Initial Offering of A Shares)

In September 2011, the Company exercised the special mandate granted at the general meeting held on 26 November 2010 to issue 304,243,000 A shares at an offer price of RMB13 per share to independent investors by way of placement. The net proceeds from the issue of A shares, net of relevant expenses, amounted to approximately RMB3,894,372,269. As at 31 December 2012, the planned and actual uses of such proceeds were as follows:

	Planned Use	Actual Use
	<i>RMB'000</i>	<i>RMB'000</i>
Annual production of 100,000 sets of diesel engines of model number GW4D20	411,900	330,063
Annual production of 300,000 sets of EG engines	568,000	344,724
Annual production of 200,000 sets of six-speed manual transmissions	520,262	334,518
Annual production of 400,000 sets of aluminum alloy casting	420,270	225,006
Annual production of 400,000 sets of axles and brakes	571,657	389,527
Annual production of 400,000 sets of interior and exterior decorations	487,932	447,484
Annual production of 400,000 sets of automotive lightings	185,843	121,091
Surplus proceeds	728,508	738,310
Total	3,894,372	2,930,723

Share Capital

Details of movements of the share capital of the Company as at 31 December 2012, together with the reasons for such movements, are set out in the audited financial statements.

Fixed Assets

Details of the fixed assets of the Group and the Company as at 31 December 2012 are set out in the audited financial statements.

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 of association (the "Articles") or the Company Law of the PRC.

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 entity.

Undistributed Profits

As at 31 December 2012, pursuant to the Company Law and the Articles of the Company, the undistributed profits of the Group was RMB11,799,009,548.92, the final dividend for the year of 2012 proposed to be distributed was RMB0.57 per share (tax inclusive). In addition, the capital premium and part of the capital reserves may be distributed through capitalization issue in the future.

Major Suppliers and Customers

For the year ended 31 December 2012, the percentages of purchases and sales attributable to the Group's major suppliers and customers were as follows:

Purchases

Largest supplier	3.19%
Five largest suppliers in aggregate	9.61%

Sales

Largest customer	4.31%
Five largest customers in aggregate	11.93%

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

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

Report of the Directors

Directors and Supervisors

The directors and supervisors who held office during the Year and up to the date of this report were as follows:

Executive Directors:

Wei Jian Jun (<i>Chairman</i>)	Re-appointed on 10 May 2011
Liu Ping Fu (<i>Vice-chairman</i>)	Re-appointed on 10 May 2011
Wang Feng Ying (<i>General Manager</i>)	Re-appointed on 10 May 2011
Hu Ke Gang	Re-appointed on 10 May 2011
Yang Zhi Juan	Re-appointed on 10 May 2011

Non-executive Directors:

He Ping	Re-appointed on 10 May 2011
Niu Jun	Re-appointed on 10 May 2011

Independent Non-executive Directors:

Wei Lin	Re-appointed on 10 May 2011
Li Ke Qiang	Re-appointed on 10 May 2011
He Bao Yin	Re-appointed on 10 May 2011
Wong Chi Hung, Stanley	Re-appointed on 10 May 2011

Supervisor:

Zhu En Ze	Re-appointed on 10 May 2011
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Independent Supervisors:

Yuan Hong Li	Re-appointed on 10 May 2011
Luo Jin Li	Re-appointed on 10 May 2011

Directors' and Supervisors' Service Agreements and Letters of Appointment

In May 2011, the Company entered into new 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 re-appointed in 2011. Pursuant to the above service agreements and appointment letters, the terms of directors are three years expiring upon the expiry of the fourth session of the Board, and that of supervisors will expire upon the expiry of the fourth 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).

Biographies of Directors, Supervisors and Senior Management

The biographies of directors, supervisors and senior management are set out on pages 21 to 27 of this report.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (the “Listing Rules”) during their terms of appointment. Based on such confirmation, the Company considers all independent non-executive directors to be independent.

Interests of Controlling Shareholders, Directors and Supervisors in Material Contracts

Save for those transactions described in the notes to the financial statements and below, none of the controlling shareholders, directors or supervisors was or had been materially interested, whether directly or indirectly, in any contract subsisting during 2012 or at the end of 2012 which was significant to the business of the Company or any of its subsidiaries.

Material Contracts

The material contracts as at 31 December 2012 include:

Three respective equity transfer agreements were entered into between Billion Sunny Development Limited (億新發展有限公司) (“Billion Sunny”), a wholly-owned subsidiary of the Company, and Dragonet International Co. Ltd (驕龍國際有限公司) (“Dragonet”) on 13 April 2012, pursuant to which, Billion Sunny purchased from Dragonet 25% of the equity interest in each of Great Wall Baoding Vehicle Axles Company Limited (保定長城汽車橋業有限公司) (“Great Wall Axles”), Baoding Xinyuan Automobile Inner Decoration Co., Ltd. (保定信遠汽車內飾件有限公司) (“Xinyuan”) and Baoding Mind Auto Component Co., Ltd. (保定曼德汽車配件有限公司) (“Mind”) for the consideration of RMB109,325,200.00, RMB17,245,700.00 and RMB2,025,800.00, respectively. On 27 April 2012, Great Wall Axles, Xinyuan and Mind renewed their respective legal person business licenses.

An equity transfer agreement was entered into between Billion Sunny, a wholly-owned subsidiary of the Company, and Dragonet on 26 June 2012, pursuant to which, Billion Sunny purchased from Dragonet 25% of the equity interest in Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司) (“Yanfeng Johnson”) for the consideration of RMB7,673,100.00. Yanfeng Johnson renewed its legal person business license on 3 July 2012.

An equity transfer agreement was entered into between the Company and Min Fong Industry Company Limited (明芳工業股份有限公司) (“Min Fong”) on 7 November 2012, pursuant to which, the Company purchased from Min Fong 55% of the equity interest in Baoding Xinchang Auto Parts Company Limited (保定信昌汽車零部件有限公司) (“Xinchang”) for the consideration of RMB22,000,000.00. Xinchang renewed its legal person business license on 27 November 2012.

Report of the Directors

Management Contracts

No contract concerning the management or administration of the entire business or any substantial part of the business of the Company was entered into during the Year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 2012, 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 Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director/ Supervisor	Capacity/Nature of Interests	No. of Shares	Approximate Percentage of A Shares %	Approximate Percentage of H Shares %	Approximate Percentage of Total Shares %
Mr. Wei Jian Jun	Interests in controlled companies	1,705,000,000 (L)*	84.86	—	56.04
	Total:	1,705,000,000 (L)*	84.86	—	56.04

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

Interests in Controlled Companies

As at the date of this report, Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司) ("Innovation GW") is controlled by Baoding Wangsheng Investment Company Limited (保定市旺盛投資有限公司) ("Wangsheng") which is 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 Innovation GW.

Save as disclosed above, so far as the directors of the Company are aware, as at 31 December 2012, none of the directors, supervisors or chief executives of the Company has 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 under the Listing Rules. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

Shareholding Structure and Number of Shareholders

Details of the shareholders whose names were recorded in the register of shareholders of the Company as at 31 December 2012 are as follows:

Holders of A Shares	12,294
Holders of H Shares	1,214
Total number of shareholders	13,508

Shares Held by Substantial Shareholders

As at 31 December 2012, 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 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)*	84.86	—	56.04
JPMorgan Chase & Co.	153,053,452(L) 4,633,012(S) 92,206,633(P)	— — —	14.81(L) 0.45(S) 8.92(P)	5.03(L) 0.15(S) 3.03(P)
FIL Limited	81,903,710(L)	—	7.93(L)	2.69(L)
Templeton Asset Management Ltd.	61,730,750(L)	—	5.97(L)	2.03(L)
BlackRock, Inc.	53,500,470(L) 3,626,864(S)	— —	5.17(L) 0.35(S)	1.76(L) 0.12(S)

(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

* represents A shares

Report of the Directors

Note:

- 1 Innovation GW (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 and as prescribed by the State Council can only be conducted after obtaining approvals). As at the date of this report, 61.365%, 1.599%, 0.016% and 37.020% of the equity interest in Innovation GW are held by Wangsheng, Mr. Wei Jian Jun, Ms Han Xue Juan and 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) respectively. Further, 99% and 1% of the equity interest in Wangsheng are held by Mr. Wei Jian Jun and Ms Han Xue Juan respectively. Therefore, Innovation GW is a company controlled by Wangsheng 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 Innovation GW pursuant to SFO.
- 2 As at the date of this report, Ms. Han Xue Juan owns 0.016% interest in Innovation GW and 1% interest in Wangsheng, and is the spouse of Mr. Wei Jian Jun. She 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.
- 3 As at the date of this report, the Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding owns 37.02% interest in Innovation GW and is deemed to be interested in all the shares of the Company held by Innovation GW for the purposes of the SFO.

Save as disclosed above, as at 31 December 2012, so far as the directors, supervisors or chief executives of the Company are aware, no other person (excluding the directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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 2012, there was sufficient public float as approximately 43.96% of the issued share capital of the Company was held by the public.

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.

The auditor of the Company has conducted an engagement with “China Certified Public Accountants On Other Assurance Engagement 3101 — Assurance Engagements Other Than Auditors or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by Hong Kong Institute of Certified Public Accountants and has provided a letter dated 21 March 2013 to the Board confirming that the relevant procedures have been carried out on the continuing connected transactions by the auditor of the Company. The conclusion reported by the auditor of the Company in the letter is extracted as follows:

- “1. Nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company’s board of directors.
2. For transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, conducted in accordance with the pricing policies of the Group.
3. Nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
4. With respect to the sum of each of the disclosed continuing connected transactions set out below¹, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements as listed below² made by the Company in respect of each of the disclosed continuing connected transactions. ”

Notes:

- 1 refers to the continuing connected transactions as set out in the table below.
- 2 refers to announcement dated 15 January 2010 made by the Company.

During the Year, the details of the continuing connected transactions exempted from the approval of independent shareholders under the Listing Rules were as follows:

Type of Transaction	Cap of non-exempted continuing connected transaction during 2012	Actual amount for the year ended 31 December 2012
	RMB'000	RMB'000
Purchase of automobile air-conditioning parts and components from Shanghai Shuanghua Automobile Air-Conditioning Accessories Co. Ltd. (上海雙樺汽車零部件有限公司)	200,000	88,120

Report of the Directors

In addition, details of the connected transactions between the Group and connected parties during the Year are as follows:

Connected Transaction	Date of Transaction	Parties involved		Nature and Extent of Interests Attributable to Connected Parties	Purpose of Transaction	Consideration RMB'000	Date of Announcement
		Party A	Party B				
Acquisition of the Equity Interest of Great Wall Axles	13 April 2012	Billion Sunny, a wholly-owned subsidiary of the Company	Dragonet	Party B was a substantial shareholder of the Company's subsidiary	Optimize management	109,325.2	13 April 2012
Acquisition of the Equity Interest of Xinyuan	13 April 2012	Billion Sunny, a wholly-owned subsidiary of the Company	Dragonet	Party B was a substantial shareholder of the Company's subsidiary	Optimize management	17,245.7	13 April 2012
Acquisition of the Equity Interest of Mind	13 April 2012	Billion Sunny, a wholly-owned subsidiary of the Company	Dragonet	Party B was a substantial shareholder of the Company's subsidiary	Optimize management	2,025.8	13 April 2012
Acquisition of the Equity Interest of Yanfeng Johnson	26 June 2012	Billion Sunny, a wholly-owned subsidiary of the Company	Dragonet	Party B was a substantial shareholder of the Company's subsidiary	Optimize management	7,673.1	26 June 2012

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

In connection with the remuneration of the non-executive directors, an amount of no less than RMB40,000 per annum as the remuneration to each of them was approved by the shareholders at the general meeting held on 29 April 2011.

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.

Uncollected Dividends

As at 31 December 2012, as for the Company's 2005 final dividends, there were 73 cases of unclaimed final dividends, amounting to HK\$6,672.30. As for the Company's 2006 final dividends, there were 54 cases of unclaimed dividends, amounting to HK\$7,466.55, and as for the Company's 2007 final dividends, there were 62 cases of unclaimed dividends, amounting to HK\$11,691.75. As for the Company's 2008 final dividends, there were 67 cases of unclaimed dividends, amounting to HK\$9,786.50, and as for the Company's 2009 final dividends, there were 65 cases of unclaimed dividends, amounting to HK\$15,115.60, and as for the Company's 2010 final dividends, there were 66 cases of unclaimed dividends, amounting to HK\$32,284.29, and as for the Company's 2011 final dividends, there were 69 cases of unclaimed dividends, amounting to HK\$50,812.99.

Material Litigations

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

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.

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 Listing Rules (before and after the revision of the code came into effect on 1 April 2012) for the year ended 31 December 2012. 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 Listing Rules.

Audit Committee

The Company has set up an audit committee (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 of the Company. At the meeting held on 20 March 2013, the Audit Committee reviewed the 2012 annual results announcement, annual report and annual financial statements of the Group and given their opinions and recommendations to the Board. The Audit Committee is of the opinion that the 2012 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.

Report of the Directors

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 Group, and determining the remuneration packages of executive directors and senior management, including benefits in kind, pensions and compensation payments.

Nomination Committee

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

Strategy Committee

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

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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.

Auditor

Deloitte Touche Tohmatsu Certified Public Accountants LLP was the Company's external auditor for the year ended 31 December 2012. 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.

Cancellation of the Preparation of H-Shares Financial Statements

According to the Hong Kong Stock Exchange's amendments to the Listing Rules made in December 2010, Mainland incorporated companies listed in Hong Kong are allowed, with effect from 15 December 2010, to prepare their financial statements using the China Accounting Standards for Business Enterprises ("CASBE") and Mainland audit firms approved by the Ministry of Finance of China and the China Securities Regulatory Commission ("CSRC") are allowed to serve these companies as their auditors and to audit such financial statements using Mainland auditing standards. Accordingly, the first extraordinary general meeting of 2012 of the Company was held on 16 January 2012, at which shareholders passed a resolution in respect of the amendments to the Company's Articles which enable the Company to prepare its financial statements in accordance with Mainland accounting standards. As a result, the Company has the flexibility of opting for the uniform application of CASBE in preparing its annual and interim financial statements to satisfy the requirements of both the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Company has opted to adopt CASBE to prepare its financial statements for its A shareholders and H shareholders from the financial year ended 31 December 2011 onwards.

By order of the Board

Wei Jian Jun

Chairman

21 March 2013

Corporate Governance Report

The Company is committed to enhancing its standard of corporate governance 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 Listing Rules (before and after the revision of the code came into effect on 1 April 2012) 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 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

Independent Non-Executive Directors:

Ms. WEI Lin

Mr. HE Bao Yin

Mr. LI Ke Qiang

Mr. WONG Chi Hung, Stanley

- All independent non-executive directors have complied with the guidelines on independence set out under Rule 3.13 of the 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 on pages 21 to 27.

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 of the Company, “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 and re-appointed on 10 May 2011 for a term of three years.

Deviation: NIL

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 shareholders’ 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;

Corporate Governance Report

- (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 of the Company; and
- (12) other authorisations from the general meetings.

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

- The Articles of the Company 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.
- There are four committees under the Board. The Strategy Committee is responsible for assisting the Board in formulating strategies of the Board. The Audit Committee is responsible for supervising the financial conditions of the Company. 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 and the standards and procedures for selecting directors and management members. The Strategy Committee provides recommendations to the management from time to time in accordance with the prevailing market environment and changes in policies. The Audit Committee, Strategy Committee, Nomination Committee and Remuneration Committee report to the Board on a regular basis.

Audit Committee

Wei Lin (Chairman)
He Bao Yin
Li Ke Qiang
Wong Chi Hung, Stanley

Strategy Committee

Wei Jian Jun (Chairman)
Wang Feng Ying
Li Ke Qiang
He Bao Yin
He Ping

Remuneration Committee

Wei Lin (Chairman)
He Bao Yin
Wei Jian Jun

Nomination Committee

Li Ke Qiang (Chairman)
He Bao Yin
Wei Jian Jun

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 12 meetings. Pursuant to the Articles of the Company, “meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities”.
- Regular meetings of the Board of the Company 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.
- The directors may seek independent professional advice on professional matters involved in the agenda at the expense of the Company.

Corporate Governance Report

Set out below is the attendance record of all meetings of the Board and general meetings in 2012:

Attendance of individual directors in Board meetings and general meetings in 2012

No. of meetings	12		3	
	Full meeting of the Board of Directors		General meeting	
	No. of attendance/ No. of meetings	Attendance rate	No. of attendance/ No. of meetings	Attendance rate
Chairman				
Wei Jian Jun	12/12	100%	3/3	100%
Executive directors				
Liu Ping Fu	12/12	100%	3/3	100%
Wang Feng Ying	12/12	100%	3/3	100%
Hu Ke Gang	12/12	100%	3/3	100%
Yang Zhi Juan	12/12	100%	2/3	67%
Non-executive directors				
Niu Jun	12/12	100%	3/3	100%
He Ping	12/12	100%	0/3	0%
Independent non-executive directors				
Wei Lin	12/12	100%	0/3	0%
He Bao Yin	12/12	100%	0/3	0%
Li Ke Qiang	12/12	100%	0/3	0%
Wong Chi Hung, Stanley	12/12	100%	0/3	0%
Average attendance rate		100%		52%

Since the amendments to the Corporate Governance Code became effective on 1 April 2012, the Company held two general meetings in 2012 which one non-executive director and four independent non-executive directors did not attend because they were not at Baoding at the relevant times. However, they all attended the relevant Board meetings in connection with the matters to be considered in the general meetings. All the directors, including independent non-executive directors and non-executive directors, are aware that they should attend general meetings and develop a balanced understanding of the views of the shareholders.

Attendance of committee members in meetings of the Strategy Committee in 2012

No. of meetings

1

28 March 2012 To review the strategic planning of the Company		
Time and Business	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	1/1	100%
He Bao Yin	1/1	100%
Average Attendance rate		100%

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, which reports to the Board.

The Company regularly provides all directors, whose names are set out on page 42, with information in relation to their professional conduct and enhancement of their expertise for training purposes.

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

Deviation: NIL

Corporate Governance Report

Compliance with Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”)

- The Company has complied with the Model Code set out in Appendix 10 of the 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

B. 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 (Wei Lin and He Bao Yin) 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.
- In May 2011, the Company and each of the directors, including non-executive directors and independent non-executive directors, entered into a Director's Service Contract for a term of three years, which set out the respective remunerations of the directors.
- Details of directors' remuneration and senior management's remuneration by band and the five highest paid individuals in the Group are set out in note (VII)5(8) to the financial statements on pages 169 to 172.
- No meeting was held by the Remuneration Committee during the Year as there were no changes to the remuneration policies for directors and senior management of the Company in 2012.

Deviation: NIL

C. Nomination Committee

- The Company has set up the Nomination Committee comprising two independent non-executive directors (Li Ke Qiang and He Bao Yin) 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.

- No meeting was held by the Nomination Committee during the Year as there were no changes to the directors of the Company in 2012.

D. 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 2012, 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 Listing Rules and disclosed other financial information as required by the 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 office of the secretary to the Board 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

Corporate Governance Report

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 2012. Its auditing fees in respect of the interim review service amounted to RMB480,000. The financial statements of the Company's annual report have been prepared in accordance with the China Accounting Standards for Business Enterprises and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. Auditing fees in respect of the annual audit service charged by Deloitte Touche Tohmatsu Certified Public Accountants LLP in 2012 amounted to RMB1,800,000, while the internal control auditing fees amounted to RMB400,000. Apart from these, there was no charge payable for non-audit services by Deloitte Touche Tohmatsu Certified Public Accountants LLP for 2012.
- The directors of the Company acknowledge that it is their responsibility for preparing the accounts of the Group.
- 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 of the Company, including Ms. Wei Lin (as chairman), Mr. Li Ke Qiang, Mr. He Bao Yin and Mr. Wong Chi Hung, Stanley.
- 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 meeting during the Year.

- In 2012, the Audit Committee considered and approved 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 the Independence and Effectiveness of Audit Procedures of the External Auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP (公司外聘德勤會計師事務所的獨立性及審計程序有效性的議案), Resolution on Auditing of the Financial Statements for the Year of 2011 of the Company (審核公司2011年度財務決算報告的議案), Resolution on Auditing of Connected Transaction of the Company for the Year of 2011 (審核公司2011年度關連交易情況的議案), Resolution on Conclusion of Internal Audit for the Year of 2011 and Internal Audit Plan for the Year of 2012 of the Company (審核公司2011年度內部審計工作總結及2012年度內部審計計劃的議案), Resolution on Auditing of the Financial Report for the First Quarter of the Year of 2012 of the Company (關於審核公司2012年度第一季度財務報告的議案), 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 2012 of the Company (關於審核公司2012年度中期財務報告的議案), Resolution on Auditing of Connected Transactions of the Company for the Interim Period of the Year of 2012 (關於審核公司2012年度中期關連交易情況的議案) and Resolution on Auditing of Financial Report for the Third Quarter of the Year of 2012 of the Company (關於審核公司2012年度第三季度財務報告的議案) at its meetings.

Attendance of committee members in meetings of the Audit Committee in 2012

No. of meetings

4

Time and Business

	15 March 2012	
	To review the annual financial report for 2011	
	25 April 2012	
	To review the first quarterly financial report for 2012	
	23 August 2012	
	To review the interim financial report for 2012	
	24 October 2012	
	To review the third quarterly financial report for 2012	
	No. of attendance/	Attendance
	No. of meeting	rate
Wei Lin	4/4	100%
Li Ke Qiang	4/4	100%
He Bao Yin	4/4	100%
Wong Chi Hung, Stanley	4/4	100%
Average attendance rate		100%

- The Audit Committee held a meeting on 20 March 2013 and reviewed the annual results announcement, annual report and annual financial statements of the Group for the year ended 31 December 2012.

Corporate Governance Report

- 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 re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the external auditor of the Company for 2012.
- 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 2011 financial report, 2012 first quarterly financial report, 2012 interim financial report and 2012 third quarterly financial report of the Company.
- The Audit Committee reviewed the connected transactions of the Company for the year of 2011 and for the interim period of the year of 2012.
- The Audit Committee reviewed the internal control system of the Company for the year of 2011.
- 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 independent non-executive directors 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. was the external auditor of the Company in 2012. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. has completed its restructuring in January 2013 and renamed as Deloitte Touche Tohmatsu Certified Public Accountants LLP.

E. 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.

F. Company Secretary

Mr. Xu Hui is the secretary to the Board of the Company. In compliance with Rule 3.29 of the Listing Rules, Mr. Xu Hui has taken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

G. 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 shareholders' meetings, the chairman of the meeting raises 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.
- The details of the procedures for voting by poll and the shareholders' rights for demanding a poll are set out in the circular despatched to shareholders.

H. 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.

Corporate Governance Report

- 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).

I. Investor Relations

- The Company held the first extraordinary general meeting of 2012 on 16 January 2012, which considered and approved the amendments to the Articles In relation to the Company's adoption of China Accounting Standards for Business Enterprises for both A shareholders and H shareholders from the financial year ended 31 December 2011 onwards. Details of the amendments were set out in the circular of the Company issued on 30 November 2011.
- The Company held the second extraordinary general meeting of 2012 on 11 December 2012, which considered and approved the amendments to the Articles In relation to (i) the change of the business licence number of the Company; and (ii) the cash dividend policy of the Company. Details of the amendments were set out in the circular of the Company issued on 25 October 2012.

Deviation: NIL



Report of the Supervisory Committee

To all shareholders:

During the year 2012, all members of the Supervisory Committee of the Company adhered strictly to the requirements of the Company Law of the PRC (the “Company Law”) and the articles of association of the Company (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 the 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 sixth meeting of the fourth session of the Supervisory Committee was held on 16 March 2012 in the conference room of the Company, whereupon the Company’s audited financial statements for the year of 2011, profit distribution proposal, report of the Supervisory Committee, annual report of the Company’s A shares and its summary report, appointment of accountants’ firm, Special Report on the Deposit and Actual Use of the Proceeds, social responsibility report, connected transactions in the ordinary and usual course of business for the year of 2011 and estimated connected transactions in the ordinary and usual course of business for the year of 2012, as well as the internal control self-evaluation report were considered and approved.

The seventh meeting of the fourth session of the Supervisory Committee was held on 26 April 2012 in the conference room of the Company, whereupon the first quarterly report for the year of 2012 was considered and approved.

The eighth meeting of the fourth session of the Supervisory Committee was held on 24 August 2012 in the conference room of the Company, whereupon the interim results announcement for the year of 2012, interim report and its summary report for the year of 2012, and Special Report on the Deposit and Actual Use of the Proceeds were considered and approved.

The ninth meeting of the fourth session of the Supervisory Committee was held on 25 October 2012 in the conference room of the Company, whereupon the third quarterly report for the year of 2012 was considered and approved.

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 directors of the Company in 2012, 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. 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 of Association, the relevant accounting standards, and the laws and regulations of the PRC during their operation in 2012. Acquisitions or disposals of assets and connected transactions of the Company were fair and reasonable, and did not cause prejudice to the interests of other shareholders and the Company, nor were there any significant flaws 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 2012 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 accountants' firm issued their auditor's report with standard and unqualified audit opinion. The Company's financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2012, and the results of the Group for the year then ended.
- (4) The Company had issued the "Special Report on the Deposit and Actual Use of Proceeds" for the year 2012. The Supervisory Committee was of the opinion that the actual use of the proceeds from the latest fund-raising exercise in projects was consistent with the use disclosed in the fund-raising circular, and there was no violation of law in the use and management of the proceeds.

By Order of the Supervisory Committee

Zhu En Ze

Supervisor

Hebei Province, the People's Republic of China, 21 March 2013



De Shi Bao (Shen) Zi (13) No.P0271

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 2012, 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.

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 2012, 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

Tong Chuan Jiang

Zhang Xiao Liang

21 March 2013

Consolidated Balance Sheet

At 31 December 2012

Item	Note	31/12/2012	RMB 31/12/2011
Current Assets:			
Cash and bank balances	(VI)1	6,336,981,784.93	7,107,086,034.95
Held-for-trading financial assets	(VI)2	11,651,307.26	1,177,700.00
Bills receivable	(VI)3	14,790,887,422.30	8,702,977,854.66
Accounts receivable	(VI)4	691,488,679.17	679,370,292.96
Prepayments	(VI)5	391,549,732.29	360,600,901.18
Dividends receivable		15,280,463.03	—
Other receivables	(VI)6	854,389,669.52	650,401,167.30
Inventories	(VI)7	2,695,117,691.59	2,776,681,563.15
Other current assets	(VI)8	60,330,465.60	95,896,929.73
Total Current Assets		25,847,677,215.69	20,374,192,443.93
Non-current Assets:			
Long-term receivables		22,970,074.17	—
Long-term equity investments	(VI)9/(VI)10	41,841,473.15	70,038,060.49
Investment properties	(VI)11	6,251,972.88	6,413,916.01
Fixed assets	(VI)12	9,019,119,819.20	7,392,381,087.28
Construction in progress	(VI)13	4,989,704,197.26	3,050,225,885.34
Intangible assets	(VI)14	2,214,215,362.85	1,869,266,218.71
Goodwill	(VI)15	2,163,713.00	2,163,713.00
Long-term prepaid expenses		17,486,693.00	18,267,919.84
Deferred tax assets	(VI)16	407,966,015.58	351,908,470.87
Total Non-current Assets		16,721,719,321.09	12,760,665,271.54
TOTAL ASSETS		42,569,396,536.78	33,134,857,715.47

Consolidated Balance Sheet

At 31 December 2012

Item	Note	RMB	
		31/12/2012	31/12/2011
Current Liabilities:			
Bills payable	(VI)18	4,341,672,114.91	3,977,526,932.93
Accounts payable	(VI)19	8,697,430,801.03	6,033,540,800.73
Advances from customers	(VI)20	3,195,376,434.87	2,711,470,723.34
Salaries payable	(VI)21	736,035,068.04	501,866,128.29
Taxes payable	(VI)22	537,079,490.65	283,940,139.56
Dividends payable	(VI)23	—	59,536,914.89
Other payables	(VI)24	1,219,640,824.99	852,932,381.01
Non-current liabilities due within one year	(VI)25	51,704,662.45	26,458,955.67
Other current liabilities	(VI)26	540,227,876.22	266,265,212.39
Total Current Liabilities		19,319,167,273.16	14,713,538,188.81
Non-current Liabilities:			
Other non-current liabilities	(VI)27	1,606,859,855.26	1,399,815,782.93
Total Non-current Liabilities		1,606,859,855.26	1,399,815,782.93
TOTAL LIABILITIES		20,926,027,128.42	16,113,353,971.74
SHAREHOLDERS' EQUITY:			
Share capital	(VI)28	3,042,423,000.00	3,042,423,000.00
Capital reserve	(VI)29	4,461,109,309.25	4,463,795,086.95
Surplus reserve	(VI)30	2,217,932,376.40	1,583,245,673.36
Undistributed profits	(VI)31	11,799,009,548.92	7,653,974,196.03
Foreign currency translation differences		(6,230,241.74)	(6,329,603.59)
Total Equity Attributable to Shareholders of the parent company		21,514,243,992.83	16,737,108,352.75
Minority interests		129,125,415.53	284,395,390.98
TOTAL SHAREHOLDERS' EQUITY		21,643,369,408.36	17,021,503,743.73
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		42,569,396,536.78	33,134,857,715.47

The notes form an integral part of the financial statements.

The financial statements as set out from pages 59 to 222 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 2012

Item	Note	31/12/2012	RMB 31/12/2011
Current Assets:			
Cash and bank balances	(X)1	3,872,653,468.31	4,310,486,666.45
Held-for-trading financial assets		11,651,307.26	1,177,700.00
Bills receivable	(X)2	11,668,278,186.78	6,640,961,869.01
Accounts receivable	(X)3	1,115,166,030.89	1,330,753,797.38
Prepayments		411,210,587.23	439,915,721.85
Dividends receivable		173,522,737.27	73,042,279.17
Other receivables	(X)4	865,215,527.67	635,851,457.46
Inventories	(X)5	1,058,328,245.58	1,001,583,500.04
Other current assets		34,495,659.37	75,863,221.94
Total Current Assets		19,210,521,750.36	14,509,636,213.30
Non-current Assets:			
Long-term receivables		22,970,074.17	—
Long-term equity investments	(X)6	3,763,903,285.10	3,587,535,397.22
Investment properties		6,251,972.88	6,413,916.01
Fixed assets	(X)7	6,697,775,161.70	5,655,282,956.52
Construction in progress	(X)8	4,694,413,290.15	2,598,901,355.32
Intangible assets	(X)9	1,832,616,203.28	1,403,280,850.39
Long-term prepaid expenses		11,947,859.33	11,619,033.17
Deferred tax assets		111,268,817.57	80,131,879.87
Total Non-current Assets		17,141,146,664.18	13,343,165,388.50
TOTAL ASSETS		36,351,668,414.54	27,852,801,601.80

Balance Sheet of the Company

At 31 December 2012

Item	Note	RMB	
		31/12/2012	31/12/2011
Current Liabilities:			
Bills payable	(X)10	2,240,543,647.68	2,679,375,046.99
Accounts payable	(X)11	8,938,896,912.86	5,742,456,535.24
Advances from customers	(X)12	2,411,539,385.38	1,952,319,876.00
Salaries payable		434,336,352.42	258,950,983.91
Taxes payable		382,381,688.60	214,944,117.01
Other payables		788,228,066.09	601,764,853.33
Non-current liabilities due within one year	(X)13	33,457,430.17	22,638,259.40
Other current liabilities		216,495,363.80	109,785,839.62
Total Current Liabilities		15,445,878,847.00	11,582,235,511.50
Non-current Liabilities:			
Other non-current liabilities	(X)13	1,314,781,614.77	1,055,493,541.19
Total Non-current Liabilities		1,314,781,614.77	1,055,493,541.19
TOTAL LIABILITIES		16,760,660,461.77	12,637,729,052.69
SHAREHOLDERS' EQUITY:			
Share capital		3,042,423,000.00	3,042,423,000.00
Capital reserve	(X)14	4,506,077,023.11	4,506,077,023.11
Surplus reserve		1,480,888,012.24	952,021,781.87
Undistributed profits	(X)15	10,561,619,917.42	6,714,550,744.13
TOTAL SHAREHOLDERS' EQUITY		19,591,007,952.77	15,215,072,549.11
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		36,351,668,414.54	27,852,801,601.80

Consolidated Income Statement

For the year ended 31 December 2012

Item	Note	2012	RMB 2011
I. Total operating income	(VI)32	43,159,966,648.39	30,089,476,665.00
II. Total operating costs		36,526,361,438.74	26,105,111,467.73
Including: Operating costs	(VI)32	31,561,501,368.09	22,593,797,877.09
Business tax and surcharges	(VI)33	1,594,765,114.98	1,052,324,859.69
Selling expenses	(VI)34	1,656,352,069.11	1,192,712,451.22
Administrative expenses	(VI)35	1,743,699,625.96	1,283,873,003.63
Financial expenses	(IX)2	(105,325,665.78)	(22,934,689.66)
Impairment loss on assets	(VI)36	75,368,926.38	5,337,965.76
Add: Gains or losses from changes in fair values	(VI)37	10,473,607.26	3,131,156.00
Investment income	(VI)38	19,322,880.32	24,357,261.65
Including: share of profit of associates and jointly controlled entities		2,215,877.19	11,954,450.91
III. Operating profit		6,663,401,697.23	4,011,853,614.92
Add: Non-operating income	(VI)39	220,570,848.24	126,307,643.49
Less: Non-operating expenses	(VI)40	42,936,221.53	7,509,939.18
Including: Losses from disposal of non-current assets		27,126,762.49	2,522,008.18
IV. Total profit		6,841,036,323.94	4,130,651,319.23
Less: Income tax expenses	(VI)41	1,118,964,991.48	619,998,434.10
V. Net profit		5,722,071,332.46	3,510,652,885.13
Net profit attributable to shareholders of the parent company		5,692,448,955.93	3,426,195,112.78
Profit or loss attributable to minority interests		29,622,376.53	84,457,772.35
VI. Earnings per share:			
(I) Basic earnings per share	(VI)42	1.87	1.22
(II) Diluted earnings per share	(VI)42	N/A	N/A
VII. Other comprehensive income	(VI)43	99,361.85	(2,763,181.43)
VIII. Total comprehensive income:		5,722,170,694.31	3,507,889,703.70
Total comprehensive income attributable to shareholders of the parent company		5,692,548,317.78	3,423,431,931.35
Total comprehensive income attributable to minority interests		29,622,376.53	84,457,772.35

Income Statement of the Company

For the year ended 31 December 2012

Item	Note	2012	RMB 2011
I. Total operating income	(X)16	41,516,762,102.64	29,243,347,647.05
Less: Operating costs	(X)16	33,092,201,985.01	23,947,204,043.46
Business tax and surcharges	(X)17	1,521,138,567.18	996,230,757.38
Selling expenses		411,217,878.89	215,978,083.27
Administrative expenses	(X)18	1,332,573,654.56	910,545,397.77
Financial expenses		(58,859,987.14)	(4,458,439.64)
Impairment loss on assets		47,982,041.70	4,667,302.03
Add: Gains or losses from changes in fair values		10,473,607.26	3,131,156.00
Investment income	(X)19	810,494,287.42	442,546,829.86
Including: share of profit of associates and jointly controlled entities		1,869,116.91	4,178,927.85
II. Operating profit		5,991,475,857.12	3,618,858,488.64
Add: Non-operating income		82,025,623.35	59,863,043.90
Less: Non-operating expenses		34,786,352.52	1,979,496.36
Including: Losses from disposal of non-current assets		23,984,650.68	—
III. Total profit		6,038,715,127.95	3,676,742,036.18
Less: Income tax expenses	(X)20	750,052,824.29	449,396,106.78
IV. Net profit		5,288,662,303.66	3,227,345,929.40
V. Earnings per share:			
(I) Basic earnings per share		1.74	1.15
(II) Diluted earnings per share		N/A	N/A
VI. Other comprehensive income		—	—
VII. Total comprehensive income:		5,288,662,303.66	3,227,345,929.40

Consolidated Cash Flow Statements

For the year ended 31 December 2012

Item	Note	2012	RMB 2011
I. Cash Flows from Operating Activities:			
Cash received from selling goods and rendering services		40,429,173,992.60	33,523,510,903.79
Tax rebate received		161,015,766.50	46,758,920.91
Other cash received relating to operating activities	(VI)44(1)	167,723,217.94	142,620,751.74
Sub-total of cash inflow from operating activities		40,757,912,977.04	33,712,890,576.44
Cash paid for purchasing goods and receiving services		28,378,636,210.53	23,659,338,139.42
Cash payments to and on behalf of employees		2,831,396,978.02	2,024,448,784.11
Taxes and surcharges paid		3,436,751,053.30	2,167,085,935.48
Other cash paid relating to operating activities	(VI)44(2)	1,774,157,932.98	1,413,275,100.06
Sub-total of cash outflow from operating activities		36,420,942,174.83	29,264,147,959.07
Net cash flows from operating activities	(VI)45(1)	4,336,970,802.21	4,448,742,617.37
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		5,256,660,000.00	1,548,000,000.00
Cash received from return on investments		20,609,808.00	3,105,425.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		179,124,729.28	7,296,179.29
Net cash received from disposal of subsidiaries and other business entities	(VI)45(2)	—	246,885,400.00
Other cash received relating to investing activities	(VI)44(3)	324,072,170.64	17,928,861.09
Sub-total of cash inflow from investing activities		5,780,466,707.92	1,823,215,866.18
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,444,646,308.04	3,758,842,758.05
Net cash paid for acquisition of subsidiaries and other business entities	(VI)45(2)	3,353,242.82	7,374,572.94
Investment in available for sale financial assets		5,257,931,800.00	1,548,000,000.00
Cash paid for equity investment		10,673,100.00	—
Sub-total of cash outflow from investing activities		9,716,604,450.86	5,314,217,330.99
Net Cash Flow from Investing Activities		(3,936,137,742.94)	(3,491,001,464.81)
III. Cash Flows from Financing Activities:			
Cash received from investments		—	3,894,372,268.99
Cash received from borrowings		281,711,678.52	186,135,646.94
Other cash received from financing activities	(VI)44(4)	59,360,569.88	220,182,665.32
Sub-total of cash inflow from financing activities		341,072,248.40	4,300,690,581.25
Cash paid for repayment of liabilities		280,663,381.44	181,372,360.44
Cash paid for dividends, profits distribution or interest repayment		1,035,684,724.02	663,370,683.17
Including: Dividend and profit paid by subsidiaries to minority shareholders		118,518,344.58	111,675,143.44
Other cash paid relating to financing activities	(VI)44(5)	128,596,699.99	173,175,000.00
Sub-total of cash outflow from financing activities		1,444,944,805.45	1,017,918,043.61
Net Cash Flow from Financing Activities		(1,103,872,557.05)	3,282,772,537.64

Consolidated Cash Flow Statements

For the year ended 31 December 2012

Item	Note	2012	RMB 2011
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(7,704,182.36)	(7,861,428.26)
V. Net Increase in Cash and Cash Equivalents	(VI)45(3)	(710,743,680.14)	4,232,652,261.94
Add: Balance of cash and cash equivalents at the beginning of the year	(VI)45(3)	6,306,279,224.47	2,073,626,962.53
VI. Balance of cash and cash equivalents at the end of the year	(VI)45(3)	5,595,535,544.33	6,306,279,224.47

Cash Flow Statements of the Company

For the year ended 31 December 2012

Item	Notes	2012	RMB 2011
I. Cash Flows from Operating Activities:			
Cash received from selling goods and rendering services		37,505,440,344.25	31,858,573,324.27
Tax rebate received		142,305,623.47	23,825,118.96
Other cash received relating to operating activities		77,464,225.61	119,727,004.48
Sub-total of cash inflow from operating activities		37,725,210,193.33	32,002,125,447.71
Cash paid for purchasing goods and receiving services		28,641,403,269.19	25,276,879,002.17
Cash paid to and on behalf of employees		1,707,145,308.21	1,167,119,616.72
Taxes and surcharges paid		2,601,756,183.96	1,472,511,987.91
Other cash paid relating to operating activities		769,937,828.16	518,450,247.32
Sub-total of cash outflow from operating activities		33,720,242,589.52	28,434,960,854.12
Net cash flows from operating activities	(X)21(1)	4,004,967,603.81	3,567,164,593.59
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		3,130,360,000.00	90,000,000.00
Cash received from return on investments		725,500,688.80	441,288,567.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,046,900.30	9,912,992.72
Net cash received from disposal of subsidiaries and other business entities		1,396,452.64	246,885,400.00
Other cash receipts relating to investing activities		304,565,508.40	17,746,946.57
Sub-total of cash inflow from investing activities		4,176,869,550.14	805,833,906.68
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,370,327,465.63	3,342,554,621.49
Cash paid for investment in available for sale financial assets		3,131,631,800.00	90,000,000.00
Net cash paid for acquisition of subsidiaries and other business entities		22,000,000.00	21,610,000.00
Cash paid for equity investment		171,251,200.00	1,769,791,006.59
Sub-total of cash outflow from investing activities		7,695,210,465.63	5,223,955,628.08
Net Cash Flow from Investing Activities		(3,518,340,915.49)	(4,418,121,721.40)
III. Cash Flows from Financing Activities:			
Cash received from investments		—	3,894,372,268.99
Cash received from borrowings		281,711,678.52	186,135,646.94
Other cash received from financing activities		263,909,236.29	322,236,197.03
Sub-total of cash inflow from financing activities		545,620,914.81	4,402,744,112.96
Cash paid for repayment of liabilities		280,663,381.44	181,372,360.44
Cash paid for dividends, profits distribution or interest repayment		917,166,379.44	551,695,539.73
Sub-total of cash outflow from financing activities		1,197,829,760.88	733,067,900.17
Net Cash Flow from Financing Activities		(652,208,846.07)	3,669,676,212.79
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(8,341,804.10)	(5,266,787.75)

Cash Flow Statements of the Company

For the year ended 31 December 2012

Item	Notes	2012	RMB 2011
V. Net Increase in Cash and Cash Equivalents	(X)21(2)	(173,923,961.85)	2,813,452,297.23
Add: Balance of cash and cash equivalents at the beginning of the year	(X)21(2)	3,775,429,524.51	961,977,227.28
VI. Balance of cash and cash equivalents at the end of the year	(X)21(2)	3,601,505,562.66	3,775,429,524.51

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2012

RMB

Item	2012						
	Attributable to shareholders of the parent Company					Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Translation reserve		
I. Balance at the beginning of the year	3,042,423,000.00	4,463,795,086.95	1,583,245,673.36	7,653,974,196.03	(6,329,603.59)	284,395,390.98	17,021,503,743.73
II. Changes in the current year	-	(2,685,777.70)	634,686,703.04	4,145,035,352.89	99,361.85	(155,269,975.45)	4,621,865,664.63
(I) Net profit	-	-	-	5,692,448,955.93	-	29,622,376.53	5,722,071,332.46
(II) Other comprehensive income	-	-	-	-	99,361.85	-	99,361.85
Subtotal of (I) and (II)	-	-	-	5,692,448,955.93	99,361.85	29,622,376.53	5,722,170,694.31
(III) Shareholders' capital injection and capital reduction	-	(2,685,777.70)	-	-	-	(125,910,922.29)	(128,596,699.99)
1. Capital injection from shareholders	-	-	-	-	-	-	-
2. Acquisition of subsidiaries	-	-	-	-	-	-	-
3. Acquisition of minority interests of subsidiaries (Note 1)	-	(2,685,777.70)	-	-	-	(125,910,922.29)	(128,596,699.99)
(IV) Profit distribution	-	-	634,686,703.04	(1,547,413,603.04)	-	(58,981,429.69)	(971,708,329.69)
1. Transfer to statutory reserve	-	-	610,131,460.82	(610,131,460.82)	-	-	-
2. Transfer to discretionary reserve	-	-	-	-	-	-	-
3. Transfer to venture expansion fund	-	-	-	-	-	-	-
4. Transfer to reserve fund	-	-	24,555,242.22	(24,555,242.22)	-	-	-
5. Distributions to shareholders	-	-	-	(912,726,900.00)	-	(58,981,429.69)	(971,708,329.69)
6. Transfer to employee bonus and welfare fund	-	-	-	-	-	-	-
7. Tax refund for welfare enterprises	-	-	-	-	-	-	-
(V) Transfer of shareholders' equity	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-
2. Transfer of surplus reserves to share capital	-	-	-	-	-	-	-
3. Surplus reserves making up of losses	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
III. Balance at the end of the current year	3,042,423,000.00	4,461,109,309.25	2,217,932,376.40	11,799,009,548.92	(6,230,241.74)	129,125,415.53	21,643,369,408.36

Note 1: In April 2012, Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development"), a subsidiary of the company, acquired 25% shares of Baoding Changcheng Vehicle Axles Industries Company Limited (保定長城汽車橋業有限公司), Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司), and Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司), which are three subsidiaries of the company, from Dragonet International Company Limited (驕龍國際有限公司) ("Dragonet International") at considerations of RMB109.33 million, RMB2.03 million and RMB17.25 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 RMB2,685,777.70 and was directly credited to the capital reserves.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2012

RMB

Item	2011 Attributable to shareholders of the parent company					Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Translation reserve		
I. Balance at the beginning of the year	1,095,272,000.00	2,564,781,207.42	1,215,563,679.75	5,143,097,076.86	(3,566,422.16)	385,158,039.83	10,400,305,581.70
II. Changes in the current year	1,947,151,000.00	1,899,013,879.53	367,681,993.61	2,510,877,119.17	(2,763,181.43)	(100,762,648.85)	6,621,198,162.03
(I) Net profit	—	—	—	3,426,195,112.78	—	84,457,772.35	3,510,652,885.13
(II) Other comprehensive income	—	—	—	—	(2,763,181.43)	—	(2,763,181.43)
Subtotal of (I) and (II)	—	—	—	3,426,195,112.78	(2,763,181.43)	84,457,772.35	3,507,889,703.70
(III) Shareholders' capital injection and capital reduction	304,243,000.00	3,541,921,879.53	—	—	—	(101,903,522.85)	3,744,261,356.68
1. Capital injection from shareholders	304,243,000.00	3,590,129,268.99	—	—	—	—	3,894,372,268.99
2. Acquisition of subsidiaries	—	—	—	—	—	23,064,087.69	23,064,087.69
3. Acquisition of minority interests of subsidiaries (Note 1)	—	(48,207,389.46)	—	—	—	(124,967,610.54)	(173,175,000.00)
(IV) Profit distribution	—	—	367,681,993.61	(915,317,993.61)	—	(83,316,898.35)	(630,952,898.35)
1. Transfer to statutory reserve	—	—	356,095,182.97	(356,095,182.97)	—	—	—
2. Transfer to discretionary reserve	—	—	—	—	—	—	—
3. Transfer to venture expansion fund	—	—	—	—	—	—	—
4. Transfer to reserve fund	—	—	11,586,810.64	(11,586,810.64)	—	—	—
5. Distributions to shareholders	—	—	—	(547,636,000.00)	—	(83,316,898.35)	(630,952,898.35)
6. Transfer to employee bonus and welfare fund	—	—	—	—	—	—	—
7. Tax refund for welfare enterprises	—	—	—	—	—	—	—
(V) Transfer of shareholders' equity	1,642,908,000.00	(1,642,908,000.00)	—	—	—	—	—
1. Transfer of capital reserve to share capital	1,642,908,000.00	(1,642,908,000.00)	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
III. Balance at the end of the current year	3,042,423,000.00	4,463,795,086.95	1,583,245,673.36	7,653,974,196.03	(6,329,603.59)	284,395,390.98	17,021,503,743.73

Note 1: In June 2011, the Company acquired 47.029% equity in Baoding Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限責任公司) from minority shareholders of GW Huabei in Gaobeidian City Huabei Automobile Works (高碑店市華北汽車製造廠) (Liquidators) through auction for a consideration of RMB173,175,000. Baoding Great Wall Huabei Automobile Company Limited became a wholly owned subsidiary of the Company after the acquisition. 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 RMB48,207,000 and was directly credited to the capital reserves.

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2012

RMB

Item	2012				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total equity
I. Balance at the beginning of the year	3,042,423,000.00	4,506,077,023.11	952,021,781.87	6,714,550,744.13	15,215,072,549.11
II. Changes in the current year	—	—	528,866,230.37	3,847,069,173.29	4,375,935,403.66
(I) Net profit	—	—	—	5,288,662,303.66	5,288,662,303.66
(II) Other comprehensive income	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	5,288,662,303.66	5,288,662,303.66
(III) Shareholders' capital injection and capital reduction	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(IV) Profit distribution	—	—	528,866,230.37	(1,441,593,130.37)	(912,726,900.00)
1. Transfer to surplus	—	—	528,866,230.37	(528,866,230.37)	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(912,726,900.00)	(912,726,900.00)
4. Others	—	—	—	—	—
(V) Transfer of shareholders' equity	—	—	—	—	—
1. Transfer of capital surplus to share capital	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(VI) Special reserve	—	—	—	—	—
1. Extraction in the year	—	—	—	—	—
2. Use in the year	—	—	—	—	—
III. Balance at the end of the year	3,042,423,000.00	4,506,077,023.11	1,480,888,012.24	10,561,619,917.42	19,591,007,952.77

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2012

RMB

Item	2011				Total equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	
I. Balance at the beginning of the year	1,095,272,000.00	2,558,855,754.12	629,287,188.93	4,357,575,407.67	8,640,990,350.72
II. Changes in the current year	1,947,151,000.00	1,947,221,268.99	322,734,592.94	2,356,975,336.46	6,574,082,198.39
(I) Net profit	—	—	—	3,227,345,929.40	3,227,345,929.40
(II) Other comprehensive income	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	3,227,345,929.40	3,227,345,929.40
(III) Shareholders' capital injection and capital reduction	304,243,000.00	3,590,129,268.99	—	—	3,894,372,268.99
1. Capital injection from shareholders	304,243,000.00	3,590,129,268.99	—	—	3,894,372,268.99
2. Equity settled share expenses charged to equity	—	—	—	—	—
3. Others	—	—	—	—	—
(IV) Profit distribution	—	—	322,734,592.94	(870,370,592.94)	(547,636,000.00)
1. Transfer to surplus	—	—	322,734,592.94	(322,734,592.94)	—
2. Transfer to general provision	—	—	—	—	—
3. Distribution to shareholders	—	—	—	(547,636,000.00)	(547,636,000.00)
4. Others	—	—	—	—	—
(V) Transfer of shareholders' equity	1,642,908,000.00	(1,642,908,000.00)	—	—	—
1. Transfer of capital surplus to share capital	1,642,908,000.00	(1,642,908,000.00)	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—
3. Surplus reserves making up of losses	—	—	—	—	—
4. Others	—	—	—	—	—
(VI) 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	952,021,781.87	6,714,550,744.13	15,215,072,549.11

Notes to the Financial Statements

For the year ended 31 December 2012

I. BASIC CORPORATE INFORMATION

Great Wall Motor Company Limited (hereunder “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). 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. On 5 June 2001, upon the approval by Office of the Stock Reform Leading Panel of the People’s Government of Hebei Province (河北省人民政府股份制領導小組辦公室) with Ji Gu Ban [2001] No. 62 (冀股辦[2001]62號文), Baoding Great Wall Motor Group Company Limited was reorganized to Baoding Great Wall Motor Company Limited (保定長城汽車股份有限公司) by its five shareholders, namely the Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產經管中心), Wei Jian Jun, Wei De Yi, Chen Yu Zhi and Han Xue Juan acting as promoters. As at 31 March 2001, as audited by ShineWing Certified Public Accountants, net assets of Baoding Great Wall Motor Group Company Limited amounted to RMB170,500,000.00 which was divided into 170,500,000 shares of the share capital of the Company (RMB1 per share) based on a proportion of 1:1 according to the promoters’ agreement.

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

I. BASIC CORPORATE INFORMATION (continued)

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

Upon the approval by China Securities Regulatory Commission with Zheng Jian Xu Ke [2011] No. 1370 (證監許可[2011]1370號文), the Company offered 304,243,000 RMB ordinary shares (A Shares) at an offering price of RMB13.00 per share on 28 September 2011. Upon the completion of such issuance, the share capital of the Company increased to RMB3,042,423,000.00.

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

The Group has applied the “Enterprise Accounting Standards — Basic Standards” and 38 accounting standards promulgated by the Ministry of Finance on February 2006 and guidelines, interpretations and other related provisions promulgated afterward for the preparation of the financial statements of the Company since 1 January 2007. 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, the Companies Ordinance of Hong Kong and the Listing Rules of The Stock Exchange of Hong Kong Limited.

Basic of preparation and principle of measurement

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

2. Statement of compliance

The financial statements have been prepared in compliance with the Enterprise Accounting Standards to truly and completely reflect the consolidated financial position of the Company as at 31 December 2012 and its consolidated operating results and consolidated cash flows in 2012.

3. Financial year

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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 enterprise participating in the combination is a party being combined.

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

5.2 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control** (continued)**5.2 Business combinations not involving enterprises under common control and goodwill**
(continued)

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

Goodwill arising from business combination is presented in the combined financial statements separately, and measured at the amount of cost less accumulated impairment provision. Goodwill is tested for impairment yearly. When conducting the impairment test for goodwill, the test is conducted through combination with its related asset group or portfolio of asset group. That is, the carrying value of goodwill is allocated to the relevant asset group since the acquisition date. If the carrying value of goodwill is unable to be allocated to asset group, the carrying value of goodwill will be allocated to asset portfolio. If the recoverable amount of asset group or portfolio of asset group containing the allocated goodwill is lower than its carrying value, relevant impairment loss is recognized. The amount of impairment loss is first written-down and allocated to the carrying amount of the goodwill of that asset group or portfolio of asset group, and is then written down to the carrying value of all other types of assets proportionally according to the weighting of the carrying value of all other types of assets other than goodwill within asset group or portfolio of asset group.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sales agreement in an arm's length transaction. If there is no sales agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sales agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate.

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Basis for preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities.

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

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

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

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

For the transaction of acquiring minority interests of its subsidiaries or disposing part of its subsidiaries' equity without losing control, treated as equity transaction, the book value of shareholder's equity attributed the company and that of minority interest should be adjusted to reflect the change in the company's interest in the subsidiaries. Differences between the adjustment of minority interests and the fair value of consideration are adjusted to capital reserve. If the differences exceed capital reserve, retained earnings shall be adjusted.

7. 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

8.1 Transactions denominated in foreign currencies

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

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

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

8.2 Translation of financial statements denominated in foreign currency

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

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

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments

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

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

The fair value refers to the amount, at which both willing parties to a fair transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. Financial instruments exist in an active market. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

9.2 Effective interest method

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

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

9.3 Classification, recognition and measurement of the financial assets

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

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

9.3.1 Loans and accounts receivable

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

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

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

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

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.4 Impairment of financial assets

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

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

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

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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.4 Impairment of financial assets (continued)

9.4.1 Impairment of loans and accounts receivable

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 has 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.

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

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

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

9.6 Classification and measurement of financial liabilities

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

At initial recognition, financial liabilities are classified either as “financial liabilities at FVTPL” or “other financial liabilities”. Financial liabilities of the Company are other financial liabilities.

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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.7 *De-recognition of financial liabilities*

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

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

9.8 *Derivative Instruments*

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

9.9 *Equity instruments*

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**10. Receivables**

- 10.1** 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.

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

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

Aging analysis method

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventory

11.1 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.

11.2 Method for calculating value of inventories delivered

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

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

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

For inventories with tremendous number and relatively low unit price, inventory impairment loss is provided according to the type of inventory. For items of inventories relating to a product line that are produced and marketed in the same geographical area with the same or similar end uses or purposes and cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories is determined on an aggregate basis. For other inventories, inventory impairment provision is provided at the difference of cost of a single item of inventory exceeding its net realizable value.

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

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

11.4 Inventory taking system

The inventory taking system shall be on a perpetual basis.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**11. Inventory** (continued)**11.5 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 one-time write-off.

12. Long-term equity investments**12.1 Determination of initial investment cost**

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed at the date of combination. For a long-term equity investment acquired through business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition. The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost.

12.2 Method for subsequent measurement and profit or loss recognition

For investees which the investor does not have any joint control or significant influence and without quotation in an active market, and with long-term equity investment with fair value which could not be reliably measured, they are computed by adopting cost method. For investees which the investor has joint control or significant influence long-term equity investment, 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.

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

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

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

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

Under the equity method, investment gain or loss 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.

12.2.3 Disposal of long-term equity investments

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

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

The term "Control" means that the Group has the power to decide an enterprise's financial and operating policy, pursuant to which, the Group can get the power to obtain benefits from its operating activities. Joint control is the contractually agreed sharing of control over an economic activity, which only exists when relevant and important financial affairs and management decisions related to such economic activity require sharing of control by investors who unanimously agree upon. Significant influence is the power to participate in the financial and operating policy decisions of an enterprise, except to control or joint control the formulation of such policies together with other parties. In determining whether there is control or significant influence over the investee, potential voting right factors (such as the convertible corporate bonds for the period and the exercisable stock warrants for the period of the investee and other invested units held) were taken into account.

The Group assesses at each balance sheet date whether there is any indication that any long-term equity investments may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If the recoverable amount of an asset is less than its carrying amount, a provision for impairment loss of the asset will be made for the reduction and is charged to profit or loss for the current period.

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

13. 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Investment property (continued)

The Group assesses at each balance sheet date whether there is any indication that any investment properties may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. If the recoverable amount of an asset is less than its carrying amount, a provision for impairment loss of the asset will be made for the reduction and is charged to profit or loss for the current period.

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

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

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

14. Fixed assets

14.1 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**14. Fixed assets** (continued)**14.2 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.

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

The Group assesses at each balance sheet date whether there is any indication that any fixed assets may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. If the recoverable amount of an asset is less than its carrying amount, a provision for impairment loss of the asset will be made for the reduction and is charged to profit or loss for the current period.

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

14.4 Explanation on other matters

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Fixed assets (continued)

14.4 Explanation on other matters (continued)

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.

15. Construction in progress

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

The Group assesses at each balance sheet date whether there is any indication that any construction in progress may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. If the recoverable amount of an asset is less than its carrying amount, a provision for impairment loss of the asset will be made for the reduction and is charged to profit or loss for the current period.

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

16. 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Borrowing costs (continued)

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.

17. Intangible assets

17.1 Intangible assets

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

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

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

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

The 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Intangible assets (continued)

17.2 Research and development expenditure

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

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

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

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

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

17.3 Intangible assets impairment test method and their impairment provision

The Group assesses at each balance sheet date whether there is any indication that any intangible assets with a finite useful life may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. If the recoverable amount of an asset is less than its carrying amount, a provision for impairment loss of the asset will be made for the reduction and is charged to profit or loss for the current period.

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**18. 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.

19. 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.

20. Revenue**20.1 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.

20.2 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Revenue (continued)

20.2 Revenue from provision of services (continued)

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.

When the Group enters into contract or agreement with other parties which contains both sales of goods and rendering of services, if the portion of sale of goods and rendering of services can be separately measured, the portion of sale of goods and rendering of services are measured individually. If the portion of sale of goods and rendering of services cannot be separately measured or even if it can be separately measured but cannot be measured individually, it is deemed to be sales of goods.

20.3 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.

21. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding investments by the government as shareholder. Government grants are classified as government grants related to an asset and government grants related to income.

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.

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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**22. Income tax****22.1 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.

22.2 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Income tax (continued)

22.3 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.

22.4 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.

23. Operating lease

23.1 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.

23.2 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.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Employee Benefits

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

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

25. Related Party

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

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

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

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

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

Critical assumptions and uncertainties in the application of accounting estimates

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

Provision for bad debt

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

Provision for inventory impairment

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

Useful life and depreciation of fixed assets

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

Impairments of fixed assets and 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.

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

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

Recognition of deferred tax assets

As at 31 December 2012, the Group recognized deferred tax assets at 407,966,015.58 (as at 31 December 2011: RMB351,908,470.87) 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 or two 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 2012, provisions for after-sale services amounted to RMB418,296,611.32 (as at 31 December 2011: RMB141,025,058.00). 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 2012

IV. TAXATION

1. Major tax types and tax rates

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

Note 1: Saved from the tax incentives set out in Note (IV) 2, the applicable tax rates of the relevant companies of the Group in 2011 and 2012 are listed on the above table.

2. Tax incentives and approvals

2.1 Income tax incentives

2.1.1 Enterprise income tax for foreign investment enterprises

Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司), a subsidiary of the Company, is a sino-foreign joint venture established in 7 November 2006, engaging in the manufacture of components for automobiles. In accordance with the Detailed Rules for the Implementation on the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法實施細則) and the Notice of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No.39), it was entitled to full exemption for enterprise income tax in 2008 and 2009 and a 50% exemption for the three years ended 31 December 2012 based on the approval from the Tianjin Provincial Office of State Administration of Taxation. Its applicable income tax rates in 2010, 2011 and 2012 are 11%, 12% and 12.5% respectively.

IV. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.1 Enterprise income tax for foreign investment enterprises (continued)

Tianjin Great Wall Wantong Automotive Parts Company Limited (天津長城萬通汽車零部件有限公司), a subsidiary of the Company, is a sino-foreign joint venture established in 11 December 2006, engaging in the manufacture of components for automobiles. In accordance with the Detailed Rules for the Implementation on the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法實施細則) and the Notice of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No. 39), it was entitled to full exemption for enterprise income tax in 2008 and 2009 and a 50% exemption for the three years ended 31 December 2012 based on the approval from the Tianjin Provincial Office of State Administration of Taxation. Its applicable income tax rates in 2010, 2011 and 2012 are 11%, 12% and 12.5% respectively.

Baoding Yixin Auto Parts Company Limited (保定億新汽車配件有限公司), a subsidiary of the Company, is a sino-foreign joint venture established in 11 December 2006, engaging in the manufacture of components for automobiles. In accordance with the Detailed Rules for the Implementation on the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法實施細則) and the Notice of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (Guofa [2007] No. 39), it was entitled to full exemption for enterprise income tax in 2008 and 2009 and a 50% exemption for the three years ended 31 December 2012 based on the approval from the Tianjin Provincial Office of State Administration of Taxation. Its applicable income tax rate in 2010, 2011 and 2012 is 12.5%.

IV. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.2 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 (保定市諾博橡膠製品有限公司), Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司), Baoding Great Machinery Company Limited (保定市格瑞機械有限公司), Baoding Yixin Automotive Parts Company Limited (保定億新汽車配件有限公司), Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司) and Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司), all of which are subsidiaries of the Company, satisfied all conditions as prescribed in the Circular for deduction of 100% of the wages paid to disabled staff from taxable income when determining income tax and passed the examination of relevant authorities, and they were entitled to deduct 100% of the actual wages paid to disabled staff from the taxable income when determining enterprise income taxes.

2.1.3 Income tax credit for investment in domestic manufactured equipment

Pursuant to the Circular of the Ministry of Finance and State Administration of Taxation on Granting Tax Credit and Exemption relating to Enterprises Income Tax for Enterprises with Foreign Investment and Foreign Enterprises on the Purchase of Domestic Manufactured Equipment (財政部、國家稅務總局關於外商投資企業和外國企業購買國產設備投資抵免企業所得稅有關問題的通知) (Caishui [2000] No. 49) and the Tentative Regulation Regarding Income Tax Benefit for Investment in the PRC Made Equipment Used in Technical Reform (技術改造國產設備投資抵免企業所得稅暫行辦法) (Caishuizi [1999] No. 290), 40% of the investment in domestic manufactured equipment of the Group can be deducted from the additional enterprise income tax incurred at the year of purchase. The exemption of enterprise income tax on the investment each year shall not exceed the additional amount of enterprise income tax incurred at the year of purchase. In the case that the additional enterprise income tax incurred is insufficient for the exemption, the outstanding exemption amount can be carried forward for not longer than five years.

In accordance with Circular on Ceasing Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Purchase of Domestic Manufactured Equipment (關於停止執行企業購買國產設備投資抵免企業所得稅政策問題的通知) (Guo Shui Fa [2008] No. 52) issued by the State Administration of Taxation, the policy to set off enterprise income tax with investment to acquire domestic equipment by an enterprise was ceased on 1 January 2008. Income tax credits in respect of investments in domestic manufactured equipment as approved in prior years will continue to be credited within the extended period of five years.

IV. TAXATION (continued)

2. Tax incentives and approvals (continued)

2.1 Income tax incentives (continued)

2.1.4 Income tax exemption for investment in domestic manufactured equipment

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 10 November 2010, the Company was recognised as a new and high-technology enterprise in 2010 with a term of three years, and the applicable tax rate of the Company from 2010 to 2012 was 15%.

2.2 Value-added Tax incentives

According to the requirements under the Notice Regarding Taxation Concessionary Policies on Fostering Employment of Disabled People" ([2007]92號文《關於促進殘疾人就業稅收優惠政策的通知》) ("Cai Shui [2007] No. 92) issued by the Ministry of Finance and State Administration of Taxation, Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司), Baoding Great Machinery Company Limited (保定市格瑞機械有限公司), and Baoding Yixin Auto Parts Company Limited (保定億新汽車配件有限公司), 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 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012, the subsidiaries of the Company did not have any debentures in issue.

1. Subsidiaries

(1) Subsidiaries established by investment

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 31/12/2012	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
Baoding Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限公司) ("Great Wall Huabei")	LLC	Guobidian	Manufacture of automotive parts and components	RMB177,550,000.00	Principally engages in assembling and manufacture of car bodies, automotive parts and components (of Great Wall); sales and maintenance, commissioned processing and sale of purchased parts.	268,092,310.00	—	100.00	100.00	Yes	—	—
Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司) ("Baoding Xincheng")	LLC	Baoding	Manufacture of automotive parts and components	RMB69,210,000.00	Manufacture of automotive parts and components, containers and road wrecker equipment, sale of automotive parts and components; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	73,024,993.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司) ("Great Wall Internal Combustion Engine")	LLC	Dingxing, Baoding	Manufacture of automotive parts and components	RMB452,716,300.00	Manufacture and sale of internal combustion engines and relevant parts and components; export of its products and technologies as well as import of auxiliary materials, machinery and equipments, parts and components and relevant technologies required, except goods and technologies which should be operated by companies appointed by the PRC government and restricted for import and export.	583,255,808.00	—	100.00	100.00	Yes	—	—
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司) ("Baoding Great")	LLC	Baoding	Manufacture of automotive parts and components	RMB23,000,000.00	Technological development, manufacture and after-sales service of automotive parts and components, machinery products and construction machineries; leasing and storage services of its properties.	23,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Changcheng Vehicle Axles Industries Company Limited (保定長城汽車機業有限公司) ("Changcheng Axles Industries") (Note 1)	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB282,720,000.00	Manufacture of automotive parts and components and technological development; design and manufacturing of automotive mild and fixture; sales of the company's products and after-sales service; leasing of the housing	319,171,814.49	—	100.00	100.00	Yes	—	—
Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司) ("Baoding Nuobo")	LLC	Baoding	Manufacture of automotive parts and components	RMB72,240,000.00	Manufacture of rubber parts and components and technological development; design and manufacturing of automobile mild and fixture; sales of the company's products and after-sales service; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	72,240,000.00	—	100.00	100.00	Yes	—	—
Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司) ("Beijing Great")	Sino-foreign joint venture	Beijing	Manufacture of automotive parts and components	RMB1,000,000.00	Production of automotive electrical appliances, parts and components; sale of its products.	750,000.00	—	75.00	75.00	Yes	12,579,748.53	—

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Subsidiaries (continued)**(1) Subsidiaries established by investment (continued)**

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 31/12/2012	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
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")	LLC	Baoding	Provision of after-sales service	RMB300,000.00	Provision of auto repair and after-sales service; wholesale and retail of automobile parts; import and export business of automotive parts.	150,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Automobile Sales Company Limited (保定市長城汽車銷售有限公司) ("Great Wall Sales")	LLC	Baoding	Marketing and sale of automobiles	RMB8,000,000.00	Wholesale and retail of automobiles, automotive parts, machinery equipment, hardware and electronic products; commissioned sale of second-hand automobiles; automobile leasing; agency services for licence application and transfer; engaging in self operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	8,000,000.00	—	100.00	100.00	Yes	—	—
Macs (Baoding) Auto A/C System Company Limited (奧克斯(保定)汽車空調系統有限公司) ("Macs")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB20,339,000.00	Production of automobile air-conditioning systems as well as automotive parts and components; mould processing and manufacturing; sale of the Group's products and provision of after-sales service, storage service and technical service; import and export of goods and technologies.	10,372,890.00	—	51.00	51.00	Yes	116,545,667.00	—
Tide Technology and Trade Company Limited (泰德利貿易有限公司) ("Tide Technology and Trade") (Note 2)	Overseas company	Hong Kong	Provision of advisory services relating to automobile technology and trading activities	USD24,500,000.00	Provision of advisory services relating to automobile technology and other business such as international cooperation and trading in compliance with the laws and regulations of Hong Kong.	USD24,500,000.00	—	100.00	100.00	Yes	—	—
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司) ("Russia Great Wall")	Overseas company	Russia	Export and import of automobiles and related spare parts and provision of after-sales services	USD50,000.00	Import and export business of automobiles, automotive parts and components and related spare parts; after-sales service and international trade.	USD50,000.00	—	100.00	100.00	Yes	—	—
Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司) ("Mind Component") (Note 3)	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB600,000.00	Manufacture of automotive parts and components; machine processing and rivet processing; sale of the Group's products and provision of after-sales service.	2,475,800.00	—	100.00	100.00	Yes	—	—
Tianjin Great Wall Lean Automotive Parts Company Limited (天津長城精益汽車零部件有限公司) ("Tianjin Lean")	Sino-foreign joint venture	Tianjin Development Zone	Manufacture of automotive parts and components	RMB140,000,000.00	Production of automotive parts and components; sale of the Group's products.	140,002,494.00	—	100.00	100.00	Yes	—	—
Great Wall Motor Middle East FZE (長城汽車中東公司) ("Great Wall Middle East") (Note 4)	Overseas company	United Arab Emirates	Import and export of automobiles and components and provision of after-sale service	USD476,000.00	Import and export business of automobiles, automotive parts and components and related spare parts; provision of related after-sales service and engaging in other international trades.	—	—	—	—	Yes	—	—
Baoding Jinggong Foundry Company Limited (保定長城精工鑄造有限公司) ("Jinggong Foundry")	LLC	Shunping, Baoding	Manufacture of steel casting and provision of after-sales service	RMB65,000,000.00	Steel casting design and casting; sale of its products and after-sales service for the Group's products.	65,000,000.00	—	100.00	100.00	Yes	—	—

Notes to the Financial Statements

For the year ended 31 December 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Subsidiaries (continued)

(1) Subsidiaries established by investment (continued)

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 31/12/2012	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
Baoding Great Wall Ants Logistics Company Limited (保定市长城蚂蚁物流有限公司) ("Great Wall Ants")	LLC	Baoding	Logistics and ordinary goods transportation	RMB86,000,000.00	General cargo transportation and logistics (storage and transportation) (road transport operation permit valid until 28 August 2012)	86,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Lean Automotive Occupational Training School (保定市精益汽車職業培訓學校) ("Lean School")	Private non-enterprise unit	Baoding	Occupational training	RMB100,000.00	Occupational training; automobile manufacturing, NC control processing, NC control programming, auxiliary parts design and fitter.	100,000.00	—	100.00	100.00	Yes	—	—
Tianjin Boxin Automobile Parts Co., Ltd. ("Tianjin Boxin") (天津博信汽車零部件有限公司)	LLC	Tianjin	Manufacture of automotive parts and components	RMB1,776,497,273.00	Research and development, design, production, sale of automotive parts and components and related after-sales service.	1,777,884,771.10	—	100.00	100.00	Yes	—	—
Ningxia Great Wall Automobile Leasing Company Limited (寧夏長城汽車租賃有限公司) ("Ningxia Leasing")	LLC	Yinchuan Economic and Technological Development Zone	Logistics and daily cargo transport service	RMB20,000,000.00	Leasing of automobile, storage and loading and unloading.	20,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Exquisite Aluminium Alloy Manufacture Co., Ltd. (保定精工汽車鋁合金製造有限公司) ("Great Wall Aluminium Alloy")	LLC	Shuangping, Baoding	Manufacture of automotive parts and components	RMB95,000,000.00	Manufacture and sale of aluminium alloy parts and components for automobiles, liquid aluminium and aluminium alloy ingots.	95,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Resource Recycling Co., Ltd. (保定長城再生資源利用有限公司) ("Great Wall Resource Recycling")	LLC	Qingyuan, Baoding	Processing, recycling and sale of waste and used material	RMB50,000,000.00	Processing, recycling and sale of waste and used metals, plastic waste, used paper and other waste and used materials (excluding hazardous waste and chemicals); import and export of goods.	50,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Exquisite Auto Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司) ("Exquisite Mould")	LLC	Baoding	Research and development and manufacture of auto moulds	RMB5,000,000.00	Research and development (not manufacture) and design of auto moulds; technologies transfer, advisory, training and promotion in respect of auto moulds; sales and after-sales service of auto moulds.	5,000,000.00	—	100.00	100.00	Yes	—	—
Nubo Rubber Manufacturing Co., Ltd. (固博橡膠製品有限公司) ("Kushui Nubo") (Note 5)	LLC	Baoding	Design and development and manufacture of rubber products	RMB80,000,000.00	Design, development, sale and after-sales service of rubber products and rubber parts and components for automobiles; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government.	80,000,000.00	—	100.00	100.00	Yes	—	—
Baoding Great Wall Automobile Component Sales Co., Ltd. (保定長城汽車配件銷售有限公司) ("Kushui Component") (Note 6)	LLC	Baoding	Sale of automotive parts and components and lubricants	RMB7,000,000.00	Sale of automotive parts and components and lubricants	7,000,000.00	—	100.00	100.00	Yes	—	—
Beijing Great Wall Dongsheng Business consulting Co., Ltd. (北京長城東星商務諮詢有限公司) ("Great Wall Dongsheng") (Note 7)	LLC	Beijing	Business information consultation	RMB2,000,000.00	Business information consultation	2,000,000.00	—	100.00	100.00	Yes	—	—
Xushui Kelvin Heating Co., Ltd. (徐水縣科林供熱有限公司) ("Kelvin Heating") (Note 8)	LLC	Baoding	Heat production and supply	RMB60,000,000.00	Heat production, supply, thermal power engineering construction, maintenance facilities, heating design, drinking water supply, brick production and sales, ash sales.	60,000,000.00	—	100.00	100.00	Yes	—	—

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Subsidiaries (continued)**(1) Subsidiaries established by investment (continued)**

Note 1. After Changcheng Axles Industries, a subsidiary of the company, merged the Baoding Smart in January 2012, the registered capital of Changcheng Axles Industries changed from RMB68.72 million to RMB282.72 million. In February 2012, the business scope of Changcheng Axles Industries switched from "Technological development and manufacture of automotive parts and components; sale of the Group's products and after-sale services; leasing of its properties." to "Technological development, manufacturing and processing of automotive parts and components; design and manufacturing of automotive tooling and fixture; sales of the company's products and after-sales service; leasing of its own housing". In April 2012, Billion Sunny Development, a subsidiary of the company, acquired 25% shares of Changcheng Axles Industries, previously held by Dragonet International Company Limited. After the completion of the acquisition, shares of Changcheng Axles Industries held directly or indirectly by the company have been 100%.

Note 2. The Company injected capital of USD16,000,000 into Tide Technology and Trade in January 2012. The registered capital of Tide Technology and Trade increased from USD8,500,000 to USD24,500,000 subsequent to the completion of the capital injection.

Note 3. In April, Billion Sunny Development, a subsidiary of the company, acquired 25% shares of Mind Component, previously held by Dragonet International Company Limited, after the completion of the acquisition, shares of Mind Component directly and indirectly held by the company have been 100%.

Note 4. Great Wall Middle East, a subsidiary of the company, was written-off in February 2012.

Note 5. In July 2012, the business scope of Xushui Nuobo switched from "Rubber parts, rubber tube, boards, belts, auto parts manufacturing, machining, welding processing" to "Design, development, sale and after-sales service of rubber products and rubber parts and components for automobiles; engaging in self-operated and commissioned import and export business for various goods, other than the exports jointly operated by the PRC government and the imports operated by companies approved by the PRC government."

Note 6. Xushui Component is a subsidiary wholly owned by the company, and was established in May 2012 in Xushui, Baoding through investment, with a registered capital of RMB7,000,000.

Note 7. Great Wall Dongsheng is a subsidiary wholly owned by Great Wall Sales, a subsidiary of the company, and was established in May 2012 in Beijing through investment, with a registered capital of RMB2,000,000.

Note 8. Kelin Heating is a subsidiary wholly owned by the company, and was established in July 2012 in Xushui, Baoding through investment, with a registered capital of RMB60,000,000.

Notes to the Financial Statements

For the year ended 31 December 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Subsidiaries (continued)

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

Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 31/12/2012	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	RMB Amount in minority interests used to write down the losses of minority interests
Billion Sunny Development Limited (億新發展有限公司) ("Billion Sunny Development") (Note 1)	Overseas company	Hong Kong	Investment holding	USD24,000,013.00	Investment holding	USD24,205,000.00	—	100.00	100.00	Yes	—	—
Baoding Smart Automobile Accessories Company Limited (保定斯瑪特汽車配件有限公司) ("Baoding Smart") (Note 2)	Sino-foreign joint venture	Baoding	Design, production and sale of automotive parts and components	RMB214,000,000.00	Design, production and sale of automotive parts and components	—	—	—	—	Yes	—	—
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (保定長城博翔汽車零部件製造有限公司) ("Great Wall Boxiang")	LLC	Baoding	Design, production and sale of automotive parts and components	RMB39,500,000.00	Design, production and sale of automotive parts and components	39,116,124.26	—	100.00	100.00	Yes	—	—
Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司) ("Baoding Xinyuan") (Note 3)	LLC	Baoding	Design, production and sale of automotive parts and components	RMB36,227,000.00	Design, production and sale of automotive parts and components	64,271,420.36	—	100.00	100.00	Yes	—	—
Baoding Great Wall Botai Electrical Appliance Manufacture Co., Ltd. (保定長城博泰電器製造有限公司) ("Great Wall Botai")	LLC	Baoding	Production and sale of electronic parts and components and automotive stamping parts	RMB26,000,000.00	Production and sale of electronic parts and components and automotive stamping parts	26,421,565.05	—	100.00	100.00	Yes	—	—
Baoding Xinchang Automobile Accessories Company Limited (保定信昌汽車零部件有限公司) ("Baoding Xinchang") (Note 4)	LLC	Baoding	Car seat slide way and frame design, development.	RMB40,000,000.00	Car seat slide way and frame design, development, private rental housing.	39,107,975.19	—	100.00	100.00	Yes	—	—

Note 1. Tide Technology and Trade, the shareholder of Billion Sunny, a subsidiary of the Company, injected capital of USD24,000,000 into Billion Sunny in March 2012. The registered capital of Billion Sunny increased from HKD100 to USD24,000,013 subsequent to completion of the capital injection.

Note 2. Changcheng Axles Industries, a subsidiary of the Company, merged the Baoding Smart in January 2012. Baoding Smart was written-off subsequent to the completion of the merge annexation.

Note 3. Billion Sunny, a subsidiary of the company, acquired 25% shares of Baoding Xinyuan in April 2012, previously held by Dragonet International Company Limited, the Company has held 100% shares of Baoding Xinyuan directly and indirectly subsequent to the completion of the acquisition.

Note 4. Baoding Xinchang was jointly controlled entity of the Company, in November 2012, the Company acquired 55% shares of Baoding Xinchang from Mingfang Industrial Co., Ltd. (Mingfang Industrial) at a consideration of RMB22 million, the Company has held 100% shares of Baoding Xinchang.

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Subsidiaries (continued)**(3) Subsidiaries acquired through business combination of enterprises under common control**

												RMB Amount in minority interests used to write down the losses of minority interests
Full name of subsidiaries	Type of subsidiaries	Place of registration	Business nature	Registered capital	Scope of business	Actual capital contribution 31/12/2012	Other balance items which contribute net investment in subsidiaries	Proportion of shareholdings (%)	Proportion of voting rights (%)	Whether consolidated	Minority interests	
Tianjin Great Wall Wantong Automotive Parts Company Limited (天津长城冀通汽车零部件有限公司) ("Tianjin Wantong")	Sino-foreign joint venture	Tianjin Development Zone	Manufacture of automotive parts and components	RMB10,000,000.00	Development, design, production and manufacture of stamping parts for automobile bodies and automotive parts and components; sale of products of the Group and provision of relevant after-sales services	10,000,300.43	—	100.00	100.00	Yes	—	—
Baoding Yixin Auto Parts Company Limited (保定信新汽车配件有限公司) ("Baoding Yixin")	Sino-foreign joint venture	Baoding	Manufacture of automotive parts and components	RMB13,000,000.00	Production and processing of automotive parts and components; production of moulds; leasing of its remaining equipment; sale of products of the Group and provision of relevant after-sales services	13,000,000.00	—	100.00	100.00	Yes	—	—

2. Statements on the changes after business combination

Name	31/12/2012	Remarks
Great Wall Middle East	Separated from the Group from February 2012	Written-off in February 2012
Xushui Component	Consolidated into the Group	Established in May 2012
Great Wall Dongsheng	Consolidated into the Group	Established in May 2012
Kelin Heating	Consolidated into the Group	Established in July 2012
Baoding Xinchang	Consolidated into the Group	Acquired as a subsidiary in November 2012

3. Entities consolidated into the Group during the year and entities separated from the Group during the year**(1) Entities consolidated into the Group during the year**

Name	RMB	
	Net assets as at the end of the year	Net profit during the year
Xushui Component	14,928,176.12	7,928,176.12
Great Wall Dongsheng	2,074,286.43	74,286.43
Kelin Heating	59,983,295.13	(16,704.87)
Baoding Xinchang	45,794,536.76	(110,020.78)

Notes to the Financial Statements

For the year ended 31 December 2012

V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Entities consolidated into the Group during the year and entities separated from the Group during the year (continued)

(2) Entities separated from the Group during the year

Name	Net assets as at the disposal day	RMB Net profit From the beginning of the year to the disposal day
Great Wall Middle East	1,349,837.22	(349,938.66)

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

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

Companies' name	Currency	31/12/2012	31/12/2011
Russia Great Wall	Rouble	0.2061	0.1966
Billion Sunny Development	HK Dollar	0.8108	0.8107
Tide Technology	US Dollar	6.2855	6.3009

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	31/12/2012		RMB
	Foreign currency	Exchange rate	RMB
Cash:			
RMB			1,311,244.82
USD	5,083.51	6.2855	31,952.40
HKD	18,844.56	0.8108	15,279.17
EUR	15,876.12	8.3176	132,051.22
JPY	1,557,267.53	0.0730	113,680.53
KRW	6,977.97	0.0059	41.17
GBP	23,716.13	10.1611	240,981.97
RUB	3,541.19	0.2038	729.84
THB	130.72	0.2049	26.64
AUD	400.85	6.5363	2,620.08
SGD	312.91	5.0929	1,593.61
Bank deposits:			
RMB			5,448,872,580.03
USD	21,833,562.47	6.2855	137,234,856.88
HKD	6.17	0.8108	5.00
EUR	889,460.77	8.3176	7,398,178.89
RUB	456,131.93	0.2061	94,008.79
GBP	8,434.52	10.1611	85,704.00
AUD	1.42	6.5363	9.29
Other cash and bank balances:			
RMB			714,097,668.87
USD	3,791,760.00	6.2855	23,833,107.48
EUR	422,653.68	8.3176	3,515,464.25
Total			6,336,981,784.93

As at 31 December 2012, the Group had restricted cash and bank balances of RMB741,446,240.60, in which guarantee on bank acceptance bills amounted to RMB626,458,711.73, guarantee on letter of credit amounted to RMB108,987,528.87, and other guarantees amounted to RMB6,000,000.00.

Among the cash and bank balances of the Group as at 31 December 2012, no cash was held overseas and overseas bank deposits amounted to RMB62,526,728.14.

Other cash and bank balances with maturity of or less than three months from the date of occurrence are deemed as cash equivalents by the Group.

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

		31/12/2011	RMB
Item	Foreign currency	Exchange rate	RMB
Cash:			
RMB			1,355,979.50
USD	48,568.42	6.3009	306,024.76
HKD	16,137.38	0.8107	13,082.57
EUR	40,885.60	8.1625	333,728.74
JPY	405,840.00	0.0811	32,914.84
KRW	21,924.76	0.0055	120.06
GBP	3,285.70	9.7116	31,909.40
RUB	9,577.72	0.1966	1,883.17
THB	4,090.31	0.1991	814.38
AUD	1,712.59	6.4093	10,976.50
SGD	306.47	4.8679	1,491.85
AED	1,946.63	1.7173	3,342.95
Bank deposits:			
RMB			6,194,879,447.74
USD	17,123,148.71	6.3009	107,891,247.22
HKD	6.12	0.8107	4.96
EUR	151,342.65	8.1625	1,235,334.35
RUB	554,267.89	0.1966	108,979.14
AED	21,277.79	1.7173	36,540.35
GBP	3,645.33	9.7116	35,401.99
Other cash and bank balances:			
RMB			770,367,240.10
USD	3,883,800.00	6.3009	24,471,435.42
EUR	731,165.08	8.1625	5,968,134.96
Total			7,107,086,034.95

As at 31 December 2011, the Group had restricted cash and bank balances of RMB800,806,810.48, in which guarantee on bank acceptance bills amounted to RMB550,219,971.69, guarantee on letter of credit amounted to RMB247,946,838.79 and other guarantees amounted to RMB2,640,000.00.

Among the cash and bank balances of the Group as at 31 December 2011, cash held overseas amounted to RMB3,342.95 and overseas bank deposits amounted to RMB54,324,910.45.

Other cash and bank balances with maturity of or less than three months from the date of occurrence are deemed as cash equivalents by the Group.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**2. Trading Financial Assets**

Category	RMB	
	31/12/2012	31/12/2011
Trading Financial Assets — Forward exchange contracts	11,651,307.26	1,177,700.00
Total	11,651,307.26	1,177,700.00

3. Bills receivable**(1) Classification of bills receivable:**

Category	RMB	
	31/12/2012	31/12/2011
Bank acceptance bills	14,790,887,422.30	8,702,977,854.66
Total	14,790,887,422.30	8,702,977,854.66

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

Category	RMB	
	31/12/2012	31/12/2011
Bank acceptance bills	4,115,239,695.27	3,617,800,613.00
Total	4,115,239,695.27	3,617,800,613.00

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

As at 31 December 2012, five pledged bills receivable with largest amounts were as follows:

Issuing unit	RMB		
	Date of issue	Due date	Amount
Customer 1	8 October 2012	8 April 2013	10,000,000.00
Customer 2	25 October 2012	25 April 2013	10,000,000.00
Customer 3	2 November 2012	2 May 2013	10,000,000.00
Customer 4	5 September 2012	5 March 2013	10,000,000.00
Customer 5	29 November 2012	29 May 2013	10,000,000.00
Total			50,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivable (continued)

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

As at 31 December 2011, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	25 October 2011	25 April 2012	13,000,000.00
Customer 2	9 September 2011	9 March 2012	10,000,000.00
Customer 3	2 August 2011	2 February 2012	10,000,000.00
Customer 4	18 August 2011	18 February 2012	10,000,000.00
Customer 5	6 September 2011	6 March 2012	8,000,000.00
Total			51,000,000.00

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

Category	31/12/2012	RMB 31/12/2011
Bank acceptance bills	7,054,955,446.06	3,921,262,282.53
Total	7,054,955,446.06	3,921,262,282.53

As at 31 December 2012, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	27 December 2012	27 June 2013	20,000,000.00
Customer 2	17 December 2012	17 June 2013	15,000,000.00
Customer 3	17 December 2012	17 June 2013	15,000,000.00
Customer 4	19 December 2012	19 June 2013	15,000,000.00
Customer 5	23 October 2012	23 April 2013	14,000,000.00
Total			79,000,000.00

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. Bills receivable** (continued)**(3) As at the end of each year, bills endorsed by the Group to other parties but undue were as follows:** (continued)

As at 31 December 2011, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB Amount
Customer 1	21 July 2011	21 January 2012	10,000,000.00
Customer 2	17 November 2011	17 May 2012	9,500,000.00
Customer 3	20 December 2011	20 June 2012	9,000,000.00
Customer 4	14 October 2011	14 April 2012	7,000,000.00
Customer 5	3 November 2011	3 May 2012	7,000,000.00
Total			42,500,000.00

(4) At the end of the year, there was no bills receivable due to shareholders holding 5% or more voting shares of the Company.**4. Accounts receivable****(1) Accounts receivable were disclosed by category as follows:**

Descriptions of the categories of accounts receivable:

Category	31/12/2012				31/12/2011			
	Carrying amount	Provision for bad debts		Ratio	Carrying amount	Provision for bad debts		Ratio
	Amount	Amount	Ratio (%)		Amount	Amount	Ratio (%)	
Individually significant and subject to separate provision	627,157,658.43	87.97	(13,239,602.10)	61.86	614,117,882.86	89.06	(2,025,700.00)	19.94
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	3,978,340.07	0.56	(2,743,849.02)	12.82	3,474,372.04	0.50	(3,361,816.86)	33.09
Other insignificant accounts receivable	81,754,886.33	11.47	(5,418,754.54)	25.32	71,939,172.03	10.44	(4,773,617.11)	46.97
Subtotal	85,733,226.40	12.03	(8,162,603.56)	38.14	75,413,544.07	10.94	(8,135,433.97)	80.06
Accounts receivable which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	712,890,884.83	100.00	(21,402,205.66)	100.00	689,531,426.93	100.00	(10,161,133.97)	100.00

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

Notes to the Financial Statements

For the year ended 31 December 2012

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	31/12/2012				31/12/2011			
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	708,917,123.62	99.44	(18,658,356.64)	690,258,766.98	686,057,054.89	99.49	(6,799,317.11)	679,257,737.78
1 to 2 years	3,871,031.21	0.54	(2,641,119.02)	1,229,912.19	1,845,600.94	0.27	(1,733,045.76)	112,555.18
2 to 3 years	102,730.00	0.01	(102,730.00)	—	1,582,256.80	0.23	(1,582,256.80)	—
Over 3 years	—	—	—	—	46,514.30	0.01	(46,514.30)	—
Total	712,890,884.83	100.00	(21,402,205.66)	691,488,679.17	689,531,426.93	100.00	(10,161,133.97)	679,370,292.96

RMB

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

(4) The credit period is agreed by the contract or agreement, when not agreed, and not recovered within 90 days, it is regarded as beyond the credit period.

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

		Basis for determination of original provision for bad debts			Accumulated provision for bad debts before write-back or recovery		Amount written-back or recovered	
Accounts receivable	Reason for write-back or recovery							
Xiamen Golden dragon Travel Van Co., Ltd. (廈門金龍旅行車有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(4,440,252.58)		4,440,252.58			
Venezuela Tebisi Co., Ltd. (委內瑞拉特比斯貿易公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(1,869,110.24)		1,869,110.24			
Qingyuan Xingcheng Iron Wood Processing Factory. (清苑縣興城鐵木加工廠)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(1,507,506.80)		1,507,506.80			
Yangzhou Jianghuai Light Weight Car Co., Ltd. (揚州江淮輕型汽車有限公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(220,027.18)		219,604.96			
Kuwait Osage Co., Ltd. (科威特•奧薩耶公司)	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(172,139.94)		172,139.94			
Total			(8,209,036.74)		8,208,614.52			

RMB

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. Accounts receivable** (continued)**(6) Accounts receivable actually written off during the reporting period**

Name of unit	Nature of accounts receivable	Amounts written off	Reason for write-off	RMB Whether arising from connected transaction
Shenzhen Isca Trade Co., Ltd. (深圳市伊斯卡貿易有限公司)	Sales of spares	49,530.00	Unrecoverable	No
Tianma Automobile Group Co., Ltd. (天馬汽車集團有限公司)	Sales of spares	29,756.90	Unrecoverable	No
Diyuan (Shanghai) Trading Co., Ltd. (狄原(上海)商貿有限公司)	Sales of spares	20,000.00	Unrecoverable	No
Linqing Zhong yuan Casting Co., Ltd. (臨清市中遠精鑄有限責任公司)	Sales of spares	17,709.74	Unrecoverable	No
Baoding Dadi Automotive Industry Co., Ltd. (保定大迪汽車工業有限公司)	Sales of spares	16,757.40	Unrecoverable	No
Total		133,754.04		

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

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

(8) Five units with largest amounts of accounts receivable

Name of unit	Relationship with the Group	Amount	Aging	RMB
				Percentage of total accounts receivable (%)
Customer 1	Non-related party	209,344,741.89	Within one year	29.37
Customer 2	Non-related party	132,113,628.53	Within one year	18.53
Customer 3	Non-related party	42,469,105.59	Within one year	5.96
Customer 4	Non-related party	40,414,194.59	Within one year	5.67
Customer 5	Non-related party	14,251,911.45	Within one year	2.00
Total		438,593,582.05		61.53

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

Currency	Original currency	Exchange Rate	RMB equivalent
USD	75,907,165.93	6.2855	477,114,491.45
EUR	5,072,133.76	8.3176	42,187,979.76
Total			519,302,471.21

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

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. Prepayment****(1) Prepayment by aging**

Aging	31/12/2012		31/12/2011	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	389,734,652.33	99.54	356,824,700.04	98.95
1 to 2 years	1,494,411.18	0.38	3,127,353.40	0.87
2 to 3 years	108,894.58	0.03	428,445.76	0.12
Over 3 years	211,774.20	0.05	220,401.98	0.06
Total	391,549,732.29	100.00	360,600,901.18	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	Relationship with the Group	Amount	Aging	Reason for unsettled
Supplier 1	Non-related party	65,167,557.64	Within 1 year	Prepayment for steel plates
Supplier 2	Non-related party	58,181,077.08	Within 1 year	Prepayment for steel plates
Supplier 3	Non-related party	57,157,536.41	Within 1 year	Prepayment for automatic transmission
Supplier 4	Non-related party	32,938,377.33	Within 1 year	Prepayment for steel plates
Supplier 5	Non-related party	18,145,531.13	Within 1 year	Prepayment for electricity fee
Total		231,590,079.59		

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Prepayment (continued)

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

(4) *Description of prepayment:*

Prepayments were disclosed by category of customers as follows:

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

Category	31/12/2012	RMB 31/12/2011
Individually significant payments	315,268,130.31	294,704,080.07
Prepayments of small amounts with high risks based on the characteristics of credit risk as a group	1,815,079.96	3,776,201.14
Other insignificant prepayment	74,466,522.02	62,120,619.97
Total	391,549,732.29	360,600,901.18

6. Other receivables

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

Category	31/12/2012				31/12/2011			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to separate provision	831,431,318.26	97.28	—	—	627,595,511.06	96.44	—	—
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	3,134,282.31	0.37	(289,137.45)	98.37	3,455,056.57	0.53	(281,749.00)	76.24
Other insignificant Other receivables	20,117,988.90	2.35	(4,782.50)	1.63	19,720,148.67	3.03	(87,800.00)	23.76
Subtotal	23,252,271.21	2.72	(293,919.95)	100.00	23,175,205.24	3.56	(369,549.00)	100.00
Other receivables which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	854,683,589.47	100.00	(293,919.95)	100.00	650,770,716.30	100.00	(369,549.00)	100.00

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. Other receivables (continued)****(2) Aging analysis of other receivables and corresponding provision for bad debts were as follows:**

RMB

Aging	31/12/2012				31/12/2011			
	Carrying amount	Ratio (%)	Provision for bad debts	Book Value	Carrying amount	Ratio (%)	Provision for bad debts	Book Value
Within 1 year	781,490,618.57	91.44	(4,782.50)	781,485,836.07	165,799,176.94	25.49	(87,800.00)	165,711,376.94
1 to 2 years	71,841,828.18	8.41	—	71,841,828.18	483,618,966.09	74.31	—	483,618,966.09
2 to 3 years	349,056.80	0.04	(39,420.00)	309,636.80	1,062,046.27	0.16	(106,500.00)	955,546.27
Over 3 years	1,002,085.92	0.12	(249,717.45)	752,368.47	290,527.00	0.04	(175,249.00)	115,278.00
Total	854,683,589.47	100.00	(293,919.95)	854,389,669.52	650,770,716.30	100.00	(369,549.00)	650,401,167.30

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

RMB

Other receivables	Reason for write-back or recovery	Basis for determination of original provision for bad debts	Accumulated provision for bad debts before write-back or recovery	Amount written-back or recovery
Property righting fee	Recovery of accounts receivable	Past due	(14,399.00)	14,399.00
Zhou Junjiang	Recovery of accounts receivable	Past due	(61,500.00)	61,500.00
Total			(75,899.00)	75,899.00

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(4) Other receivable actually written off during the reporting period:

Name of unit	Nature of other receivables	Amount written off	Reason for write-off	RMB	
				Whether arising from connected transaction	
Wuhan Ruixin Jiazhi Control Equipment Co., Ltd. (武漢瑞新佳智控設備有限公司)	Payment for goods	2,100.00	Unrecoverable	No	
Chengqi Shangpin (Beijing) Technology Co., Ltd. (誠企尚品(北京)科技有限公司)	Payment for goods	12,900.00	Unrecoverable	No	
Dafeng Tongcheng Machinery Manufacturing Co., Ltd. (大豐市通城機械製造有限公司)	Payment for equipment	19,800.00	Unrecoverable	No	
Tianjin Haotuo Automotive Equipment Technique Co., Ltd (天津昊拓汽車裝備技術有限公司)	Payment for equipment	68,000.00	Unrecoverable	No	
Total		102,800.00			

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. Other receivables** (continued)

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

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

Name of unit	Relationship with the Group	Amount	Nature	Aging	RMB Percentage of the total other receivables (%)
Unit 1	No-related party	484,230,001.00	Performance bond	Within one year and one to two years	56.66
Unit 2	No-related party	223,920,000.00	Energy-saving subsidies	Within one year	26.20
Unit 3	No-related party	69,000,000.00	Performance bond	Within one year and one to two years	8.07
Unit 4	No-related party	52,000,000.00	Reparation for withdrawal of land-use right and real fixture	Within one year	6.08
Unit 5	No-related party	1,230,000.00	Cash fund	Within one year	0.14
Total		830,380,001.00			97.15

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

7. Inventory

(1) *Inventory categories*

Item	RMB 31/12/2012 Provision for obsolete stocks		
	Book balance		Book value
Raw materials	738,228,979.29	(2,024,492.07)	736,204,487.22
Work in progress	212,584,209.70	—	212,584,209.70
Finished goods	1,701,628,176.07	(1,361,731.68)	1,700,266,444.39
Low-valued consumables	44,066,419.00	(177,168.78)	43,889,250.22
Outsourced processing materials	2,173,300.05	—	2,173,300.05
Total	2,698,681,084.12	(3,563,392.53)	2,695,117,691.59

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventory (continued)

(1) Inventory categories (continued)

RMB

Item	Book balance	31/12/2011 Provision for obsolete stocks	Book value
Raw materials	776,068,746.41	(2,646,472.86)	773,422,273.55
Work in progress	242,630,716.02	(23,997.48)	242,606,718.54
Finished goods	1,730,368,137.34	(856,290.52)	1,729,511,846.82
Low-valued consumables	30,587,028.46	(1,575,465.98)	29,011,562.48
Outsourced processing materials	2,129,161.76	—	2,129,161.76
Total	2,781,783,789.99	(5,102,226.84)	2,776,681,563.15

(2) Provision for obsolete stocks

RMB

Inventory categories	1/1/2012	Provision for the year	Decrease for the year Reversals	Write-offs	31/12/2012
Raw materials	2,646,472.86	569,882.58	(378,230.34)	(813,633.03)	2,024,492.07
Work in progress	23,997.48	—	—	(23,997.48)	—
Finished goods	856,290.52	9,031,804.09	(7,194,671.05)	(1,331,691.88)	1,361,731.68
Low-valued consumables	1,575,465.98	—	—	(1,398,297.20)	177,168.78
Total	5,102,226.84	9,601,686.67	(7,572,901.39)	(3,567,619.59)	3,563,392.53

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. Inventory** (continued)**(3) Analysis of provision for obsolete stocks** *Item Basis of provision for obsolete*

Item	Basis of provision for obsolete stocks	Reason for reversal or write-off of provision for obsolete stocks during the twelve months	Percentage of the reversal to the closing balance of such inventory during the twelve months (%)
Raw materials	<i>Note 1</i>	<i>Note 2</i>	0.05
Work in progress	—	<i>Note 2</i>	—
Finished goods	<i>Note 1</i>	<i>Note 2</i>	0.42
Low-valued consumables	—	<i>Note 2</i>	—

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 period, provision for obsolete stocks had been made for raw materials, work in progress, finished goods and low-valued consumables.

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

8. Other current assets

	31/12/2012	RMB 31/12/2011
Paint for vehicles	3,369,140.05	3,883,475.73
Taxes to be credited	24,156,343.45	68,279,622.84
Others	32,804,982.10	23,733,831.16
Total	60,330,465.60	95,896,929.73

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VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Investment in jointly controlled entities

RMB

Name of investee	Type of enterprise	Place of registration	Legal representative	Nature of business	Registered capital	Percentage of Shareholding in the investee held by the Company (%)	Percentage of voting right in the investee held by the Company (%)	Total assets as at the end of the year	Total liabilities as at the end of the year	Total net assets as at the end of the year	Total operating income for the year	Net profit for the year
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰华汽车零部件有限公司)	Company with limited liabilities	Baoding	Wei Jian Jun	Production of automobile components etc.	31,308 million	50.00	50.00	34,663,356.88	852,712.87	33,810,644.01	1,890,000.00	143,629.88
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd (保定延峰江森汽车座椅有限公司) ("Yanfeng Johnson")	Company with limited liabilities	Baoding	Wei Jian Jun	Design, development, manufacturing and sales of automobile seating assembly and components and provision of after-sales services for the products	18.16 million	50.00	50.00	276,689,811.26	242,228,869.48	34,460,941.78	366,246,887.38	7,280,285.62

10. Long-term equity investment

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

RMB

Name of investee	Accounting method	Initial investment cost	1/1/2012	Movements	31/12/2012	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Reason for difference between percentages of shares held and voting rights	Impairment provision	Provision of impairment for the year	Cash bonuses for the year
Investment in jointly controlled entities											
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰华汽车零部件有限公司)	Equity method	15,654,000.00	16,833,506.93	71,814.94	16,905,321.87	50.00	50.00	—	—	—	—
Baoding Xinchang (保定信昌) (Note 1)	Equity method	17,107,975.19	26,962,225.53	(26,962,225.53)	—	—	—	—	—	—	8,529,566.90
Yanfeng Johnson (延峰江森) (Note 2)	Equity method	12,213,100.00	22,042,328.03	(4,306,176.75)	17,736,151.28	50.00	50.00	—	—	—	—
Subtotal		44,975,075.19	65,838,060.49	(31,196,587.34)	34,641,473.15						8,529,566.90
Investment in other enterprises											
China Automobile Development United Investment Co. Ltd. (中登聯投資有限公司)	Cost method	4,200,000.00	4,200,000.00	—	4,200,000.00	2.07	2.07	—	—	—	—
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) (Note 3)	Cost method	3,000,000.00	—	3,000,000.00	3,000,000.00	6.90	6.90	—	—	—	—
Subtotal		7,200,000.00	4,200,000.00	3,000,000.00	7,200,000.00						—
Total		52,175,075.19	70,038,060.49	(28,196,587.34)	41,841,473.15						8,529,566.90

All of the above investees are non-listed companies.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. Long-term equity investment (continued)****(1) The breakdown of long-term equity investment was as follows: (continued)**

Note 1. Before December of 2012, the company has held 45% shares of Baoding Xinchang. Regarding to the Articles of Association, each party of the jointly controlled entities cannot solely control the jointly controlled entity, and therefore Baoding Xinchang Auto Parts Company Limited was accounted as a jointly controlled entity of the Group. In November of 2012, the company acquired 55% shares of Baoding Xinchang with RMB22,000,000.00, as the result Baoding Xinchang Auto Parts Company Limited was accounted as a subsidiary of the company instead of the jointly controlled entity from Mingfang Industrial of the Group. Details are set out in item 1 of Note (VIII).

Note 2. In July 2012, a subsidiary of the company Billion Sunny Development Limited (億新發展有限公司) acquired 25% shares of Yanfeng Johnson from Dragonet International Company Limited (驕龍國際有限公司) with RMB7,673,100.00. As the result, Yanfeng Johnson was accounted as a jointly controlled entity instead of an associated company.

Note 3. 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) was established in 2012 in Beijing, the company invested RMB3 million, and the percentage of shareholding of 6.9%.

(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.

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investment properties

				RMB
Item	1/1/2012	Additions for the year	Deductions for the year	31/12/2012
I. Total original book value:	6,553,769.66	—	—	6,553,769.66
Of which: Buildings and structures	6,553,769.66	—	—	6,553,769.66
Land use rights	—	—	—	—
II. Total accumulated depreciation and accumulated amortization:	(139,853.65)	(161,943.13)	—	(301,796.78)
Of which: Buildings and structures	(139,853.65)	(161,943.13)	—	(301,796.78)
Land use rights	—	—	—	—
III. Total net book value of investment properties	6,413,916.01	(161,943.13)	—	6,251,972.88
Of which: Buildings and structures	6,413,916.01	(161,943.13)	—	6,251,972.88
Land use rights	—	—	—	—
IV. Total accumulated impairment provision of investment properties	—	—	—	—
Of which: Buildings and structures	—	—	—	—
Land use rights	—	—	—	—
V. Total carrying amount of investment properties	6,413,916.01	(161,943.13)	—	6,251,972.88
Of which: Buildings and structures	6,413,916.01	(161,943.13)	—	6,251,972.88
Land use rights	—	—	—	—

Note 1. Accumulated amortization and depreciation for the year increased by RMB161,943.13 due to provisions.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. Fixed assets*****Fixed assets***

				<i>RMB</i>
Item	1/1/2012	Additions for the year	Deductions for the year	31/12/2012
1. Total original book value:	9,688,239,499.29	2,623,958,005.12	(88,806,723.15)	12,223,390,781.26
Of which: Buildings and structures	3,174,848,599.78	946,877,946.42	(8,316.95)	4,121,718,229.25
Machinery and equipment	5,036,041,299.15	1,351,459,603.89	(44,022,582.08)	6,343,478,320.96
Motor vehicles	165,034,036.88	19,135,384.86	(3,563,039.46)	180,606,382.28
Other equipment	1,312,315,563.48	306,485,069.95	(41,212,784.66)	1,577,587,848.77
2. Total accumulated depreciation:	2,294,231,496.55	889,578,909.54	(38,221,451.48)	3,145,588,954.61
Of which: Buildings and structures	327,588,325.74	118,176,242.85	(1,658.02)	445,762,910.57
Machinery and equipment	1,318,336,417.45	542,271,883.41	(14,524,396.95)	1,846,083,903.91
Motor vehicles	57,650,243.71	22,410,848.00	(2,276,334.27)	77,784,757.44
Other equipment	590,656,509.65	206,719,935.28	(21,419,062.24)	775,957,382.69
3. Total net book value of fixed assets	7,394,008,002.74	1,734,379,095.58	(50,585,271.67)	9,077,801,826.65
Of which: Buildings and structures	2,847,260,274.04	828,701,703.57	(6,658.93)	3,675,955,318.68
Machinery and equipment	3,717,704,881.70	809,187,720.48	(29,498,185.13)	4,497,394,417.05
Motor vehicles	107,383,793.17	(3,275,463.14)	(1,286,705.19)	102,821,624.84
Other equipment	721,659,053.83	99,765,134.67	(19,793,722.42)	801,630,466.08
4. Total impairment provision	1,626,915.46	58,682,007.45	(1,626,915.46)	58,682,007.45
Of which: Buildings and structures	—	—	—	—
Machinery and equipment	—	33,014,024.79	—	33,014,024.79
Motor vehicles	—	—	—	—
Other equipment	1,626,915.46	25,667,982.66	(1,626,915.46)	25,667,982.66
V. Total net carrying amount of fixed assets	7,392,381,087.28	1,675,697,088.13	(48,958,356.21)	9,019,119,819.20
Of which: Buildings and structures	2,847,260,274.04	828,701,703.57	(6,658.93)	3,675,955,318.68
Machinery and equipment	3,717,704,881.70	776,173,695.69	(29,498,185.13)	4,464,380,392.26
Motor vehicles	107,383,793.17	(3,275,463.14)	(1,286,705.19)	102,821,624.84
Other equipment	720,032,138.37	74,097,152.01	(18,166,806.96)	775,962,483.42

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets (continued)

Fixed assets (continued)

During the year, the original book value of fixed assets increased by RMB280,719,773.86, RMB13,542,286.82, RMB2,296,981,500.00 and RMB32,714,444.44 due to additions, acquisition of subsidiaries, transfer from construction in progress and transfer from inventories, respectively.

During the year, the original book value of fixed assets decreased by RMB72,901,191.01 and RMB15,905,532.14 due to disposals and transfer into construction in progress, respectively.

During the year, the accumulated depreciation increased by RMB889,578,909.54 due to provisions.

During the year, the accumulated depreciation decreased by RMB36,212,363.67 and RMB2,009,087.81 transfer into construction in progress, respectively.

During the year, the impairment provision increased by RMB58,682,007.45, due to particular kind of vehicles with the related special moulds and fixtures impaired quit the market, and decreased by RMB1,626,915.46 due to write-off.

As at 31 December 2012, among the fixed assets, the net book value of properties without title certificates amounted to RMB1,982,623,488.83, and the application of relevant title certificates is in progress.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**13. Construction in progress****(1) The breakdown of construction in progress was as follows**

Project	31/12/2012			31/12/2011		
	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	12,464,254.34	—	12,464,254.34	100,237,487.79	—	100,237,487.79
Annual production of 400,000 sets of axles and brakes	25,103,108.04	—	25,103,108.04	66,393,418.50	—	66,393,418.50
Annual production of 400,000 sets of interior and exterior decorations	96,517,016.53	—	96,517,016.53	63,150,699.35	—	63,150,699.35
Annual production of 300,000 sets of EG engines	96,091,287.55	—	96,091,287.55	206,470,479.51	—	206,470,479.51
Annual production of 200,000 sets of six-speed manual transmissions	84,746,488.00	—	84,746,488.00	191,775,632.31	—	191,775,632.31
Annual production of 400,000 sets of aluminium alloy casting	86,877,225.41	—	86,877,225.41	102,025,618.18	—	102,025,618.18
Annual production of 400,000 sets of automotive lightings	104,642,256.33	—	104,642,256.33	9,128,298.58	—	9,128,298.58
Tianjin Automobile project	1,465,528,487.44	(2,812,449.12)	1,462,716,038.32	829,469,763.08	—	829,469,763.08
Tianjin parts and components project	61,664,742.74	(82,564.10)	61,582,178.64	148,861,950.69	—	148,861,950.69
Tianjin branch's residential area supporting project	166,097,864.43	—	166,097,864.43	89,862,404.30	—	89,862,404.30
Industrial park phase I II III Reconstruction and expansion	239,489,752.97	(193,476.82)	239,296,276.15	244,936,652.33	—	244,936,652.33
Steam project	49,015,462.00	—	49,015,462.00	126,000.00	—	126,000.00
Xindatong Reconstruction	40,482,620.93	—	40,482,620.93	45,168,585.04	—	45,168,585.04
Jiaozhuang infrastructure	774,153.70	—	774,153.70	833,744.11	—	833,744.11
Jiaozhuang equipment	104,567,436.94	—	104,567,436.94	144,184,442.65	—	144,184,442.65
New technology centre	121,533,529.05	—	121,533,529.05	12,952,137.60	—	12,952,137.60
Xushui Automobile Project	1,474,374,027.27	—	1,474,374,027.27	451,598,757.59	—	451,598,757.59
Xushui parts and components project	391,988,731.71	—	391,988,731.71	30,200,976.87	—	30,200,976.87
Xushui supporting infrastructure project	217,765,938.81	—	217,765,938.81	89,303,598.18	—	89,303,598.18
Part and Components Department Reconstruction project	153,235,950.04	(167,646.93)	153,235,950.04	223,545,238.68	—	223,545,238.68
Total	4,992,960,334.23	(3,256,136.97)	4,989,704,197.26	3,050,225,885.34	—	3,050,225,885.34

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress (continued)

(2) Changes in major construction in progress

											RMB
Project	Budget amount	1/1/2012	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	31/12/2012
Annual production of 100,000 sets of diesel engines of model number GW4D20	288,544,000.00	100,237,487.79	177,034,414.30	(264,807,647.75)	—	96.09	—	—	—	Fund raised	12,464,254.34
Annual production of 400,000 sets of axles and brakes	450,630,000.00	66,393,418.50	22,251,837.33	(63,542,147.79)	—	63.63	—	—	—	Fund raised	25,103,108.04
Annual production of 400,000 sets of interior and exterior decorations	399,046,000.00	63,150,699.35	70,863,499.50	(37,497,182.32)	—	98.17	—	—	—	Fund raised	96,517,016.53
Annual production of 300,000 sets of EG engines	497,570,000.00	206,470,479.51	239,084,708.54	(349,463,900.50)	—	89.55	—	—	—	Fund raised	96,091,287.55
Annual production of 200,000 sets of six-speed manual transmissions	449,430,000.00	191,775,632.31	241,599,196.88	(348,628,341.19)	—	96.43	—	—	—	Fund raised	84,746,488.00
Annual production of 400,000 sets of aluminium alloy casting	379,347,000.00	102,025,618.18	68,571,570.18	(83,719,962.95)	—	46.51	—	—	—	Fund raised	86,877,225.41
Annual production of 400,000 sets of automotive lightings	158,091,000.00	9,128,298.58	130,782,755.46	(35,268,797.71)	—	90.84	—	—	—	Fund raised	104,642,256.33
Tianjin Automobile project	4,318,892,100.00	829,469,763.08	809,770,670.43	(173,711,946.07)	—	72.95	—	—	—	Internal resources	1,465,528,487.44
Tianjin parts and components project	488,408,083.00	148,861,950.69	138,333,455.62	(175,397,360.07)	(50,133,303.50)	68.01	—	—	—	Internal resources	61,664,742.74
Tianjin branch's residential area supporting project	493,019,700.00	89,862,404.30	220,099,533.01	(143,864,072.88)	—	78.48	—	—	—	Internal resources	166,097,864.43
Industrial park phase I III III Reconstruction and expansion	507,134,604.60	244,936,652.33	201,314,047.42	200,617,913.83	6,143,032.95	86.78	—	—	—	Internal resources	239,489,752.97
Steam project	68,305,540.00	126,000.00	48,889,462.00	—	—	71.76	—	—	—	Internal resources	49,015,462.00
Xindatong Reconstruction	223,327,700.00	45,168,585.04	18,692,919.25	(20,761,820.98)	(2,617,062.38)	27.42	—	—	—	Internal resources	40,482,620.93
Jiaozhuang infrastructure	253,863,000.00	833,744.11	6,744,688.22	(6,173,105.77)	(631,172.86)	75.52	—	—	—	Internal resources	774,153.70
Jiaozhuang equipment	1,210,071,000.00	144,184,442.65	111,765,422.65	(151,382,428.36)	—	83.65	—	—	—	Internal resources	104,567,436.94
New technology center	2,063,355,700.00	12,952,137.60	108,581,391.45	—	—	5.89	—	—	—	Internal resources	121,533,529.05
Xushui Automobile Project	2,286,937,400.00	451,598,757.59	1,023,494,605.65	(719,335.97)	—	64.44	—	—	—	Internal resources	1,474,374,027.27
Xushui parts and components project	2,108,657,461.00	30,200,976.87	362,040,627.43	(132,765.80)	(120,106.79)	18.59	—	—	—	Internal resources	391,988,731.71
Xushui supporting infrastructure project	602,813,552.00	89,303,598.18	128,462,340.63	—	—	36.12	—	—	—	Internal resources	217,765,938.81
Part and Components Department Reconstruction project	888,590,149.90	223,545,238.68	170,983,481.42	(241,292,770.06)	—	78.40	—	—	—	Internal resources	153,235,950.04
Total	18,136,033,980.50	3,050,225,885.34	4,299,360,627.37	(2,296,961,500.00)	(59,644,678.48)						4,992,960,334.23

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**13. Construction in progress** (continued)**(3) Impairment of construction in progress**

Item	1/1/2012	Additions for the year	Deductions for the year	31/12/2012	The reason of provision
Tianjin Automobile project Industrial park phase I II III	—	2,812,449.12	—	2,812,449.12	Process change
Reconstruction and expansion	—	193,476.82	—	193,476.82	Process Change
Tianjin parts and components project	—	82,564.10	—	82,564.10	Process Change
Part and Components Department Reconstruction project	—	167,646.93	—	167,646.93	Process Change
Total	—	3,256,136.97	—	3,256,136.97	

14. Intangible Assets**(1) Intangible assets**

RMB				
Item	1/1/2012	Additions for the year	Deductions for the year	31/12/2012
1. Total original book value	1,988,841,682.94	516,530,968.33	(127,424,729.19)	2,377,947,922.08
Land use rights	1,940,388,389.47	505,024,433.54	(127,420,077.19)	2,317,992,745.82
Others	48,453,293.47	11,506,534.79	(4,652.00)	59,955,176.26
2. Total accumulated amortization	119,575,464.23	54,579,185.11	(10,422,090.11)	163,732,559.23
Land use rights	94,857,347.46	46,538,841.52	(10,418,439.61)	130,977,749.37
Others	24,718,116.77	8,040,343.59	(3,650.50)	32,754,809.86
3. Total net book value of intangible assets	1,869,266,218.71	461,951,783.22	(117,002,639.08)	2,214,215,362.85
Land use rights	1,845,531,042.01	458,485,592.02	(117,001,637.58)	2,187,014,996.45
Others	23,735,176.70	3,466,191.20	(1,001.50)	27,200,366.40

During the year, the original book value increased by RMB500,386,410.47 due to additions and increased by RMB16,144,557.86 due to acquisition of subsidiaries.

During the year, the original book value decreased by RMB127,424,729.19 due to disposals.

During the year, the accumulated amortization increased by RMB54,579,185.11 due to provisions.

During the year, the accumulated amortization decreased by RMB10,422,090.11 due to disposals.

As at 31 December 2012, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB177,618,933.15, and the application of relevant land use right certificates is in progress.

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Intangible Assets (continued)

(1) Intangible assets (continued)

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

Item	RMB	
	31/12/2012	31/12/2011
Located in mainland China — 10 to 50 years	2,187,014,996.45	1,845,531,042.01

15. Goodwill

Name of investee or matters generating goodwill	01/01/2012	Additions for the year	Deductions for the year	RMB	
				31/12/2012	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 expected that no impairment provision will be required for goodwill during the reporting period.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. Deferred tax assets and deferred tax liabilities****(1) Recognized deferred tax assets and deferred tax liabilities**

Item	31/12/2012	RMB 31/12/2011
Deferred tax assets:		
Provision for bad debts	5,274,009.78	2,358,863.44
Impairment provision for inventory	13,687,906.54	15,583,542.83
Impairment of Fixed assets	6,401,621.45	—
Impairment of construction in progress	450,888.89	—
Accrued expenses which are deductible upon payment	77,167,690.54	21,918,083.34
Advances which are taxable upon receipt	39,639,347.22	51,824,715.36
Deductible losses	2,412,934.77	18,956,845.80
Deferred income	155,891,922.03	123,733,824.06
Unrealized profit arising from the consolidation of financial statement	106,828,625.73	117,083,477.30
Others	1,958,764.72	2,045,909.34
Subtotal	409,713,711.67	353,505,261.47
Deferred tax liabilities:		
Procurement Discount without invoice	—	(1,420,135.60)
Financial assets held for trading	(1,747,696.09)	(176,655.00)
Subtotal	(1,747,696.09)	(1,596,790.60)
Deferred tax liabilities after offsetting as at the end of the reporting period	407,966,015.58	351,908,470.87

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(2) Temporary difference of deferred tax assets

Item	Temporary difference	
	31/12/2012	31/12/2011
Deductible temporary difference:		
Provision for bad debts	21,696,125.61	10,530,682.97
Impairment provision for inventory	55,354,341.37	63,648,516.84
Impairment of Fixed assets	33,661,979.43	—
Impairment of construction in progress	3,256,136.97	—
Accrued expenses which are deductible upon payment	369,646,035.59	114,120,555.63
Advances which are taxable upon receipt	169,752,260.67	287,860,548.98
Deductible losses	9,651,739.09	75,827,383.16
Deferred income	837,333,515.31	601,584,200.93
Unrealized profit arising from the consolidation of financial statement	462,415,971.55	506,910,290.19
Others	13,053,474.18	12,525,608.57
Subtotal	1,975,821,579.77	1,673,007,787.27
Deferred tax liabilities:		
Procurement Discount without invoice	—	(9,467,570.69)
Financial assets held for trading	(11,651,307.26)	(1,177,700.00)
Subtotal	(11,651,307.26)	(10,645,270.69)
Deferred tax liabilities after offsetting as at the end of the reporting period	1,964,170,272.51	1,662,362,516.58

RMB

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. Impairment provision for assets**

Item	1/1/2012	Additions for the year	Deductions for the year		31/12/2012
			Reversals	Write-offs	
1. Provision for bad debts	10,530,682.97	20,196,814.81	(8,794,818.13)	(236,554.04)	21,696,125.61
Of which: Provision for bad debts of accounts receivable	10,161,133.97	19,887,896.26	(8,513,070.53)	(133,754.04)	21,402,205.66
Provision for bad debts of other receivables	369,549.00	308,918.55	(281,747.60)	(102,800.00)	293,919.95
2. Impairment provision for inventory	5,102,226.84	9,601,686.67	(7,572,901.39)	(3,567,619.59)	3,563,392.53
3. Impairment provision for fixed assets	1,626,915.46	58,682,007.45	—	(1,626,915.46)	58,682,007.45
4. Impairment provision for construction work in process	—	3,256,136.97	—	—	3,256,136.97
Total	17,259,825.27	91,736,645.90	(16,367,719.52)	(5,431,089.09)	87,197,662.56

18. Bills payable

Category	31/12/2012	31/12/2011
Bank acceptance bills	4,341,672,114.91	3,977,526,932.93
Total	4,341,672,114.91	3,977,526,932.93

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Accounts payable

Item	31/12/2012	RMB
		31/12/2011
Within 1 year	8,661,319,765.87	5,991,799,559.72
1 to 2 years	17,900,819.63	25,713,546.87
2 to 3 years	10,226,566.27	8,357,715.34
Over 3 years	7,983,649.26	7,669,978.80
Total	8,697,430,801.03	6,033,540,800.73

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

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

20. Advance from customers

Item	31/12/2012	RMB
		31/12/2011
Within 1 year	3,179,680,656.77	2,688,682,824.89
1 to 2 years	7,350,923.95	10,419,610.86
2 to 3 years	4,332,891.92	6,558,487.39
Over 3 years	4,011,962.23	5,809,800.20
Total	3,195,376,434.87	2,711,470,723.34

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

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

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. Salaries payable**

				RMB
Item	1/1/2012	Additions for the year	Deductions for the year	31/12/2012
1. Salaries, bonuses, allowances and subsidies	370,724,890.82	2,470,294,314.84	(2,246,209,325.69)	594,809,879.97
2. Staff welfare	26,250,277.30	230,954,106.65	(227,501,271.35)	29,703,112.60
3. Staff bonuses and welfare fund	69,631,363.84	—	(38,984.00)	69,592,379.84
4. Social insurance premiums				
Of which: Medical insurance	554,026.64	63,950,306.36	(63,929,306.29)	575,026.71
Basic retirement Insurance	889,876.06	175,832,067.85	(176,125,177.76)	596,766.15
Unemployment insurance	117,112.50	18,479,774.89	(18,523,787.38)	73,100.01
Work-related injury insurance	608,270.60	10,726,545.38	(10,499,749.17)	835,066.81
Maternity insurance	6,214.08	5,075,443.43	(4,986,680.00)	94,977.51
5. Housing provident funds	364,205.70	49,664,611.35	(49,631,265.61)	397,551.44
6. Labour union expenditures	24,494,110.07	39,988,867.72	(31,326,926.11)	33,156,051.68
7. Employees' education expenses	8,225,780.68	599,879.30	(2,624,504.66)	6,201,155.32
Total	501,866,128.29	3,065,565,917.77	(2,831,396,978.02)	736,035,068.04

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.

22. Taxes payable

		RMB
Item	31/12/2012	31/12/2011
Value added tax	72,294,502.88	(12,374,063.29)
Consumption tax	133,833,234.98	97,166,176.03
Business tax	1,550,879.72	937,426.66
Enterprise income tax	277,503,240.98	158,421,103.12
Individual income tax	2,495,930.55	1,085,834.49
Urban maintenance and construction tax	25,353,755.29	17,954,468.93
Education surcharges	18,054,962.53	12,903,942.86
Duty stamp	4,989,504.85	4,354,043.04
Real estate tax	664,178.49	2,976,396.60
Others	339,300.38	514,811.12
Total	537,079,490.65	283,940,139.56

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Dividends payable

Company Name	RMB	
	31/12/2012	31/12/2011
Dragonet International Company Limited (驕龍國際有限公司)	—	59,536,914.89
Total	—	59,536,914.89

24. Other payables

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

Item	RMB	
	31/12/2012	31/12/2011
Within 1 year	1,092,860,141.00	718,677,808.78
1 to 2 years	58,679,237.41	68,576,135.33
2 to 3 years	34,012,719.26	24,160,604.97
Over 3 years	34,088,727.32	41,517,831.93
Total	1,219,640,824.99	852,932,381.01

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

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

(3) Descriptions of other significant payable

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

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

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**25. Non-current liabilities due within one year**

Item	RMB	
	31/12/2012	31/12/2011
Non-current liabilities due within one year	51,704,662.45	26,458,955.67

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

26. Other current liabilities

Item	RMB	
	31/12/2012	31/12/2011
Accrued after-sale service expenses	418,296,611.32	141,025,058.00
Accrued advertising and media service expenses	43,088,890.40	71,662,260.28
Accrued transportation costs	4,285,572.73	4,735,228.15
Accrued technology development expenditure	14,502,254.36	13,781,170.84
Accrued utilities fees	13,164,723.12	12,268,549.23
Accrued port charges	6,331,720.00	3,581,935.00
Others	40,558,104.29	19,211,010.89
Total	540,227,876.22	266,265,212.39

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Other non-current liabilities

				RMB
Type	1/1/2012	Additions for the year	Amortization for the year	31/12/2012
Urban construction fund (Note 1)	62,422,535.31	—	(2,319,828.34)	60,102,706.97
Tax refund for purchasing domestic manufactured equipment (Note 2)	102,013,807.35	—	(19,688,101.89)	82,325,705.46
Government industrial policy supporting fund (Note 3)	243,981,892.82	187,428,887.90	(20,331,824.39)	411,078,956.33
Soft soil foundation subsidy (Note 4)	220,373,693.63	112,457,332.74	(45,240,586.23)	287,590,440.14
Infrastructure supporting fund (Note 5)	770,000,000.00	16,666,750.00	—	786,666,750.00
Subsidies for material technological innovation projects (Note 6)	9,966,666.61	—	(1,150,000.04)	8,816,666.57
Development fund for SMEs (Note 7)	5,884,973.68	—	(295,479.84)	5,589,493.84
Capital for technical centre infrastructure construction (Note 8)	11,631,169.20	—	(237,370.80)	11,393,798.40
Diesel engine development project fund (Note 9)	—	1,000,000.00	(100,000.00)	900,000.00
863 plan (power) (Note 10)	—	2,419,200.00	(2,419,200.00)	—
863 plan (pure electronic motor) (Note 11)	—	2,600,000.00	—	2,600,000.00
C20 pure electric car research and development (Note 12)	—	1,500,000.00	—	1,500,000.00
Total	1,426,274,738.60	324,072,170.64	(91,782,391.53)	1,658,564,517.71
Less: Non-current liabilities due within one year	(26,458,955.67)			(51,704,662.45)
Other non-current liabilities	1,399,815,782.93	324,072,170.64	(91,782,391.53)	1,606,859,855.26

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

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

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

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**27. Other non-current liabilities (continued)**

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

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

Note 6: According to "Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects" issued by Hebei Development and Reform Commission and forwarded by Baoding Development and Reform Commission, Baoding Development and Reform Commission allocated money to the company for innovation project of Automobile safety and environmental protection. Baoding Finance Bureau allocated money to Great Wall Internal Combustion Engine, a subsidiary of the company for Diesel engine technology reconstruction project.

According to the "Notice Regarding the Central Infrastructure Expenditure Budget (Fund Allocated) for Independent Innovation and Advanced Technology Industrialization in 2011 by Bureau of Finance in Baoding", the Bureau of Finance in Southern Baoding allocated the Central Infrastructure Expenditure Budget (Allocated Fund) as Central Infrastructure expenditure budget (appropriation) quota for the innovation project of the technology centre of the Company exclusively.

Note 7: According to "Circular regarding the Granting of the Development Fund for SMEs to Baoding Great Wall Resource Recycling Co., Ltd., the Bureau of Finance in Qingyuan granted a fund to Great Wall Resource Recycling, a subsidiary of the Company. The fund was used for the construction of infrastructure of a scrap steel project with annual capacity of 80,000 tons.

Note 8: According to the "Notice regarding the allocation of infrastructure construction fund to the new technology centre of Great Wall Motor Company Limited by the Bureau of Finance in Baoding", the Bureau of Finance in Southern Baoding allocated money for the infrastructure construction of the new technology center of the Company exclusively.

Note 9: According to "Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch)", the company's GW4D20 Diesel product development project was granted funding amounted to RMB1,000,000 directly from the Bureau of Finance in Hebei Province.

Note 10: According to "Mission statement of National High Technology Research and Development Program (Program 863)", in critical automotive powertrain technology projects of Modern transport technology areas, the company's development on diesel for high pressure beard common rail car was granted project research funding amounted to RMB2,419,200.

Note 11: According to "Mission statement of National High Technology Research and Development Program (Program 863)", in critical automotive powertrain technology projects of Modern transport technology areas, the company's A0-class small city development of pure electric cars was granted project research funding amounted to RMB2,600,000.

Note 12: According to "Mission statement of Hebei Province's Major technological innovation projects", the company's research on project of "Research and development, and Research on industrialized technology of Great Wall Tengyi C20 pure electric car "assigned by Science and Technology Agency of Hebei Province, was granted project funding amounted to RMB1,500,000.

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Share capital

As at 31 December 2012, 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 per value of the each share was RMB1.00. The type of shares and the capital structure were as follows:

RMB

Item	Opening balance	New issue	Bonus shares	Changes for the year Shares transfer from reserve	Others	Subtotal	Closing balance
For the year 2012:							
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 2011:							
Promoters' shares	682,000,000.00	—	—	1,023,000,000.00	—	1,023,000,000.00	1,705,000,000.00
Outstanding overseas listed foreign shares	413,272,000.00	—	—	619,908,000.00	—	619,908,000.00	1,033,180,000.00
Outstanding domestic listed RMB ordinary shares	—	304,243,000.00	—	—	—	304,243,000.00	304,243,000.00
Total number of shares	1,095,272,000.00	304,243,000.00	—	1,642,908,000.00	—	1,947,151,000.00	3,042,423,000.00

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. Capital reserves**

RMB

Item	Opening balance	Additions for the year	Deductions for the year	Closing balance
For the year 2012:				
Capital premiums	4,509,010,149.89	—	—	4,509,010,149.89
Other capital reserves	(45,215,062.94)	—	(2,685,777.70)	(47,900,840.64)
Of which: Transfer from capital reserves under the previous standards	14,823,095.08	—	—	14,823,095.08
Difference between the consideration of acquiring minority interest in subsidiary and the decreased amount on minority interest (Note 1)	(28,550,506.76)	—	(2,685,777.70)	(31,236,284.46)
Translation differences of foreign capital	27,752.39	—	—	27,752.39
Reserve for revaluation gain of assets	(31,515,403.65)	—	—	(31,515,403.65)
Total	4,463,795,086.95	—	(2,685,777.70)	4,461,109,309.25
For the year 2011:				
Capital premiums	2,561,788,880.90	3,590,129,268.99	(1,642,908,000.00)	4,509,010,149.89
Other capital reserves	2,992,326.52	—	(48,207,389.46)	(45,215,062.94)
Of which: Transfer from capital reserves under the previous standards	14,823,095.08	—	—	14,823,095.08
Difference between the consideration of acquiring minority interest in subsidiary and the decreased amount on minority interest	19,656,882.70	—	(48,207,389.46)	(28,550,506.76)
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	2,564,781,207.42	3,590,129,268.99	(1,691,115,389.46)	4,463,795,086.95

Note 1: Billion Sunny Development, the Company's subsidiary, acquired minority interests in Changcheng Axles, Baoding Xinyuan, Mind Component in 2012, 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 credited in capital reserves.

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Surplus reserves

RMB

Item	Opening balance	Additions for the year	Deductions for the year	Closing balance
For the year 2012:				
Statutory surplus reserves	1,170,268,598.53	610,131,460.82	—	1,780,400,059.35
Discretionary surplus reserves	2,855,650.48	—	—	2,855,650.48
Enterprise expansion fund	53,119,475.87	—	—	53,119,475.87
Reserve fund	105,163,923.73	24,555,242.22	—	129,719,165.95
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	1,583,245,673.36	634,686,703.04	—	2,217,932,376.40
For the year 2011:				
Statutory surplus reserves	814,173,415.56	356,095,182.97	—	1,170,268,598.53
Discretionary surplus reserves	2,855,650.48	—	—	2,855,650.48
Enterprise expansion fund	53,119,475.87	—	—	53,119,475.87
Reserve fund	93,577,113.09	11,586,810.64	—	105,163,923.73
Tax credit for social welfare enterprises	251,838,024.75	—	—	251,838,024.75
Total	1,215,563,679.75	367,681,993.61	—	1,583,245,673.36

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. Undistributed profits**

Item	Amount	RMB Proportion of appropriation or allocation
For the year 2012:		
Undistributed profits at the beginning of the year	7,653,974,196.03	
Add: Net profits attributable to the shareholders of parent company of the year	5,692,448,955.93	
Less: Appropriation of statutory surplus reserves	(610,131,460.82)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	
Appropriation of reserve fund	(24,555,242.22)	(2)
Distribution of cash dividends	(912,726,900.00)	(3)
Appropriation of staff incentive bonus and welfare fund	—	
Undistributed profits at the end of the year	11,799,009,548.92	
For the year 2011:		
Undistributed profits at the beginning of the year	5,143,097,076.86	
Add: Net profits attributable to the shareholders of parent company of the year	3,426,195,112.78	
Less: Appropriation of statutory surplus reserves	(356,095,182.97)	(1)
Appropriation of discretionary surplus reserves	—	
Appropriation of enterprise expansion fund	—	(2)
Appropriation of reserve fund	(11,586,810.64)	(2)
Distribution of cash dividends	(547,636,000.00)	
Appropriation of staff incentive bonus and welfare fund	—	(2)
Undistributed profits at the end of the year	7,653,974,196.03	

(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.

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Undistributed profits (continued)

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

Certain subsidiaries of the Company are sino-foreign equity joint ventures. Pursuant to the law of the People's Republic of China on Sino-foreign Equity Joint Ventures and relevant provisions of the articles of association of relevant companies, such subsidiaries shall appropriate enterprise expansion fund, reserve fund and staff incentive bonus and welfare fund based on the net profits calculated under the China Enterprise Accounting Standards and relevant requirements. The ratio of appropriation shall be determined by the Board of Directors.

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

The 2011 Annual General Meeting of the Company held on 7 May 2012 considered and approved the resolution regarding the profit distribution proposal for the year 2011. The Company declared the 2011 annual cash dividend of RMB0.30 per share (tax inclusive) to all shareholders, aggregating to RMB912,726,900.00 based on the total of 3,042,423,000 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 shares with a par value of RMB1 each in 2012, the final cash dividend of 1,734,181,110.00 at RMB0.57 per share (tax inclusive) in respect of the year ended 31 December 2012 has been proposed by the board of directors and is subject to approval by the shareholders in general meeting.

32. Operating revenue and operating costs

(1) Operating revenue

Item	2012	RMB 2011
Revenue from principal businesses	42,399,540,479.84	29,390,292,682.51
Of which: Revenue from the sale of automobiles	40,728,457,563.03	28,178,354,604.19
Revenue from the sale of automotive parts and components	1,027,409,920.13	866,075,127.01
Revenue from the sale of molds and others	546,485,766.25	262,481,164.43
Revenue from providing services	97,187,230.43	83,381,786.88
Revenue from other businesses	760,426,168.55	699,183,982.49
Total	43,159,966,648.39	30,089,476,665.00

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**32. Operating revenue and operating costs** (continued)**(2) Operating costs**

Item	2012	RMB 2011
Costs from principal businesses	30,963,437,663.23	21,978,349,009.39
Of which: Expenses from the sales of automobiles	29,657,839,270.62	21,027,802,103.68
Expenses from the sales of automotive parts and components	748,320,066.31	644,388,668.29
Expenses from the sale of molds and others	468,710,310.55	229,551,908.89
Expenses from providing services	88,568,015.75	76,606,328.53
Expenses from other businesses	598,063,704.86	615,448,867.70
Total	31,561,501,368.09	22,593,797,877.09

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

Name of customer	Operating revenue	RMB Percentage of the total operating revenue of the Company (%)
Customer 1	1,861,077,570.11	4.31
Customer 2	930,621,136.75	2.16
Customer 3	852,424,964.15	1.98
Customer 4	752,630,461.99	1.74
Customer 5	752,234,397.44	1.74
Total	5,148,988,530.44	11.93

33. Business tax and surcharges

Item	2012	RMB 2011
Business tax	11,061,149.52	9,326,553.49
Consumption tax	1,207,656,990.74	801,865,383.87
Urban maintenances and construction tax	211,532,420.93	144,394,117.73
Educational surcharges	151,560,522.08	94,392,666.57
Others	12,954,031.71	2,346,138.03
Total	1,594,765,114.98	1,052,324,859.69

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Selling expenses

Item	2012	RMB 2011
Transportation expenses	631,162,189.40	469,358,187.89
After-sale services expenses	492,624,221.25	154,740,635.54
Wages and salaries	136,373,505.58	108,801,751.08
Taxes	20,457,520.92	14,555,335.90
Advertising and media services fees	250,481,626.91	348,043,783.84
Port charges	55,637,168.19	35,596,717.92
Travelling expenses	17,561,587.02	15,275,401.22
Others	52,054,249.84	46,340,637.83
Total	1,656,352,069.11	1,192,712,451.22

35. Administrative expenses

Item	2012	RMB 2011
Technology development expenditures	956,565,066.15	635,409,230.98
Wages and salaries	456,104,012.41	371,734,312.88
Taxes	73,762,797.49	52,673,041.88
Depreciation and Amortization	77,696,479.03	52,879,093.36
Business reception fees	6,981,557.99	4,628,761.09
Office expenses	44,348,660.00	46,196,052.59
Repair and maintenance fees	54,683,662.28	46,118,990.88
Auditor's remuneration (Note 1)	3,372,157.75	4,718,785.00
Service charges	18,802,891.55	30,205,164.15
Others	51,382,341.31	39,309,570.82
Total	1,743,699,625.96	1,283,873,003.63

Note 1: Among this, the Company pay the mid-term and annual auditor's remuneration to Deloitte with RMB2.68 million.

36. Impairment loss on assets

Item	2012	RMB 2011
1. Loss on bad debts	11,401,996.68	(4,326,792.04)
2. Loss on impairment of inventory	2,028,785.28	9,664,757.80
3. Loss on impairment of fixed assets	58,682,007.45	—
4. Loss on impairment of construction in progress	3,256,136.97	—
Total	75,368,926.38	5,337,965.76

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**37. Profit or loss from changes in fair value**

Item	2012	RMB 2011
Derivative financial instruments measured at fair value	10,473,607.26	3,131,156.00
Total	10,473,607.26	3,131,156.00

38. Investment income**(1) Breakdown of investment income**

Item	2012	RMB 2011
Income from long-term equity investments under equity method	2,215,877.19	11,954,450.91
Income from available-for-sale financial asset investment	12,080,241.10	3,105,425.80
Income generated from the equity interests in acquirees held prior to the date of acquisition and measured at fair value (Note 1)	5,026,762.03	9,297,384.94
Total	19,322,880.32	24,357,261.65

Note 1: Prior to November 2012, Baoding Xinchang (保定信昌) was a jointly controlled entity of the Company. The Company acquired 55% equity interests in Baoding Xinchang in November 2012. Difference between the carrying amount and fair value of equity interests originally held by the Company as at the date of acquisition was recognized as investment gains of RMB5,026,762.03.

Prior to June 2011, Baoding Xinyuan (保定信遠) was a jointly controlled entity of the Company. The Company acquired 26% equity interests in Baoding Xinyuan in June 2010. Difference between the carrying amount and fair value of equity interests originally held by the Company as at the date of acquisition was recognized as investment gains of RMB7,598,891.52; Great Wall Botai (長城博泰) was an associate of the Company prior to November 2011. The Company acquired 75% equity interests in Baoding Xinyuan in November 2011. Difference between the carrying amount and fair value of equity interests originally held by the Company as at the date of acquisition was recognized as investment gains of RMB1,698,493.42.

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Investment income (continued)

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

Investee	RMB	
	2012	2011
Baoding Xinyuan (保定信遠)	—	3,099,397.02
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	71,814.94	83,424.49
Yanfeng Johnson (延鋒江森)	3,301,186.28	147,595.44
Baoding Xinchang (保定信昌)	(1,157,124.03)	7,775,523.06
Great Wall Botai (長城博泰)	—	848,510.90
Total	2,215,877.19	11,954,450.91

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

39. Non-operating income

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

Item	RMB		
	2012	2011	Amount included in extraordinary gains and losses
Total gains from disposal of non-current assets	40,290,496.48	3,409,132.88	40,290,496.48
Of which: Gains from disposal of fixed assets	3,296,634.06	3,167,250.27	3,296,634.06
Gains from disposal of intangible assets	36,993,862.42	241,882.61	36,993,862.42
Government grants	122,351,085.11	62,322,811.50	122,351,085.11
Difference of fair value of net identifiable assets of subsidiaries acquired in excess of the cost (Note IX.1) business combination	5,258,366.64	20,311,207.32	5,258,366.64
Gains from compensation	7,413,812.25	6,180,288.21	7,413,812.25
Unpayable amount	27,310,575.62	29,690,993.53	27,310,575.62
Others	17,946,512.14	4,393,210.05	17,946,512.1
Total	220,570,848.24	126,307,643.49	220,570,848.24

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**39. Non-operating income** (continued)**(2) Government grants:***Government grants related to the assets*

Item	2012	RMB 2011
Urban construction funds	2,319,828.34	2,319,828.35
Domestic equipment rebate	19,688,101.89	18,753,074.16
Funds in support of the industrial policy of the government	20,331,824.39	—
Subsidies for soft soil foundation section	45,240,586.23	4,695,500.63
Significant technical innovation project grant	1,150,000.04	1,883,333.38
Special funds for SME development	295,479.84	24,623.32
Technology center of land	237,370.80	237,370.80
Engine development	100,000.00	—
863 plan (power)	2,419,200.00	—
Total	91,782,391.53	27,913,730.64

Government grants related to the revenues

Item	2012	RMB 2011
Welfare enterprises VAT refund (Note 1)	17,470,105.26	22,435,768.33
Other government grants	13,098,588.32	11,973,312.53
Includes: Technical transformation project funds and foreign trade service	4,737,120.00	5,329,000.00
Innovation subsidy	2,064,900.00	1,533,333.34
Fiscal subsidy	2,518,520.00	1,500,000.00
Technology development bonus	820,000.00	—
Giant project subsidy supported by Hebei province	1,000,000.00	—
IPO incentive subsidy	1,000,000.00	—
Discount subsidy for imported products	—	1,391,000.00
Special subsidy for high-level talents	—	2,000,000.00
Others	958,048.32	219,979.19
Total	30,568,693.58	34,409,080.86

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 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Non-operating expenses

Item	2012	2011	RMB Amount included in extraordinary gains and losses
Total loss on disposal of non-current assets	27,126,762.49	2,522,008.18	27,126,762.49
Of which: Loss on disposal of fixed assets	27,126,762.49	2,508,289.72	27,126,762.49
Loss on disposal of intangible assets	—	13,718.46	—
Donations	6,704,138.87	197,935.69	6,704,138.87
Expenses for compensations and fines	3,849,607.82	3,231,590.08	3,849,607.82
Others	5,255,712.35	1,558,405.23	5,255,712.35
Total	42,936,221.53	7,509,939.18	42,936,221.53

41. Income tax expenses

Item	2012	RMB 2011
Current income tax calculated according to tax laws and relevant rules	1,175,022,536.19	674,691,230.76
Deferred income tax	(56,057,544.71)	(54,692,796.66)
Total	1,118,964,991.48	619,998,434.10

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

Item	2012	RMB 2011
Accounting profit/loss	6,841,036,323.94	4,130,651,319.23
Income tax rate	25%	25%
Income tax calculated at tax rate of 25%	1,710,259,080.99	1,032,662,829.81
Income tax credit for investment in domestic manufactured equipment	—	(1,729,826.81)
Income tax credit for investment in environmental protection equipment	(81,196.58)	(74,358.98)
Tax holidays, exemptions and concessionary rates	(520,361,801.55)	(342,192,845.96)
Additional tax deduction for research and development expenses	(84,825,627.35)	(69,642,740.59)
Tax effect of non-taxable income	(553,969.30)	(3,194,011.76)
Tax effect of non-deductible expenses	14,528,505.28	4,169,388.39
Total	1,118,964,991.48	619,998,434.10

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**42. Calculation of basic and diluted earnings per share**

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

Item	2012	RMB 2011
Net profit attributable to ordinary shareholders	5,692,448,955.93	3,426,195,112.78
Of which: Net profit attributable to continuing operations	5,692,448,955.93	3,426,195,112.78
Total	5,692,448,955.93	3,426,195,112.78

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

Item	2012	2011
Number of outstanding ordinary shares at the beginning of the year	3,042,423,000.00	2,738,180,000.00
Add: Weighed number of ordinary shares issued in the year	—	76,060,750.00
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	2,814,240,750.00

Item	2012	RMB 2011
Based on the net profit attributable to shareholders of parent company:	5,692,448,955.93	3,426,195,112.78
Basic earnings per share	1.87	1.22
Diluted earnings per share	N/A	N/A
Based on the net profit from continuing operations attributable to shareholders of parent company:	5,692,448,955.93	3,426,195,112.78
Basic earnings per share	1.87	1.22
Diluted earnings per share	N/A	N/A

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Other comprehensive income

Item	2012	RMB 2011
1. Translation difference of financial statements denominated in foreign currency	99,361.85	(2,763,181.43)
Less: Net income from disposal of foreign operations recognized in profit or loss in the current period	—	—
Subtotal	99,361.85	(2,763,181.43)
2. Others	—	—
Less: Income tax effect from other incomes recognized in other comprehensive income	—	—
Net income recognized in other comprehensive income in previous periods but recognized in profit or loss in the current period	—	—
Subtotal	—	—
Total	99,361.85	(2,763,181.43)

44. Notes to cash flow statements

(1) Other cash received relating to operating activities

Item	2012	RMB 2011
Interest income	126,994,973.74	66,505,797.22
Government grants	13,098,588.32	11,973,312.53
Release of guarantees	—	60,920,618.25
Others	27,629,655.88	3,221,023.74
Total	167,723,217.94	142,620,751.74

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**44. Notes to cash flow statements** (continued)**(2) Other cash paid relating to operating activities**

Item	2012	RMB 2011
Advertising and media services fee	279,054,996.79	300,603,900.64
Transportation costs and port charges	684,499,228.01	503,287,327.49
Technology development expenditures	385,841,887.44	254,663,199.79
After-sales charges and repairs charges	270,036,330.21	160,053,770.87
Business entertainment expenses and office expenses	60,278,488.46	56,022,141.95
Travelling expenses	17,561,587.02	15,275,401.22
Consultation fees	18,802,891.55	30,205,164.15
Others	58,082,523.50	93,164,193.95
Total	1,774,157,932.98	1,413,275,100.06

(3) Other cash received relating to investing activities

Item	2012	RMB 2011
Government grants	324,072,170.64	17,928,861.09
Total	324,072,170.64	17,928,861.09

(4) Other cash paid relating to financing activities

Item	2012	RMB 2011
Restricted bank deposits	59,360,569.88	220,182,665.32
Total	59,360,569.88	220,182,665.32

(5) Other cash payments relating to financing activities

Item	2012	RMB 2011
Acquisition of a subsidiary of minority interests	128,596,699.99	173,175,000.00
Total	128,596,699.99	173,175,000.00

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Supplemental information of cash flow statements

(1) Supplemental information of cash flow statements

Supplemental information	2012	RMB 2011
1. Reconciliation of net profits and cash flow from operating activities:		
Net profits	5,722,071,332.46	3,510,652,885.13
Add: Impairment provisions for assets	75,368,926.38	5,337,965.76
Depreciation of fixed assets	889,578,909.54	663,628,850.36
Amortization of intangible assets	54,579,185.11	35,821,522.87
Amortization of long-term prepaid expenses	5,070,437.80	2,415,128.65
Depreciation of real estate held for investment	161,943.13	111,701.05
(Gains)/losses from change of fair value	(10,473,607.26)	(3,131,156.00)
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets	(15,030,430.49)	(887,124.70)
Amortization of deferred gains	(91,782,391.53)	(27,913,730.64)
Financing costs/(gains)	10,234,932.40	4,394,500.06
Difference of fair value of net identifiable assets of subsidiaries acquired in excess of the cost of business combination	(5,258,366.64)	(20,311,207.32)
Investment losses/(gains)	(19,322,880.32)	(24,357,261.65)
(Increase)/decrease in deferred tax assets	(56,057,544.71)	(54,692,796.66)
(Increase)/decrease in inventories	(77,299,258.69)	(746,398,816.92)
(Increase)/decrease in operating receivables	(6,325,380,177.21)	(1,381,249,634.88)
Increase/(decrease) in operating payables	4,180,509,792.24	2,485,321,792.26
Net cash flows from operating activities	4,336,970,802.21	4,448,742,617.37
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	5,595,535,544.33	6,306,279,224.47
Less: Cash balance at the beginning of the year	6,306,279,224.47	2,073,626,962.53
Cash equivalents balance at the end of the year	(710,743,680.14)	4,232,652,261.94

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. Supplemental information of cash flow statements** (continued)**(2) Information related to the acquisition or disposal of subsidiaries and other business units**

Item	2012	2011
I. Information regarding subsidiaries and other operating entities		
1. Considerations of acquisition of subsidiaries and other operating entities	22,000,000.00	21,610,000.00
2. Cash or cash equivalents paid for acquisition of subsidiaries and other operating entities	22,000,000.00	21,610,000.00
Less: Cash or cash equivalents held by subsidiaries and other operating entities.	(18,646,757.18)	(14,235,427.06)
3. Net cash or cash equivalents paid (received) in respect of acquisition of subsidiaries and other operating entities.	3,353,242.82	7,374,572.94
4. Net assets of subsidiaries acquired	49,560,666.62	116,119,965.36
Current assets	23,678,599.62	155,735,301.21
Non-current assets	29,547,431.03	106,877,956.71
Current liabilities	(3,665,364.03)	(146,493,292.56)
Non-current liabilities	—	—
II. Information regarding subsidiaries and other operating entities disposed:		
1. Considerations of disposal of subsidiaries and other operating entities	—	—
2. Cash or cash equivalents received for disposal of subsidiaries and other operating entities	—	246,885,400.00
Less: Cash or cash equivalents held by subsidiaries and other operating entities	—	—
3. Net cash received in respect of disposal of subsidiaries and other operating entities	—	246,885,400.00
4. Net assets of subsidiaries disposed	—	—
Current assets	—	—
Non-current assets	—	—
Current liabilities	—	—
Non-current liabilities	—	—

Notes to the Financial Statements

For the year ended 31 December 2012

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Supplemental information of cash flow statements (continued)

(3) Components of cash and cash equivalents

Item	2012	RMB 2011
I. Cash	5,595,535,544.33	6,306,279,224.47
Of which: Cash in hand	1,850,201.45	2,092,268.72
Bank deposits readily available for payment	5,593,685,342.88	6,304,186,955.75
Other cash and bank balances readily available for payment	—	—
II. Cash and cash equivalent balance as at the end of the year	5,595,535,544.33	6,306,279,224.47

46. Net current assets

Item	31/12/2012	RMB 31/12/2011
Current assets	25,847,677,215.69	20,374,192,443.93
Less: Current liabilities	(19,319,167,273.16)	(14,713,538,188.81)
Net current assets	6,528,509,942.53	5,660,654,255.12

47. Total assets less current assets

Item	31/12/2012	31/12/2011
Total assets	42,569,396,536.78	33,134,857,715.47
Less: Current liabilities	(19,319,167,273.16)	(14,713,538,188.81)
Total assets less current liabilities	23,250,229,263.62	18,421,319,526.66

VII. RELATED PARTIES AND TRANSACTIONS

1. Related parties with controlling interests

RMB

Name of company	Relationship	Form of corporation	Place of registration	Authorized representative	Nature of business	Registered capital	Shareholding of holding company (%)	Shareholding of holding company (%)	Ultimate owner	Company code
Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司)	Controlling shareholder	Incorporation	Baoding	Wei Jian Jun	Business planning and management advisory	10,000,000.00	56.04	56.04	Wei Jian Jun	78258703-6

2. Subsidiaries of the Company

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

3. Jointly controlled entities of the Company

Details of the jointly controlled entities of the Company are set out in Note (VI) 9.

4. Other related parties of the Company

Name of other related parties	Relationship	Company code
Baoding Tai Hang Pump Manufacturing Company Limited (保定市太行制泵有限公司)	Company directly controlled by controlling shareholder	10597749-1
Baoding Bo Chuang Real Estate Development Co., Ltd. (保定市博創房地產開發有限公司)	Company directly controlled by controlling shareholder	68926059-X
Baoding Changcheng Real Estate Development Co., Ltd. (保定市長城房地產開發建設集團有限公司)	Company directly controlled by controlling shareholder	70075186-8
Beijing Weide Automobile System Accessories Company Limited (北京威德汽車系統配套有限公司)	Company indirectly controlled by Wei Jian Jun	71774831-5
Hebei Baoding Tai Hang Group Company Limited (河北保定太行集團有限責任公司)	Company directly controlled by related natural person (Wei De Yi)	10596659-X
Baoding Tai Hang Steel Structure Construction Company Limited (保定太行鋼結構工程有限公司)	Company indirectly controlled by controlling shareholder	60117199-9
Baoding Tai Hang Rosemex Engineering Company Limited (保定太行熱土美工業有限公司)	Company significantly influenced by related natural person (Wei De Yi)	60120863-2
Beijing Dongfang Riya Kemao Company Limited (北京東方日瓦科貿有限公司)	Company directly controlled by Wei Jian Jun	10299371-X
He Bei Bao Cang Expressway Co., Ltd. (河北保滄高速公路有限公司)	Company significantly influenced by Wei Jian Jun	76982156-1
The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding (保定市南市區南大園鄉集體資產托管中心)	Minority shareholder of the controlling shareholder	72879122-0

Notes to the Financial Statements

For the year ended 31 December 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions

(1) Procurement of raw materials and accessories

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2012	
				Amount	Percentage of total amount (%)
Yanfeng Johnson	Purchase	Purchase of raw materials	Mutually agreed price	281,932,961.12	0.85
Baoding Xinchang	Purchase	Purchase of raw materials	Mutually agreed price	54,234,686.91	0.16
Hebei Baoding Taihang Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	13,589.74	—
Beijing Weide Automobile System Accessories Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	4,192.74	—

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2011	
				Amount	Percentage of total amount (%)
Baoding Xinyuan	Purchase	Purchase of raw materials	Mutually agreed price	58,260,991.30	0.20
Yanfeng Johnson	Purchase	Purchase of raw materials	Mutually agreed price	183,513,249.29	0.64
Greatwall Botai	Purchase	Purchase of raw materials	Mutually agreed price	24,386,658.15	0.09
Baoding Xinchang	Purchase	Purchase of raw materials	Mutually agreed price	273,229,840.47	0.96
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	2,015,480.62	0.01
Hebei Baoding Tai Hang Group Company Limited	Purchase	Purchase of raw materials	Mutually agreed price	17,200,167.86	0.06
Others	Purchase	Purchase of raw materials	Mutually agreed price	6,815.08	—

VII. RELATED PARTIES AND TRANSACTIONS (continued)**5. Connected transactions** (continued)**(2) Sales of automobiles and automotive parts**

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2012	
				Amount	Percentage of total amount (%)
He Bei Bao Cang Expressway Co., Ltd	Sale	Automobiles and automotive parts	Mutually agreed price	271,282.05	—
Baoding Bo Chuang Real Estate Development Co., Ltd.	Sale	Automobiles and automotive parts	Mutually agreed price	247,350.43	—
The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding	Sale	Automobiles and automotive parts	Mutually agreed price	212,478.64	—
Baoding Xinchang	Sale	Automobiles and automotive parts	Mutually agreed price	163,717.11	—
Yanfeng Johnson	Sale	Automobiles and automotive parts	Mutually agreed price	10,887.63	—

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2011	
				Amount	Percentage of total amount (%)
Baoding Xinyuan	Sale	Automobiles and automotive parts	Mutually agreed price	20,294,141.24	0.07
Hebei Baoding Tai Hang Group Company Limited	Sale	Automobiles and automotive parts	Mutually agreed price	3,358,950.45	0.01
Others	Sale	Automobiles and automotive parts	Mutually agreed price	1,536,718.74	0.01

Notes to the Financial Statements

For the year ended 31 December 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(3) Purchase of fixed assets

				RMB	
Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2012	
				Amount	Percentage of total amount (%)
Baoding Xinchang	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	19,045,853.48	0.41
Hebei Baoding Tai Hang Group Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	3,206,157.31	0.07
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	403,060.00	0.01
Yanfeng Johnson	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	80,002.08	—
Beijing Weide Automobile System Accessories Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	49,000.00	—
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	35,454.91	—

				RMB	
Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2011	
				Amount	Percentage of total amount (%)
Baoding Xinchang	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	1,072,598.67	0.02
Baoding Tai Hang Steel Structure Construction Company Limited	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	5,054,531.85	0.09
Others	Purchase of fixed assets	Purchase of fixed assets	Mutually agreed price	790,620.51	0.01

(4) Sale of fixed assets

				2011	
Related parties	Category of related party transactions	Related party transaction	Pricing and decision-making procedure	Percentage of total amount (%)	
				Amount	
Baoding Great Wall Exploitation and Construction Group Company Limited	Sale of fixed assets	Sale of fixed assets	Mutually agreed price	68,500.00	0.44

VII. RELATED PARTIES AND TRANSACTIONS (continued)**5. Connected transactions** (continued)**(5) Purchase of services**

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2012	
				RMB	
				Amount	Percentage of total amount (%)
Baoding Tai Hang Pump Manufacturing Company Limited	Purchase of services	Purchase of services	Mutually agreed price	35,585.45	0.01
Hebei Baoding Tai Hang Group Company Limited	Purchase of services	Purchase of services	Mutually agreed price	16,102.56	—

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2011	
				RMB	
				Amount	Percentage of total amount (%)
Hebei Baoding Tai Hang Group Company Limited	Purchase of services	Purchase of services	Mutually agreed price	284,989.44	0.06
Others	Purchase of services	Purchase of services	Mutually agreed price	154,805.49	0.03

(6) Rendering of services

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2012	
				RMB	
				Amount	Percentage of total amount (%)
Yanfeng Johnson	Rendering of services	Rendering of services	Mutually agreed price	805,256.33	0.41
Baoding Xinchang	Rendering of services	Rendering of services	Mutually agreed price	46,944.80	0.02

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2011	
				RMB	
				Amount	Percentage of total amount (%)
Yanfeng Johnson	Rendering of services	Rendering of services	Mutually agreed price	218,215.55	0.19
Others	Rendering of services	Rendering of services	Mutually agreed price	107,279.35	0.09

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For the year ended 31 December 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(7) Claims and others

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2012	
				Amount	Percentage of total amount (%)
Yanfeng Johnson	Claims and others	Claims and others	Mutually agreed price	1,133,381.76	1.14
Baoding Bo Chuang Real Estate Development Co., Ltd.	Claims and others	Claims and others	Mutually agreed price	130,344.24	0.13
Others	Claims and others	Claims and others	Mutually agreed price	(1,255,932.23)	(1.26)

RMB

Related parties	Category of related party transaction	Related party transaction	Pricing and Decision making procedure	2011	
				Amount	Percentage of total amount (%)
Yanfeng Johnson	Claims and others	Claims and others	Mutually agreed price	837,512.66	10.20
Baoding Xinchang	Claims and others	Claims and others	Mutually agreed price	1,985,966.34	24.18
Others	Claims and others	Claims and others	Mutually agreed price	248,373.36	3.02

VII. RELATED PARTIES AND TRANSACTIONS (continued)**5. Connected transactions** (continued)**(8) Emolument of key management**

Item	RMB'000	
	2012	2011
Emolument of key management	17,371	13,113

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

(a) Emolument of independent non-executive directors

The emolument paid to independent non-executive directors during the year was as follows:

	RMB'000	
	2012	2011
He Baoyin	48	48
Wei Lin	48	48
Li Keqiang	48	48
Huang Zhixiong	143	143
Total	287	287

During the year, there was no other emolument payable to independent non-executive directors. (2011: nil)

Notes to the Financial Statements

For the year ended 31 December 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(8) Emolument of key management (continued)

(b) Emolument of executive directors, non-executive directors and supervisors

RMB'000

2012	Fee	Salary, bonus, allowance and other benefits	Contributions to pension	Total emolument
Executive directors:				
Wei Jian Jun	—	2,465	10	2,475
Liu Ping Fu	—	450	—	450
Wang Feng Ying (Note 1)	—	2,154	10	2,164
Yang Zhi Juan	—	267	10	277
Hu Ke Gang	—	936	—	936
Non-executive directors:				
He Ping	48	—	—	48
Niu Jun	—	—	—	—
Supervisors:				
Yuan Hong Li	18	—	—	18
Zhu En Ze	—	292	—	292
Luo Jin Li	18	—	—	18
Total	84	6,564	30	6,678

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.

VII. RELATED PARTIES AND TRANSACTIONS (continued)**5. Connected transactions** (continued)**(8) Emolument of key management** (continued)*(b) Emolument of executive directors, non-executive directors and supervisors (continued)*

RMB'000

2011	Fee	Salary, bonus, allowance and other benefits	Contributions to pension	Total emolument
Executive directors:				
Wei Jian Jun	—	1,741	8	1,749
Liu Ping Fu	—	335	—	335
Wang Feng Ying	—	1,429	8	1,437
Yang Zhi Juan	—	213	8	221
Hu Ke Gang	—	630	—	630
Non-executive directors:				
He Ping	48	—	—	48
Niu Jun	—	—	—	—
Supervisors:				
Yuan Hong Li	18	—	—	18
Zhu En Ze	—	206	—	206
Luo Jin Li	18	—	—	18
Total	84	4,554	24	4,662

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 incentive upon their joining the Group or as compensation for the loss of their offices.

Notes to the Financial Statements

For the year ended 31 December 2012

VII. RELATED PARTIES AND TRANSACTIONS (continued)

5. Connected transactions (continued)

(8) Emolument of key management (continued)

(b) Emolument of executive directors, non-executive directors and supervisors (continued)

Five highest emolument individuals

Of the five individuals with the highest emoluments in the Group, the emoluments of two (2011: two) of them are included in the above table. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012	RMB'000 2011
Salary, bonus, allowance and other benefits	4,323	2,917
Contributions to pension	29	25
Total	4,352	2,942

Their emoluments were within the following bands:

	2012	2011
HK\$0 to HK\$1,000,000 (equivalent to RMB0 to RMB810,800)	—	—
HK\$1,000,000 to HK\$2,000,000 (equivalent to RMB810,800 to RMB1,621,400)	3	3

VII. RELATED PARTIES AND TRANSACTIONS (continued)**6. Amounts due from/due to related parties**

		RMB	
Item	Related parties	31/12/2012	31/12/2011
Dividends Receivable	Yanfeng Johnson	15,280,463.03	—
Sub-total:		15,280,463.03	—
Accounts payable	Yanfeng Johnson	24,550,000.00	8,600,000.00
Accounts payable	Hebei Baoding Tai Hang Group Company Limited	47,600.00	120,000.00
Accounts payable	Baoding Xinchang	—	2,100,000.00
Sub-total:		24,597,600.00	10,820,000.00
Account payable	Baoding Xinchang	—	80,238,777.39
Account payable	Yanfeng Johnson	123,223,876.28	20,349,503.49
Account payable	Beijing Eastern Riwa Technology Company Limited	741,188.39	165,706.00
Account payable	Hebei Baoding Tai Hang Group Company Limited	194,675.55	283,425.21
Account payable	Baoding Tai Hang Pump Manufacturing Company Limited	—	20,240.00
Sub-total:		124,159,740.22	101,057,652.09
Other payables	Baoding Tai Hang Steel Structure Construction Company Limited	8,271,511.85	9,654,346.17
Other payables	Baoding Tai Hang Pump Manufacturing Company Limited	36,391.00	90,316.00
Other payables	Baoding Tai Hang Rosemex Engineering Company Limited	2,455.61	2,455.61
Other payables	Hebei Baoding Tai Hang Group Company Limited	215,800.00	2,000.00
Other payables	Baoding Bochong Real Estate Development Company Limited	300.00	—
Other payables	Beijing Weide Automobile System Accessories Company Limited	49,000.00	—
Other payables	Yanfeng Johnson	800.00	—
Sub-total:		8,576,258.46	9,749,117.78
Advances from customers	The Management Centre of Collective Assets of Nandayuan Town, Nanshi District, Baoding	34,000.00	34,000.00
Sub-total:		34,000.00	34,000.00
Advances from receivables	Hebei Baoding Tai Hang Group Company Limited	270,000.00	—
Sub-total:		270,000.00	—

Notes to the Financial Statements

For the year ended 31 December 2012

VIII. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

Item	RMB'000	
	31/12/2012	31/12/2011
Contracted for but not provided	4,788,509	3,468,701
Authorised by the Board of Directors but not contracted for	6,916,239	7,412,998
Others	—	—
— Capital commitments of jointly controlled entities	—	—
not included in consolidated financial statements	5,643	6,240

(2) Operating lease commitments

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

Item	RMB'000	
	31/12/2012	31/12/2011
Minimum lease payments under non-cancellable operating leases:		
Within one year from the balance sheet date	1430	135
In the second year from the balance sheet date	—	135
In the third year from the balance sheet date	—	—
Subsequent years	—	—
Total	1430	270

IX. OTHER SIGNIFICANT ITEMS

1. Business combination

The summary of the business combination not under common control of the Group as a purchaser during the year is as follows:

- (1) In November 2012, the Company acquired 55% of the equity interests in Baoding Xinchang from Mingfang Industrial Co., Ltd. at a consideration of RMB22 million. Baoding Xinchang was a jointly controlled entity of the Company before the date of acquisition, i.e. 21 November 2012.

- (a) Information of the acquiree:

Baoding Xinchang is a limited liability company established in Baoding in January 2007 by Baoding Xinchang and Mingfang Industrial Co., Ltd, with a registered capital of RMB40 million. 45% of the equity interests of Baoding Xinchang were held by Baoding Xincheng. In November 2012, the Company acquired 55% of the equity interests in Baoding Xinchang from Mingfang Industrial Co., Ltd at a consideration of RMB22 million. The Company held 100% equity interests in Baoding Xinchang directly and indirectly after such acquisition.

- (b) Major financial information of the acquiree:

Item	As at the date of acquisition		RMB 31/12/2011
	Book value	Fair value	Book value
Current Assets	23,678,599.62	23,678,599.62	141,315,468.98
Non-current Assets	25,891,321.95	29,547,431.03	54,293,721.23
Current Liabilities	(3,665,364.03)	(3,665,364.03)	(128,025,635.96)
Total net assets	45,904,557.54	49,560,666.62	67,583,554.25
Less: minority interests	—	—	—
Equity attributable to shareholders of the Company	45,904,557.54	49,560,666.62	—
Consideration of acquisition	—	22,000,000.00	—
Book value of equity interests of the acquiree held before the date of acquisition	—	17,275,537.95	—
Gains from fair value measurement of equity interests of the acquiree held before the date of acquisition	—	5,026,762.03	—
Discounted purchase price	—	5,258,366.64	—

Notes to the Financial Statements

For the year ended 31 December 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

1. Business combination (continued)

- (1) In November 2012, the Company acquired 55% of the equity interests in Baoding Xinchang from Mingfang Industrial Co., Ltd. at a consideration of RMB22 million. Baoding Xinchang was a jointly controlled entity of the Company before the date of acquisition, ie 21 November 2012. (continued)

- (b) Major financial information of the acquiree: (continued)

The consideration was paid in cash by the Group

	<i>RMB</i> Amount
Cash and cash equivalents paid as consideration	22,000,000.00
Less: cash and cash equivalents held by the acquired subsidiaries and other business units	18,646,757.18
Less: cash and cash equivalents received from the acquired subsidiaries and other business units	(3,353,242.82)

The date of acquisition is the date the acquirer obtained control of the acquire on which the controlling rights of net assets and production and operation decision-making of the acquire were transferred to the acquirer.

- (c) Results of operation and net cash flows of the acquire from the date of acquisition to the end of the current period in relation to the combination:

	<i>RMB</i> From the date of acquisition to the end of the current period of combination
Revenue	118,590.00
Operating costs and expenses	113,731.81
Total profit	4,858.19
Net profit	(110,020.78)
Net cash flows from operating activities	37,451.13
Net cash flows from investing activities	(58,664.35)
Net cash flow from financing activities	—
Effect on cash and cash equivalents due to change in foreign currency exchange rate	—
Net increase in cash and cash equivalents	(21,213.22)

IX. OTHER SIGNIFICANT ITEMS (continued)**1. Business combination** (continued)

- (2) In June 2011, the Company acquired 26% of the equity interests in Baoding Xinyuan from Ningbo Deye Chemical Material Co., Ltd. at a consideration of RMB9.419 million. Baoding Xinyuan was a jointly controlled entity of the Company before the date of acquisition, i.e 17 June 2011.

(a) Information of the acquiree:

Baoding Xinyuan, formerly known as Baoding Deye Automobile Inner Decoration Company Limited, is a limited liability company established in Baoding in April 2004 by the Company, Ningbo Deye Chemical Material Co., Ltd. And Deye (H.K.) Technological Electron Appliance Company Limited, with a registered capital of RMB36.227 million. 49% of the equity interests of Baoding Xinyuan were held by the Company. In June 2011, the Company acquired 26% of the equity interests in Baoding Xinyuan from Ningbo Deye Chemical Material Co., Ltd. at a consideration of RMB9.419 million. The Company held 75% equity interests in Baoding Xinyuan after such acquisition.

(b) Major financial information of the acquiree:

Item	As at the date of acquisition		RMB
	Book value	Fair value	31/12/2011 Book value
Current Assets	141,361,625.91	141,361,625.91	113,176,542.92
Non-current Assets	68,983,680.84	83,926,675.35	71,394,850.31
Current Liabilities	(133,031,950.49)	(133,031,950.49)	(20,350,673.22)
Total net assets	77,313,356.26	92,256,350.77	164,220,720.01
Less: minority interests	19,328,339.06	23,064,087.69	
Equity attributable to shareholders of the Company	57,985,017.20	69,192,263.08	
Consideration of acquisition		9,419,000.00	
Book value of equity interests of the acquiree held before the date of acquisition		37,606,720.36	
Gains from fair value measurement of equity interests of the acquiree held before the date of acquisition		7,598,891.52	
Discounted purchase price		14,567,651.20	

Notes to the Financial Statements

For the year ended 31 December 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

1. Business combination (continued)

- (2) In June 2011, the Company acquired 26% of the equity interests in Baoding Xinyuan from Ningbo Deye Chemical Material Co., Ltd. at a consideration of RMB9.419 million. Baoding Xinyuan was a jointly controlled entity of the Company before the date of acquisition, i.e 17 June 2011. (continued)

- (b) Major financial information of the acquiree: (continued)

The consideration was paid in cash by the Group

	<i>RMB</i> Amount
Cash and cash equivalents paid as consideration	9,419,000.00
Less: cash and cash equivalents held by the acquired subsidiaries and other business units	11,124,449.30
Less: cash and cash equivalents received from the acquired subsidiaries and other business units	1,705,449.30

The date of acquisition is the date the acquirer obtained control of the acquire on which the controlling rights of net assets and production and operation decision-making of the acquire were transferred to the acquirer.

- (c) Results of operation and net cash flows of the acquire from the date of acquisition to the end of the current period in relation to the combination:

	<i>RMB</i> From the date of acquisition to the end of the current period of combination
Revenue	108,767,993.87
Operating costs and expenses	(95,772,724.70)
Total profit	12,995,269.17
Net profit	12,179,462.47
Net cash flows from operating activities	75,594,318.86
Net cash flows from investing activities	(4,043,478.00)
Net cash flow from financing activities	(47,524,000.00)
Effect on cash and cash equivalents due to change in foreign currency exchange rate	(77.66)
Net increase in cash and cash equivalents	24,026,763.20

IX. OTHER SIGNIFICANT ITEMS (continued)**1. Business combination** (continued)

- (3) In November 2011, the Company acquired 75% of equity interests in Great Wall Botai at a consideration of RMB12.191 million. Great Wall Botai was an associate of the Company before the date of acquisition, i.e. 16 November 2011.

(a) Information of the acquiree:

Great Wall Botai, formerly known as Baoding Tianqiu Electronic Appliance Company Limited, is a sino-foreign joint venture established in Baoding in May 2006. In June 2010, the Company acquired 25% of the equity interests of Great Wall Botai at a consideration of RMB3.6775 million. In November 2011, the Company acquired 75% of equity interests in Great Wall Botai from Wenzhou Tianqiu Electrical Co., Ltd. at a consideration of RMB12.191 million. The Company held 100% of the equity interests in Great Wall Botai after such acquisition.

(b) Major financial information of the acquiree:

Item	As at the date of acquisition		RMB 31/12/2010
	Book value	Fair value	Book value
Current assets	14,373,675.30	14,373,675.30	23,823,697.72
Non-current assets	16,173,735.56	22,951,281.36	17,118,491.42
Current liabilities	(13,461,342.07)	(13,461,342.07)	(22,393,993.75)
Total net assets	17,086,068.79	23,863,614.59	18,548,195.39
Less: Minority interests	—	—	—
Equity attributable to shareholders of the Company	17,086,068.79	23,863,614.59	
Consideration of acquisition		12,191,000.00	
Book value of equity interests of the acquiree held before the date of acquisition		4,230,565.05	
Gains from fair value measurement of equity interests of the acquiree held before the date of acquisition		1,698,493.42	
Discounted purchase price		5,743,556.12	

The consideration was paid in cash by the Group.

	RMB Amount
Cash and cash equivalents paid as consideration	12,191,000.00
Less: cash and cash equivalents held by the acquired subsidiaries and other business units	3,110,977.76
Cash and cash equivalents received from the acquired subsidiaries and other business units	9,080,022.24

Notes to the Financial Statements

For the year ended 31 December 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

1. Business combination (continued)

- (3) In November 2011, the Company acquired 75% of equity interests in Great Wall Botai at a consideration of RMB12.191 million. Great Wall Botai was an associate of the Company before the date of acquisition, i.e. 16 November 2011. (continued)

- (b) The consideration was paid in cash by the Group (continued)

The date of acquisition is the date the acquirer obtained control of the acquire on which the controlling rights of net assets and production and operation decision-making of the acquire were transferred to the acquirer.

- (c) Results of operation and net cash flows of the acquire from the date of acquisition to the end of the current period in relation to the combination:

	<i>RMB</i> From the date of acquisition to the end of the current period of combination
Revenue	7,404,028.34
Operating costs and expenses	(6,989,358.58)
Total profit	414,669.76
Net profit	266,621.77
Net cash flows from operating activities	4,790,512.88
Net cash flows from investing activities	9,667,865.03
Net cash flow from financing activities	(3,545,896.34)
Effect on cash and cash equivalents due to change in foreign currency exchange rate	—
Net increase in cash and cash equivalents	10,912,481.57

2. Financial expenses

Item	2012	<i>RMB</i> 2011
Interest expenses on pledged loans	2,207,885.27	4,059,539.73
Less: interest income	(126,994,973.74)	(66,505,797.22)
Exchange (gain) loss	676,666.78	25,385,236.58
Interests on discounted bills	8,248,035.20	3,115,876.02
Others	10,536,720.71	11,010,455.23
Total	(105,325,665.78)	(22,934,689.66)

IX. OTHER SIGNIFICANT ITEMS (continued)**3. Segment reporting**

The Group is mainly engaged in the manufacture and sales of automobiles and automotive parts and components in China, and the majority of its assets are located in China. The Group determined the reporting segments and disclosed the segment information according to No.3 Interpretation of Accounting Standards for Business Enterprises 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	2012	RMB 2011
Revenue from external customers in China	36,983,022,504.42	25,050,105,136.98
Northeast China	3,443,258,029.21	2,019,195,919.52
Northern China	8,716,516,160.43	5,706,365,851.20
Eastern China	9,077,727,047.79	6,368,156,727.92
Central China	6,642,068,881.21	4,467,204,548.13
Northwest China	3,999,636,423.05	2,861,948,622.80
Southwest China	5,103,815,962.73	3,627,233,467.41
Revenue from external customers in other countries	6,176,944,143.98	5,039,371,528.02
Iraq	516,897,604.75	283,761,827.30
Australia	852,424,964.15	730,869,385.47
Algeria	453,518,847.51	219,742,899.65
South Africa	535,009,046.81	442,850,728.70
Italy	3,776,828.39	103,577,754.42
Chile	488,113,901.75	434,025,878.28
Russia	1,861,077,570.11	1,400,650,936.70
Ukraine	87,409,873.14	23,487,051.63
Peru	187,076,519.56	88,343,984.31
Ecuador	173,204,643.67	116,996,506.31
Other overseas countries	1,018,434,344.14	1,195,064,575.25
Total	43,159,966,648.40	30,089,476,665.00

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 and associates, were located in China.

The Group has not placed reliance on any single or a few significant customers.

Notes to the Financial Statements

For the year ended 31 December 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

4. Financial instruments and risk management

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

4.1 Objective and policies of risk management

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

4.1.1 Market risk

4.1.1.1 Foreign exchange risk

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

Item	RMB	
	31/12/2012	31/12/2011
Cash and cash equivalents	172,700,291.21	140,483,367.61
Accounts receivable	519,302,471.21	494,429,241.03
Other receivables	1,285,510.00	1,100,791.26
Accounts payable	(25,187,989.68)	(3,355,623.24)
Other payables	(56,774,846.01)	(59,822,158.00)
Total	611,325,436.74	572,835,618.66

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

IX. OTHER SIGNIFICANT ITEMS (continued)**4. Financial instruments and risk management** (continued)**4.1 Objective and policies of risk management** (continued)*4.1.2 Credit risk*

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

The credit risk of other financial assets (including cash and bank and other receivables) are from other un-returnable funds, while the maximum risk is equal to the book value of financial assets.

The Group does not require any collateral from its customers as it only conducts sales with the third-party customers with good credit records. During the reporting period, the Group had a certain level of concentration of credit risk, and the balance of accounts receivable from top five customers of the Group accounted for 61.52% (31 December 2011: 60.76%) 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 1.6% of the Group's revenue in 2012, the credit risk of the Group is not significant.

Further details regarding the quantified data of the credit risk arising from the accounts receivable and other receivables of the Group are disclosed in note (VI) (4) and (6).

Notes to the Financial Statements

For the year ended 31 December 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

4. Financial instruments and risk management (continued)

4.1 Objective and policies of risk management (continued)

4.1.3 Liquidity risk

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

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

RMB

Item	31/12/2012			Total
	Within 6 months	6–12 months	Over one year	
Bills receivable	14,789,887,422.30	1,000,000.00	—	14,790,887,422.30
Accounts receivable	675,113,196.85	16,375,482.32	—	691,488,679.17
Other receivables	849,667,903.33	4,721,766.19	—	854,389,669.52
Dividend receivable	15,280,463.03	—	—	15,280,463.03
Held-for-trading financial assets	11,651,307.26	—	—	11,651,307.26
Bills payable	(4,292,950,154.90)	(48,721,960.01)	—	(4,341,672,114.91)
Accounts payable	(8,673,761,772.79)	(23,669,028.24)	—	(8,697,430,801.03)
Other payables	(973,934,856.83)	(245,705,968.16)	—	(1,219,640,824.99)

RMB

Item	31/12/2011			Total
	Within 6 months	6–12 months	Over one year	
Bills receivable	8,702,977,854.66	—	—	8,702,977,854.66
Accounts receivable	678,999,343.15	370,949.81	—	679,370,292.96
Other receivables	646,112,323.62	4,288,843.68	—	650,401,167.30
Held-for-trading financial assets	1,177,700.00	—	—	1,177,700.00
Bills payable	(3,977,526,932.93)	—	—	(3,977,526,932.93)
Accounts payable	(5,970,677,544.01)	(62,863,256.72)	—	(6,033,540,800.73)
Other payables	(666,400,975.73)	(186,531,405.28)	—	(852,932,381.01)

IX. OTHER SIGNIFICANT ITEMS (continued)**4. Financial instruments and risk management** (continued)**4.1 Objective and policies of risk management** (continued)**4.1.4 Fair value**

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

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

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

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

Analysis of the three levels of fair value measurement for subsequent measurement of financial assets and financial liabilities at fair values is as follows:

Level one: unadjusted quoted prices for similar assets or liabilities in active markets;

Level two: valuations of relevant assets or liabilities directly (such as prices) or indirectly (such as estimations based on prices) observable from the markets except market prices

Level three: inputs for assets or liabilities based on variables other than observable market data, i.e. unobservable inputs.

	31/12/2012				RMB
	Level one	Level two	Level three	Total	
Financial liabilities held for trading	—	11,651,307.26	—	11,651,307.26	

	31/12/2011				RMB
	Level one	Level two	Level three	Total	
Financial assets held for trading	—	1,177,700.00	—	1,177,700.00	

Notes to the Financial Statements

For the year ended 31 December 2012

IX. OTHER SIGNIFICANT ITEMS (continued)

4. Financial instruments and risk management (continued)

4.2 Sensitivity analysis

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

4.2.1 Foreign exchange risk

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

		2012	
		RMB	
Item	Changes in exchange rates	Effects on profits	Effects on shareholders' equity interests
USD	5% strengthening against RMB	30,073,174.51	30,073,174.51
USD	5% weakening against RMB	(30,073,174.51)	(30,073,174.51)
EUR	5% strengthening against RMB	848,075.26	848,075.26
EUR	5% weakening against RMB	(848,075.26)	(848,075.26)
HKD	5% strengthening against RMB	(42,152.24)	(42,152.24)
HKD	5% weakening against RMB	42,152.24	42,152.24
GBP	5% strengthening against RMB	(98,691.39)	(98,691.39)
GBP	5% weakening against RMB	98,691.39	98,691.39
JPY	5% strengthening against RMB	5,684.03	5,684.03
JPY	5% weakening against RMB	(5,684.03)	(5,684.03)

		2011	
		RMB	
Item	Changes in exchange rates	Effects on profits	Effects on shareholders' equity interests
USD	5% strengthening against RMB	20,985,542.97	20,985,542.97
USD	5% weakening against RMB	(20,985,542.97)	(20,985,542.97)
EUR	5% strengthening against RMB	3,231,734.92	3,231,734.92
EUR	5% weakening against RMB	(3,231,734.92)	(3,231,734.92)
GBP	5% strengthening against RMB	4,789,862.16	4,789,862.16
GBP	5% weakening against RMB	(4,789,862.16)	(4,789,862.16)
JPY	5% strengthening against RMB	(375,550.18)	(375,550.18)
JPY	5% weakening against RMB	375,550.18	375,550.18

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. OTHER SIGNIFICANT ITEMS (continued)**4 Financial instruments and risk management** (continued)**4.2 Sensitivity analysis** (continued)*4.2.2 Sensitivity analysis of interest rate risk:*

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

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

		RMB	
		2012	
Item	Changes in interest rates	Effects on profits	Effects on shareholders' equity interests
Bank deposits	Increased by 0.5%	31,675,657.92	31,675,657.92
Bank deposits	Decreased by 0.5%	(31,675,657.92)	(31,675,657.92)

		RMB	
		2011	
Item	Changes in interest rates	Effects on profits	Effects on shareholders' equity interests
Bank deposits	Increased by 0.75%	53,287,453.25	53,287,453.25
Bank deposits	Decreased by 0.75%	(53,287,453.25)	(53,287,453.25)

Notes to the Financial Statements

For the year ended 31 December 2012

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

1. Cash and bank balances

Item	31/12/2012		
	Foreign currency	Exchange rate	RMB equivalent
Cash:			
RMB			546,270.35
USD	5,083.51	6.2855	31,952.40
HKD	18,844.56	0.8108	15,279.17
EUR	15,876.12	8.3176	132,051.22
JPY	1,557,267.53	0.0730	113,680.53
KRW	6,977.97	0.0059	41.17
GBP	23,716.13	10.1611	240,981.97
RUB	3,541.19	0.2061	729.84
THB	130.72	0.2038	26.64
AUD	400.85	6.5363	2,620.08
SGD	312.91	5.0929	1,593.61
Bank deposits:			
RMB			3,518,151,653.06
USD	11,898,014.42	6.2855	74,784,969.64
EUR	889,439.35	8.3176	7,398,000.74
GBP	8,434.52	10.1611	85,704.00
AUD	1.26	6.5363	8.24
Other cash and bank balances:			
RMB			257,052,036.65
USD	2,163,000.00	6.2855	13,595,536.50
EUR	60,153.47	8.3176	500,332.50
Total			3,872,653,468.31

As at 31 December 2012, the Company had restricted cash and bank balances of RMB271,147,905.65, in which guarantee on bank acceptance bills amounted to RMB219,138,486.59, guarantee on letter of credit amounted to RMB46,009,419.06, and other guarantees amounted to RMB6,000,000.00.

Other cash and bank balances with maturity of or less than three months from the date of occurrence are deemed as cash equivalents by the Company.

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

(continued)

1. Cash and bank balances (continued)

<i>RMB</i>			
		31/12/2011	
Item	Foreign currency	Exchange rate	RMB equivalent
Cash:			
RMB			447,496.73
USD	48,568.42	6.3009	306,024.76
HKD	16,137.38	0.8107	13,082.57
EUR	40,310.31	8.1625	329,032.91
JPY	405,840.00	0.0811	32,914.84
KRW	21,924.76	0.0055	120.06
GBP	3,285.70	9.7116	31,909.40
RUB	9,577.72	0.1966	1,883.17
THB	4,090.31	0.1991	814.38
AUD	1,712.59	6.4093	10,976.50
SGD	306.47	4.8679	1,491.85
Bank deposits:			
RMB			3,719,300,417.15
USD	8,521,448.20	6.3009	53,692,793.40
EUR	150,096.75	8.1625	1,225,164.80
GBP	3,645.33	9.7116	35,401.99
Other cash and bank balances:			
RMB			507,574,360.70
USD	3,883,800.00	6.3009	24,471,435.42
EUR	368,924.45	8.1625	3,011,345.82
Total			4,310,486,666.45

As at 31 December 2011, the Company had restricted cash and bank balances of RMB535,057,141.94, in which guarantee on bank acceptance bills amounted to RMB438,372,660.70, guarantee on letter of credit amounted to RMB96,684,481.24.

Other cash and bank balances with maturity of or less than three months from the date of occurrence are deemed as cash equivalents by the Group.

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

2. Bills receivable

(1) Classification of bills receivable

Category	RMB	
	31/12/2012	31/12/2011
Bank acceptance bills	11,668,278,186.78	6,640,961,869.01
Total	11,668,278,186.78	6,640,961,869.01

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

Category	RMB	
	31/12/2012	31/12/2011
Bank acceptance bills	2,102,614,944.00	2,074,280,613.00
Total	2,102,614,944.00	2,074,280,613.00

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

As at 31 December 2012, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB
			Amount
Customer 1	8 October 2012	8 April 2013	10,000,000.00
Customer 2	25 October 2012	25 April 2013	10,000,000.00
Customer 3	2 November 2012	2 May 2013	10,000,000.00
Customer 4	5 September 2012	5 March 2013	10,000,000.00
Customer 5	29 November 2012	29 May 2013	10,000,000.00
Total			50,000,000.00

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

(continued)

2. Bills receivable (continued)**(2) Pledged bills receivable as at the end of each year:** (continued)

As at 31 December 2011, five pledged bills receivable with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB
			Amount
Customer 1	2 August 2011	2 February 2012	10,000,000.00
Customer 2	6 September 2011	6 March 2012	8,000,000.00
Customer 3	30 September 2011	30 March 2012	8,000,000.00
Customer 4	9 October 2011	9 April 2012	8,000,000.00
Customer 5	1 November 2011	1 May 2012	8,000,000.00
Total			42,000,000.00

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

Category	RMB	
	31/12/2012	31/12/2011
Bank acceptance bills	9,665,789,000.00	4,886,457,000.00
Total	9,665,789,000.00	4,886,457,000.00

As at 31 December 2012, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB
			Amount
Customer 1	17 December 2012	20 June 2013	15,000,000.00
Customer 2	23 October 2012	23 April 2013	14,000,000.00
Customer 3	31 August 2012	28 February 2013	12,000,000.00
Customer 4	14 September 2012	26 March 2013	10,000,000.00
Customer 5	8 October 2012	8 April 2013	10,000,000.00
Total			61,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

2. Bills receivable (continued)

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

As at 31 December 2011, five bills receivable endorsed to other parties but undue with largest amounts were as follows:

Issuing unit	Date of issue	Due date	RMB
			Amount
Customer 1	25 October 2011	25 April 2012	13,000,000.00
Customer 2	21 July 2011	21 January 2012	10,000,000.00
Customer 3	18 August 2011	18 February 2012	10,000,000.00
Customer 4	9 September 2011	9 March 2012	10,000,000.00
Customer 5	17 November 2012	17 May 2012	9,500,000.00
Total			52,500,000.00

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

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

(continued)

3. Accounts receivable

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

RMB

Item	31/12/2012				31/12/2011			
	Carrying amount		Provision for bad debt		Carrying amount		Provision for bad debt	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to separate provision	500,142,915.08	44.81	—	—	517,430,426.56	38.81	—	—
Subject to provision by groups								
Accounts receivable of small amounts with high risks based on the characteristics of credit risk as a group	1,820,309.05	0.16	(585,818.00)	60.80	2,625,098.53	0.20	(1,807,795.76)	77.00
Other insignificant accounts receivable	614,166,360.26	55.03	(377,735.50)	39.20	813,045,946.47	60.99	(539,878.42)	23.00
Subtotal	615,986,669.31	55.19	(963,553.50)	100.00	815,671,045.00	61.19	(2,347,674.18)	100.00
Accounts receivable which are individually insignificant but subject to separate provision		—	—	—	—	—	—	—
Total	1,116,129,584.39	100.00	(963,553.50)	100.00	1,333,101,471.56	100.00	(2,347,674.18)	100.00

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

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

RMB

Aging	31/12/2012				31/12/2011			
	Carrying amount	Ratio (%)	Provision		Carrying amount	Ratio (%)	Provision	
			for bad debts	Book value			for bad debts	Book value
Within 1 year	1,113,237,523.59	99.74	(377,735.50)	1,112,859,788.09	1,330,476,373.03	99.80	(539,878.42)	1,329,936,494.61
1 to 2 years	2,789,330.80	0.25	(483,088.00)	2,306,242.80	2,550,348.53	0.19	(1,733,045.76)	817,302.77
2 to 3 years	102,730.00	0.01	(102,730.00)	—	74,750.00	0.01	(74,750.00)	—
Over 3 years	—	—	—	—	—	—	—	—
Total	1,116,129,584.39	100.00	(963,553.50)	1,115,166,030.89	1,333,101,471.56	100.00	(2,347,674.18)	1,330,753,797.38

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

3. Accounts receivable

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

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

Name of unit	Nature of accounts receivable	Amounts written off	Reason for write-off	RMB
				Whether arising from connected transaction
Shenzhen Isca Trade Co., Ltd. (深圳市伊斯卡貿易有限公司)	Payment for goods	49,530.00	Unrecoverable	No
Total		49,530.00		

(5) *Five units with largest amounts of accounts receivable*

Name of unit	Relationship with the Group	Amount	Aging	RMB
				Percentage of the total accounts receivable (%)
Customer 1	Third party	209,344,741.89	Within 1 year	18.76
Customer 2	Third party	132,113,628.53	Within 1 year	11.84
Customer 3	Third party	42,469,105.59	Within 1 year	3.81
Customer 4	Third party	40,414,194.59	Within 1 year	3.62
Customer 5	Third party	14,251,911.45	Within 1 year	1.28
Total		438,593,582.05		39.31

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

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

(continued)

3. Accounts receivable (continued)**(7) Accounts receivable from related parties**

Please refer to item 23 of Note (X) for details of balance of accounts receivable from related parties by the Company as at the end of the year.

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

Item	31/12/2012				31/12/2011			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to separate provision	831,431,318.46	96.09	—	—	625,595,511.06	98.37	—	—
Subject to provision by groups								
Other receivables of small amounts with high risks based on the characteristics of credit risk as a group	1,405,315.44	0.16	(84,420.00)	94.64	1,459,300.01	0.23	(120,899.00)	100.00
Other insignificant other receivables	32,468,096.47	3.75	(4,782.50)	5.36	8,917,545.39	1.40	—	—
Subtotal	33,873,411.91	3.91	(89,202.50)	100.00	10,376,845.40	1.63	(120,899.00)	100.00
Other receivables which are individually insignificant but subject to separate provision	—	—	—	—	—	—	—	—
Total	865,304,730.17	100.00	(89,202.50)	100.00	635,972,356.46	100.00	(120,899.00)	100.00

RMB

Notes to the Financial Statements

For the year ended 31 December 2012

X. 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	31/12/2012				31/12/2011			
	Carrying amount	Ratio (%)	Provision for bad debts	Book value	Carrying amount	Ratio (%)	Provision for bad debts	Book value
Within 1 year	792,782,460.86	91.62	(4,782.50)	792,777,678.36	151,904,245.14	23.88	—	151,904,245.14
1 to 2 years	72,437,849.31	8.37	—	72,437,849.31	483,947,212.32	76.10	—	483,947,212.32
2 to 3 years	39,420.00	—	(39,420.00)	—	8,851.48	—	(8,851.48)	—
Over 3 years	45,000.00	0.01	(45,000.00)	—	112,047.52	0.02	(112,047.52)	—
Total	865,304,730.17	100.00	(89,202.50)	865,215,527.67	635,972,356.46	100.00	(120,899.00)	635,851,457.46

RMB

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

Other receivables	Reason for write-back or recovery	Basis for determination of original provision for bad debts	Accumulated provision for bad debts before write-back or recovery	Amount written-back or recovery
Property righting fee	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(14,399.00)	5,400.00
Zhou Junjiang	The management of the Group exerted efforts on collecting accounts receivable in cash	Past due	(61,500.00)	61,500.00
Total			(75,899.00)	75,899.00

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

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

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

(continued)

4. Other receivables (continued)**(6) Five units with the largest amounts of other receivables**

Name of unit	Relationship with the Group	Amount	Nature	Aging	RMB Percentage of the total other receivables (%)
Unit 1	Non-related party	484,230,001.00	Performance bond	Within one Year and one to two years	55.96
Unit 2	Non-related party	223,920,000.00	Energy-saving subsidies	Within one year	25.88
Unit 3	Non-related party	69,000,000.00	Performance bond	one to two years	7.97
Unit 4	Non-related party	52,000,000.00	Reparation for withdrawal of land-use right and real fixture	Within six months	6.01
Unit 5	Non-related party	1,230,000.00	Cash fund	Within six months	0.14
Total		830,380,001.00			95.96

(7) Other receivables from related parties

Please refer to item 23 of Note (X) for details of the balance of other receivables from related parties by the Company as at the end of the year.

5. Inventory**(1) Inventory categories**

Item	31/12/2012 RMB Provision		
	Book balance	for obsolete stocks	Book value
Raw materials	347,584,079.98	—	347,584,079.98
Work in progress	165,619,165.76	—	165,619,165.76
Finished goods	522,822,456.17	(1,360,038.04)	521,462,418.13
Low-valued consumables	23,662,581.71	—	23,662,581.71
Total	1,059,688,283.62	(1,360,038.04)	1,058,328,245.58

Item	31/12/2011 RMB Provision		
	Book balance	for obsolete stocks	Book value
Raw materials	331,936,903.37	(1,087,137.54)	330,849,765.83
Work in progress	185,505,624.16	(23,997.48)	185,481,626.68
Finished goods	469,959,980.77	(1,120,560.66)	468,839,420.11
Low-valued consumables	16,412,687.42	—	16,412,687.42
Total	1,003,815,195.72	(2,231,695.68)	1,001,583,500.04

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

5. Inventory (continued)

(2) Provision for obsolete stocks

RMB

Inventory categories	1/1/2012	Provision for the year	Decrease for the year		31/12/2012
			Reversals	Write-offs	
Raw materials	1,087,139.87	—	—	(1,087,139.54)	—
Work in progress	23,997.48	—	—	(23,997.48)	—
Finished goods	1,120,560.66	2,368,201.50	(581,736.19)	(1,546,987.93)	1,360,038.04
Total	2,231,695.68	2,368,201.50	(581,736.19)	(2,658,122.95)	1,360,038.04

(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 to the closing balance of such inventory during the year (%)
Raw materials	—	Note 2	—
Work in progress	—	Note 2	—
Finished goods	Note 1	Note 2	0.11
Low-valued consumables	—	Note 2	—

Descriptions of inventories:

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

Note 2: As estimated net realizable value of whole vehicle products at the end of the year is higher than the inventory cost as at the end of the period, the impairment provision for inventory had been written back. As the inventories for which impairment provision was made in the previous period had been sold during this period, the impairment provision for inventory had been written off.

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

(continued)

6. Long-term equity investment**(1) The breakdown of long-term equity investments was as follows:**

Name of investee	Accounting method	Initial investment cost	1/1/2012	Movement	31/12/2012	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Impairment provision	Provision of impairment for the year	Cash bonuses for the year
Investment in subsidiaries										
Baoding Great Wall Huabei Automobile Company Limited (保定長城華北汽車有限責任公司)	Cost method	268,092,310.00	268,092,310.00	—	268,092,310.00	100.00	100.00	—	—	113,083,601.87
Baoding Great Wall Internal Combustion Engine Manufacturing Company Limited (保定長城內燃機製造有限公司)	Cost method	583,255,808.00	583,255,808.00	—	583,255,808.00	100.00	100.00	—	—	224,331,932.86
Baoding Changcheng Vehicle Axles Industries Company Limited (保定長城汽車橋業有限公司)	Cost method	209,846,614.49	51,540,000.00	158,306,614.49	209,846,614.49	75.00	100.00	—	—	83,875,043.44
Baoding Nuobo Rubber Manufacturing Company Limited (保定市諾博橡膠製品有限公司)	Cost method	72,240,000.00	72,240,000.00	—	72,240,000.00	100.00	100.00	—	—	26,200,000.00
Baoding Xincheng Automobile Development Company Limited (保定市信誠汽車發展有限公司)	Cost method	73,024,993.00	73,024,993.00	—	73,024,993.00	100.00	100.00	—	—	82,414,297.34
Beijing Great Automotive Components Company Limited (北京格瑞特汽車零部件有限公司)	Cost method	750,000.00	750,000.00	—	750,000.00	75.00	75.00	—	—	3,643,798.19
Baoding Great Machinery Company Limited (保定市格瑞機械有限公司)	Cost method	23,000,000.00	23,000,000.00	—	23,000,000.00	100.00	100.00	—	—	28,779,375.25
Baoding Great Wall Automobile After-sales Services Company Limited (保定市長城汽車售後服務有限公司)	Cost method	150,000.00	150,000.00	—	150,000.00	100.00	100.00	—	—	28,254,289.83
Macs (Baoding) Auto A/C System Company Limited (麥克斯(保定)汽車空調系統有限公司)	Cost method	10,372,890.00	10,372,890.00	—	10,372,890.00	51.00	51.00	—	—	—
Tide Technology and Trade Company Limited (泰德科貿有限公司)	Cost method	159,353,665.00	58,102,465.00	101,251,200.00	159,353,665.00	100.00	100.00	—	—	—
Russia Great Wall Closed Joint-Stock Company Limited (俄羅斯長城股份有限公司)	Cost method	404,335.00	404,335.00	—	404,335.00	100.00	100.00	—	—	—
Baoding Mind Auto Component Company Limited (保定曼德汽車配件有限公司)	Cost method	450,000.00	450,000.00	—	450,000.00	75.00	100.00	—	—	—
Great Wall Motor Middle East FZE (長城汽車中東公司)	Cost method	—	3,471,966.00	(3,471,966.00)	—	—	—	—	—	—
Baoding Jingong Foundry Company Limited (保定長城精工鑄造有限公司)	Cost method	85,000,000.00	85,000,000.00	—	85,000,000.00	100.00	100.00	—	—	14,967,476.84
Baoding Yixin Auto Parts Company Limited (保定億新汽車配件有限公司)	Cost method	9,750,000.00	9,750,000.00	—	9,750,000.00	75.00	100.00	—	—	93,682,673.93
Baoding Great Wall Ants Logistics Company Limited (保定市長城螞蟥物流有限公司)	Cost method	86,000,000.00	86,000,000.00	—	86,000,000.00	100.00	100.00	—	—	16,180,244.01

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

6. Long-term equity investment (continued)

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

Name of investee	Accounting method	Initial investment cost	1/1/2012	Movement	31/12/2012	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Impairment provision	Provision of impairment for the year	Cash bonuses for the year
Baoding Lean Automotive Occupation Training School (保定市精益汽車職業培訓學校)	Cost method	100,000.00	100,000.00	—	100,000.00	100.00	100.00	—	—	—
Baoding Smart Automobile Accessories Company Limited (保定斯瑪特汽車配件有限公司)	Cost method	—	158,306,614.49	(158,306,614.49)	—	—	—	—	—	—
Tianjin Boxin Automobile Parts Co., Ltd. (天津博信汽車零部件有限公司)	Cost method	1,777,884,771.10	1,777,884,771.10	—	1,777,884,771.10	100.00	100.00	—	—	—
Ningxia Great Wall Automobile Leasing Company Limited (寧夏長城汽車租賃有限公司)	Cost method	20,000,000.00	20,000,000.00	—	20,000,000.00	100.00	100.00	—	—	—
Baoding Great Wall Aluminum Alloy Manufacturing Company Limited (保定長城鋁合金製造有限公司)	Cost method	95,000,000.00	95,000,000.00	—	95,000,000.00	100.00	100.00	—	—	—
Baoding Great Wall Resource Recycling Co., Ltd. (保定長城再生資源利用有限公司)	Cost method	50,000,000.00	50,000,000.00	—	50,000,000.00	100.00	100.00	—	—	1,709,302.78
Baoding Great Wall Boxiang Automotive Parts Manufacturing Company Limited (保定長城博翔汽車零部件製造有限公司)	Cost method	39,116,124.26	39,116,124.26	—	39,116,124.26	100.00	100.00	—	—	—
Baoding Equisite Auto Mould Technology Co., Ltd. (保定市精工汽車模具技術有限公司)	Cost method	5,000,000.00	5,000,000.00	—	5,000,000.00	100.00	100.00	—	—	—
Baoding Xinyuan Automobile Inner Decoration Company Limited (保定信遠汽車內飾件有限公司)	Cost method	47,025,720.36	47,025,720.36	—	47,025,720.36	75.00	100.00	—	—	—
Baoding Great Wall Botai Electric Appliance Manufacturing Company Limited (保定長城博泰電器製造有限公司)	Cost method	26,421,565.05	26,421,565.05	—	26,421,565.05	100.00	100.00	—	—	1,181,965.44
保定長城汽車配件銷售有限公司 (Baoding Great Wall Auto Parts Sales Co., Ltd.)	Cost method	7,000,000.00	—	7,000,000.00	7,000,000.00	100.00	100.00	—	—	—
保定信昌汽車零部件有限公司 (Baoding Xinchang Auto Parts Co., Ltd.)	Cost method	22,000,000.00	—	22,000,000.00	22,000,000.00	55.00	100.00	—	—	—
徐水縣科林供熱有限公司 (Xushui Kelin heating Co., Ltd.)	Cost method	60,000,000.00	—	60,000,000.00	60,000,000.00	100.00	100.00	—	—	—
Subtotal		3,731,238,796.26	3,544,459,562.26	186,779,234.00	3,731,238,796.26					718,304,001.78
Investment in jointly controlled entities										—
Baoding Jiehua Automobile Components and Accessories Company Limited (保定杰華汽車零部件有限公司)	Equity method	15,654,000.00	16,833,506.93	71,814.94	16,905,321.87	50.00	50.00	—	—	—
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd. (保定延鋒江森汽車座椅有限公司)	Equity method	4,540,000.00	22,042,328.03	(13,483,161.06)	8,559,166.97	25.00	50.00	—	—	—
Subtotal		20,194,000.00	38,875,834.96	(13,411,346.12)	25,464,488.84					—
Investment in other enterprises										—
Zhongtalian Investment Company Limited (中發聯投資有限公司)	Cost method	4,200,000.00	4,200,000.00	—	4,200,000.00	2.07	2.07	—	—	—
The state of Automobile (Beijing) Technology Research Institute of lightweight Automobile Co., Ltd. (國汽(北京)汽車輕量化技術研究院有限公司)	Cost method	3,000,000.00	—	3,000,000.00	3,000,000.00	6.90	6.90	—	—	—
Subtotal		7,200,000.00	4,200,000.00	3,000,000.00	7,200,000.00					—
Total		3,758,632,796.26	3,587,535,397.22	176,367,887.88	3,763,903,285.10					718,304,001.78

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

(continued)

7. Fixed Assets

Fixed assets

RMB

Item	1/1/2012	Additions for the year	Deductions for the year	31/12/2012
1. Total original carrying amount:	7,139,254,296.61	1,776,287,443.55	(62,968,694.05)	8,852,573,046.11
Of which: Buildings and structures	2,441,180,355.41	734,017,836.85	(139,287.53)	3,175,058,904.73
Machinery and equipment	3,636,606,521.69	838,742,251.30	(27,806,184.68)	4,447,542,588.31
Motor vehicles	27,062,847.37	15,901,089.48	(1,555,908.90)	41,408,027.95
Other equipment	1,034,404,572.14	187,626,265.92	(33,467,312.94)	1,188,563,525.12
2. Total accumulated depreciation:	1,483,971,340.09	651,741,439.51	(25,470,832.82)	2,110,241,946.78
Of which: Buildings	203,234,185.34	79,840,547.12	(5,495.39)	283,069,237.07
Machinery and equipment	846,660,258.80	401,426,314.58	(7,438,934.31)	1,240,647,639.07
Motor vehicles	6,595,254.87	3,709,190.64	(720,872.88)	9,583,572.63
Other equipment	427,481,641.08	166,765,387.17	(17,305,530.24)	576,941,498.01
3. Total net book value of fixed assets	5,655,282,956.52	1,124,546,004.04	(37,497,861.23)	6,742,331,099.33
Of which: Buildings	2,237,946,170.07	654,177,289.73	(133,792.14)	2,891,989,667.66
Machinery and equipment	2,789,946,262.89	437,315,936.72	(20,367,250.37)	3,206,894,949.24
Motor vehicles	20,467,592.50	12,191,898.84	(835,036.02)	31,824,455.32
Other equipment	606,922,931.06	20,860,878.75	(16,161,782.70)	611,622,027.11
4. Total impairment provision	—	44,555,937.63	—	44,555,937.63
Of which: Buildings	—	—	—	—
Machinery and equipment	—	25,684,698.83	—	25,684,698.83
Motor vehicles	—	—	—	—
Other equipment	—	18,871,238.80	—	18,871,238.80
5. Total net carrying amount of fixed assets	5,655,282,956.52	1,079,990,066.41	(37,497,861.23)	6,697,775,161.70
Of which: Buildings	2,237,946,170.07	654,177,289.73	(133,792.14)	2,891,989,667.66
Machinery and equipment	2,789,946,262.89	411,631,237.89	(20,367,250.37)	3,181,210,250.41
Motor vehicles	20,467,592.50	12,191,898.84	(835,036.02)	31,824,455.32
Other equipment	606,922,931.06	1,989,639.95	(16,161,782.70)	592,750,788.31

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

(continued)

7. Fixed Assets (continued)

During the year, the original book value of fixed assets increased by RMB87,740,225.03, RMB1,670,855,344.27, and RMB17,691,874.25 due to additions, transfer from construction in progress and transfer from self-produced moulds, respectively.

During the year, the original value of fixed assets decreased by RMB53,139,634.19 due to disposals, decreased by RMB9,829,059.86 due to transfer to construction.

During the year, the accumulated depreciation increased by RMB651,741,439.51 due to provisions.

During the year, the accumulated depreciation decreased by RMB24,926,139.08 due to disposal, decreased by RMB544,693.74 due to transfer to construction.

During the year, the depreciation of fixed assets increased by RMB44,555,937.63 due to provisions.

As at 31, December 2012, among the fixed assets, the net book value of properties without title certificates amounted to RMB1,580,398,585.72, and the application of relevant title certificates is in progress.

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

(continued)

8. Construction in progress**(1) The breakdown of construction in progress was as follows**

RMB

Project	31/12/2012			31/12/2011		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Annual production of 300,000 sets of EG engines	96,091,287.55	—	96,091,287.55	206,470,479.51	—	206,470,479.51
Annual production of 200,000 sets of six-speed manual transmissions	84,746,488.00	—	84,746,488.00	191,775,632.31	—	191,775,632.31
Annual production of 400,000 sets of aluminium alloy casting	92,699,544.15	—	92,699,544.15	102,025,618.18	—	102,025,618.18
Annual production of 400,000 sets of automotive lightings	104,642,256.33	—	104,642,256.33	9,128,298.58	—	9,128,298.58
Tianjin automobile project	1,465,528,487.44	(2,812,449.12)	1,462,716,038.32	829,469,763.08	—	829,469,763.08
Tianjin branch's parts and components project	56,392,694.66	—	56,392,694.66	100,702,757.51	—	100,702,757.51
Tianjin branch's residential area supporting project	166,097,864.43	—	166,097,864.43	89,862,404.30	—	89,862,404.30
Industrial park phase I. II. III	239,489,752.97	(193,476.82)	239,296,276.15	244,936,652.33	—	244,936,652.33
Steam project	49,015,462.00	—	49,015,462.00	126,000.00	—	126,000.00
Xindatong Reconstruction	40,482,620.93	—	40,482,620.93	45,168,585.04	—	45,168,585.04
Jiaozhuang infrastructure	774,153.70	—	774,153.70	833,744.11	—	833,744.11
Jiaozhuang equipment	104,567,436.94	—	104,567,436.94	144,184,442.65	—	144,184,442.65
New technology center	121,533,529.05	—	121,533,529.05	12,952,137.60	—	12,952,137.60
Xushui Automobile Project	1,474,374,027.27	—	1,474,374,027.27	451,598,757.59	—	451,598,757.59
Xushui parts and components project	364,088,932.07	—	364,088,932.07	30,200,976.87	—	30,200,976.87
Xushui supporting infrastructure project	185,312,678.19	—	185,312,678.19	89,303,598.18	—	89,303,598.18
Others	51,582,000.41	—	51,582,000.41	50,161,507.48	—	50,161,507.48
Total	4,697,419,216.09	(3,005,925.94)	4,694,413,290.15	2,598,901,355.32	—	2,598,901,355.32

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

8. Construction in progress (continued)

(2) Changes of major construction in progress

											RMB
Project	Budget amount	1/1/2012	Additions	Transfer to fixed assets	Other deductions	Investment to budget (%)	Accumulated capitalized interest amount	Of which: capitalized interest amount	Ratio of capitalized interest amount (%)	Sources of fund	31/12/2012
Annual production of 300,000 sets of EG engines	497,570,000.00	206,470,479.51	239,084,708.54	(349,463,900.50)	—	89.55	—	—	—	Fund raised	96,091,287.55
Annual production of 200,000 sets of six-speed manual transmissions	449,430,000.00	191,775,632.31	241,599,196.88	(348,628,341.19)	—	96.43	—	—	—	Fund raised	84,746,488.00
Annual production of 400,000 sets of aluminium alloy casting	379,347,000.00	102,025,618.18	74,393,888.92	(83,719,962.95)	—	46.51	—	—	—	Fund raised	92,699,544.15
Annual production of 400,000 sets of automotive lightings	158,091,000.00	9,128,298.58	130,782,755.46	(35,268,797.71)	—	90.84	—	—	—	Fund raised	104,642,256.33
Tianjin automobile project	4,318,892,100.00	829,469,763.08	809,770,670.43	(173,711,946.07)	—	72.95	—	—	—	Internal resources	1,465,528,487.44
Tianjin branch's parts and components project	325,098,000.00	100,702,757.51	118,703,319.37	(112,880,078.72)	(50,133,303.50)	52.07	—	—	—	Internal resources	56,392,694.66
Tianjin branch's residential area supporting project	493,019,700.00	89,862,404.30	220,099,533.01	(143,864,072.88)	—	78.48	—	—	—	Internal resources	166,097,864.43
Industrial park phase I, II, III	507,134,604.60	244,936,652.33	201,314,047.42	(200,617,913.83)	(6,143,032.95)	86.78	—	—	—	Internal resources	239,489,752.97
Steam project	68,305,540.00	126,000.00	48,889,462.00	—	—	71.76	—	—	—	Internal resources	49,015,462.00
Xindatong Reconstruction	223,327,700.00	45,168,585.04	18,692,919.25	(20,761,820.98)	(2,617,062.38)	27.42	—	—	—	Internal resources	40,482,620.93
Jiaozhuang infrastructure	253,863,000.00	833,744.11	6,744,688.22	(6,173,105.77)	(631,172.86)	75.52	—	—	—	Internal resources	774,153.70
Jiaozhuang equipment	1,210,071,000.00	144,184,442.65	111,765,422.65	(151,382,428.36)	—	83.65	—	—	—	Internal resources	104,567,436.94
New technology center	2,063,355,700.00	12,952,137.60	108,581,391.45	—	—	5.89	—	—	—	Internal resources	121,533,529.05
Xushui Automobile Project	2,286,937,400.00	451,598,757.59	1,023,494,605.65	(719,335.97)	—	64.44	—	—	—	Internal resources	1,474,374,027.27
Xushui parts and components project	2,035,682,374.00	30,200,976.87	334,140,827.79	(132,765.80)	(120,106.79)	17.88	—	—	—	Internal resources	364,088,932.07
Xushui supporting infrastructure project	409,448,132.00	89,303,598.18	96,009,080.01	—	—	45.26	—	—	—	Internal resources	185,312,678.19
Others	615,106,487.08	50,161,507.48	46,091,386.91	(43,530,873.54)	(1,140,020.44)	57.80	—	—	—	Internal resources	51,582,000.41
Total	16,294,679,737.68	2,598,901,355.32	3,830,157,903.96	(1,670,855,344.27)	(60,784,698.92)		—	—	—		4,697,419,216.09

(3) Impairment of construction in progress

Item	1/1/2012	Additions for the year	Deductions for the year	31/12/2012	The reason of provision
Tianjin Automobile project	—	2,812,449.12	—	2,812,449.12	Process change
Industrial park phase I II III Reconstruction and expansion	—	193,476.82	—	193,476.82	Process Change
Total	—	3,005,925.94	—	3,005,925.94	

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

(continued)

9. Intangible assets

Intangible assets

				<i>RMB</i>
Item	1/1/2012	Additions for the year	Deductions for the year	31/12/2012
1. Total original book value	1,474,062,837.87	472,869,765.87	—	1,946,932,603.73
Land use rights	1,429,449,925.59	462,946,163.99	—	1,892,396,089.58
Others	44,612,912.28	9,923,601.87	—	54,536,514.15
2. Total accumulated amortization	70,781,987.48	43,534,412.97	—	114,316,400.45
Land use rights	47,814,240.24	36,184,739.82	—	83,998,980.06
Others	22,967,747.24	7,349,673.15	—	30,317,420.39
3. Total net book value of				
intangible assets	1,403,280,850.39	429,335,352.89	—	1,832,616,203.28
Land use rights	1,381,635,685.35	426,761,424.17	—	1,808,397,109.52
Others	21,645,165.04	2,573,928.72	—	24,219,093.76

During the year, the original book value increased by RMB472,869,765.86 due to additions.

During the year, the accumulated amortization increased by RMB43,534,412.97 due to provision.

As at 31 December 2012, among the intangible assets, the net book value of land use rights without land use right certificates amounted to RMB142,875,900.23, and the application of relevant land use right certificates is in progress.

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

Item	<i>RMB</i>	
	31/12/2012	31/12/2011
Located in mainland China — 10 to 50 years	1,808,397,109.52	1,381,635,685.35

Notes to the Financial Statements

For the year ended 31 December 2012

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

10. Bills payable

Category	RMB	
	31/12/2012	31/12/2011
Bank acceptance bills	2,240,543,647.68	2,679,375,046.99
Total	2,240,543,647.68	2,679,375,046.99

11. Accounts payable

Item	RMB	
	31/12/2012	31/12/2011
Within 1 year	8,913,344,135.07	5,717,651,819.06
1 to 2 years	11,257,902.58	10,987,028.25
2 to 3 years	5,851,430.06	69,768.94
Over 3 years	8,443,445.15	13,747,918.99
Total	8,938,896,912.86	5,742,456,535.24

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

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

12. Advances from customers

Item	RMB	
	31/12/2012	31/12/2011
Within 1 year	2,396,983,118.20	1,933,209,117.34
1 to 2 years	6,215,316.03	8,218,525.66
2 to 3 years	4,329,058.92	6,537,923.38
Over 3 years	4,011,892.23	4,354,309.62
Total	2,411,539,385.38	1,952,319,876.00

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

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

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

(continued)

13. Other non-current liabilities

				RMB
Category	1/1/2012	Additions for the year	Amortizations for the year	31/12/2012
Urban construction fund (Note 1)	62,422,535.31	—	(2,319,828.34)	60,102,706.97
Tax refund for purchasing domestic manufactured equipment (Note 2)	100,052,905.35	—	(19,277,559.05)	80,775,346.30
Government industrial policy supporting fund (Note 3)	66,787,650.02	175,237,224.00	(5,565,637.50)	236,459,236.52
Soft soil foundation subsidy (Note 4)	60,304,207.38	105,142,334.40	(3,738,668.36)	161,707,873.42
Infrastructure supporting fund (Note 5)	770,000,000.00	16,666,750.00	—	786,666,750.00
Subsidies for material technological innovation projects (Note 6)	6,933,333.33	—	(800,000.00)	6,133,333.33
Capital for technical centre infrastructure construction (Note 7)	11,631,169.20	—	(237,370.80)	11,393,798.40
Diesel engine development project fund (Note 8)	—	1,000,000.00	(100,000.00)	900,000.00
863 plan (power) (Note 9)	—	2,419,200.00	(2,419,200.00)	—
863 plan (pure electronic motor) (Note 10)	—	2,600,000.00	—	2,600,000.00
C20 pure electric car research and development (Note 11)	—	1,500,000.00	—	1,500,000.00
Total	1,078,131,800.59	304,565,508.40	(34,458,264.05)	1,348,239,044.94
Less: Non-current liabilities due within one year	(22,638,259.40)			(33,457,430.17)
Other non-current liabilities	1,055,493,541.19	304,565,508.40	(34,458,264.05)	1,314,781,614.77

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

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

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

13. Other non-current liabilities (continued)

Note 3: According to the "Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area" and the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, the Company received industrial policy supporting fund of RMB175.24 million from Tianjin Economic-Technological Development Area in 2012.

Note 4: According to the "Provisional Regulations on the Development of Advanced Manufacturing Industry in Tianjin Economic-Technological Development Area", the cooperation agreement entered into between Tianjin Economic-Technological Development Area and the Company, and "Payment agreement of soft soil foundation treatment subsidy" of Tianjin Economic and Technological Development Zone Development Bureau, the Company received soft soil foundation subsidy of RMB105.14 million from Tianjin Economic-Technological Development Area.

Note 5: According to the "Circular Regarding the Allocation of Infrastructure Construction Fund to Great Wall Motor Company Limited" issued by Baoding Xushui government, Xushui government allocated RMB16,666,750 to the Company during 2012 as the supporting fund for the infrastructure (buildings and ancillary facilities) construction of 500,000-automobile and components and parts production base project in new Great Wall industrial area in Baoding.

Note 6: According to "Notice regarding improving the ability of independent innovation and high-tech industry development projects in 2010 the first batch of the central budget for investment projects" issued by Hebei Development and Reform Commission and forwarded by Baoding Development and Reform Commission, Baoding Development and Reform Commission allocated fund to the company for innovation project of Automobile safety and environmental protection.

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

Note 8: According to "Notice regarding the projects and funding of Hebei Province Scientific and technological research and development program (the first batch)", the company's GW4D20 Diesel product development project was granted funding amounted to RMB1,000,000 directly from the Bureau of Finance in Hebei Province.

Note 9: According to "Mission statement of National High Technology Research and Development Program (Program 863)", in critical automotive powertrain technology projects of Modern transport technology areas, the company's development on diesel for high pressure beard common rail car was granted project research funding amounted to RMB2,419,200.

Note 10: According to "Mission statement of National High Technology Research and Development Program (Program 863)", in critical automotive powertrain technology projects of Modern transport technology areas, the company's A0-class small city development of pure electric cars was granted project research funding amounted to RMB2,600,000.

Note 11: According to "Mission statement of Hebei Province's Major technological innovation projects", the company's research on project of "Research and development, and Research on industrialized technology of Great Wall Tengyi C20 pure electric car" assigned by Science and Technology Agency of Hebei Province, was granted project funding amounted to RMB1,500,000.

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

(continued)

14. Capital reserve

RMB

Item	Opening balance	Additions for the year	Deductions for the year	Closing balance
2012				
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
2011				
Capital premiums	2,561,788,880.90	3,590,129,268.99	(1,642,908,000.00)	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	2,558,855,754.12	3,590,129,268.99	(1,642,908,000.00)	4,506,077,023.11

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

15. Undistributed profits

Item	Amount	RMB Proportion of appropriation or allocation
2012		
Undistributed profits at the beginning of the year	6,714,550,744.13	
Add: Net profits attributable to the shareholders of parent company of the year	5,288,662,303.66	
Less: Appropriation of statutory surplus reserves	(528,866,230.37)	(1)
Distribution of cash dividends	(912,726,900.00)	(2)
Undistributed profits at the end of the year	10,561,619,917.42	
2011		
Undistributed profits at the beginning of the year	4,357,575,407.67	
Add: Net profits attributable to the shareholders of parent company of the year	3,227,345,929.40	
Less: Appropriation of statutory surplus reserves	(322,734,592.94)	(1)
Distribution of cash dividends	(547,636,000.00)	(2)
Undistributed profits at the end of the year	6,714,550,744.13	

(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 2011 Annual General Meeting of the Company held on 7 May 2012 considered and approved the resolution regarding the profit distribution proposal for the year 2011. In 2011, the Company declared a cash dividend of RMB0.30 per share (tax inclusive) to all shareholders, aggregating to RMB912,726,900.00 based on the total of 3,042,423,000 shares with a par value of RMB1 each.

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

(continued)

15. Undistributed profits (continued)**(3) Distribution of profits after balance sheet date**

On the basis of a total of 3,042,423,000 shares with a par value of RMB 1 each in 2012, the final cash dividend of 1,734,181,110.00 at RMB0.57 per share (tax inclusive) in respect of the year ended 31 December 2012 has been proposed by the board of directors and is subject to approval by the shareholders in general meeting.

16. Operating revenue and operating costs**(1) Operating revenue**

Item	2012	RMB 2011
Revenue from principal businesses	39,938,913,804.21	27,850,913,980.02
Of which: Revenue from the sale of automobiles	39,667,315,943.28	27,722,130,928.91
Revenue from the sale of automotive parts and components	195,569,526.11	100,456,077.13
Revenue from the sale of matrix and others	76,028,334.82	28,326,973.98
Revenue from other businesses	1,577,848,298.43	1,392,433,667.03
Total	41,516,762,102.64	29,243,347,647.05

(2) Operating costs

Item	2012	RMB 2011
Operating costs from principal businesses	31,797,497,608.21	22,752,144,620.21
Of which: Costs incurred from the sale of automobiles	31,607,362,969.26	22,646,977,431.72
Costs incurred from the sale of automotive parts and components	123,547,996.51	80,114,407.71
Costs incurred from the sale of matrix and others	66,586,642.44	25,052,780.78
Costs incurred from other businesses	1,294,704,376.80	1,195,059,423.25
Total	33,092,201,985.01	23,947,204,043.46

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

16. Operating revenue and operating costs (continued)

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

Name of customer	Operating revenue	RMB
		Percentage of the total operating revenue of the Company (%)
Customer 1	1,861,077,570.11	4.48
Customer 2	852,424,964.15	2.05
Customer 3	752,630,461.99	1.81
Customer 4	534,771,024.40	1.29
Customer 5	489,756,696.35	1.19
Total	4,490,660,717.00	10.82

17. Business tax and surcharges

Item	2012	RMB
		2011
Business tax	1,288,551.84	876,879.39
Consumption tax	1,207,656,990.74	801,865,383.87
Urban maintenances and construction tax	175,346,804.67	116,667,186.87
Educational surcharges	125,247,711.89	74,542,315.83
Others	11,598,508.04	2,278,991.42
Total	1,521,138,567.18	996,230,757.38

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

(continued)

18. Administrative expenses

Item	2012	RMB 2011
Technology development expenditures	851,847,004.43	543,298,343.85
Wages and salaries	285,305,333.32	211,378,362.04
Taxes	54,724,830.24	37,090,118.77
Depreciation and amortization	49,176,010.75	30,054,609.80
Business reception fees	5,203,636.40	3,209,703.60
Office expenses	22,035,899.33	22,105,986.64
Repair and maintenance fees	19,979,158.34	14,293,368.19
Auditor's remuneration	2,680,000.00	4,355,688.00
Service charges	17,427,637.98	29,094,182.70
Others	24,194,143.77	15,665,034.18
Total	1,332,573,654.56	910,545,397.77

19. Investment income**(1) Breakdown of investment income**

Item	2012	RMB 2011
Income from long-term equity investments under equity method	1,869,116.91	4,178,927.85
Income from available-for-sale financial asset investment	7,196,687.02	141,235.92
Income from the disposal of long-term equity investments	(2,075,513.36)	—
Income from long-term equity investments under cost method	803,503,996.85	438,226,666.09
Total	810,494,287.42	442,546,829.86

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

19. Investment income (continued)

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

Investee	2012	RMB 2011
Baoding Xinyuan	—	3,099,397.02
Baoding Jiehua Automobile Components and Accessories Company Limited	71,814.94	83,424.49
Baoding Yanfeng Johnson Controls Automobile Seating Co., Ltd.	1,797,301.97	147,595.44
Great Wall Botai	—	848,510.90
Total	1,869,116.91	4,178,927.85

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

20. Income tax expenses

Item	2012	RMB 2011
Current income tax calculated according to tax laws and relevant rules	781,189,761.99	441,948,693.74
Deferred income tax	(31,136,937.70)	7,447,413.04
Total	750,052,824.29	449,396,106.78

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

Item	2012	RMB 2011
Accounting profit/loss	6,038,715,127.95	3,676,742,036.18
Income tax rate	25%	25%
Income tax expenses calculated at tax rate of 25%	1,509,678,781.99	919,185,509.05
Tax holidays, exemptions and concessionary rate	(490,321,382.94)	(299,103,590.13)
Additional deduction for research and development costs	(76,579,547.59)	(61,661,881.86)
Tax effect of non-taxable income	(201,343,278.44)	(110,601,398.49)
Tax effect of non-deductible expenses	8,618,251.27	1,577,468.21
Total	750,052,824.29	449,396,106.78

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

(continued)

21. Supplemental information of cash flow statements**(1) Supplemental information of cash flow statements**

Supplemental information	2012	RMB 2011
1. Reconciliation of net profits and cash flow from operating activities:		
Net profit	5,288,662,303.66	3,227,345,929.40
Add: Impairment provisions for assets	47,982,041.70	4,667,302.03
Depreciation of fixed assets	651,741,439.51	491,907,120.79
Amortization of intangible assets	43,534,412.97	26,370,917.23
Amortization of long-term prepaid expenses	2,096,550.27	751,228.13
Depreciation of real estate held for investment	161,943.13	111,701.05
(Gains)/losses from change of fair value	(10,473,607.26)	(3,131,156.00)
(Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets, net of gains	20,584,264.43	(4,816,350.21)
Amortization of deferred gains	(34,458,264.05)	(23,660,804.77)
Financing costs/(gains)	13,004,786.46	4,563,040.98
Investment losses/(gains)	(810,494,287.42)	(442,546,829.86)
(Increase)/decrease in deferred tax assets, net of increase	(31,136,937.70)	7,447,413.04
(Increase)/decrease in inventories, net of increase	(197,216,140.07)	(361,635,154.43)
(Increase)/decrease in operating receivables, net of increase	(4,997,687,596.49)	(932,006,796.29)
Increase/(decrease) in operating payables, net of decrease	4,018,666,694.67	1,571,797,032.50
Net cash flows from operating activities	4,004,967,603.81	3,567,164,593.59
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	3,601,505,562.66	3,775,429,524.51
Less: Cash balance at the beginning of the year	3,775,429,524.51	961,977,227.28
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	(173,923,961.85)	2,813,452,297.23

(2) Components of cash and cash equivalents

Item	2012	RMB 2011
1. Cash	3,601,505,562.66	3,775,429,524.51
Of which: Cash in hand	1,085,226.98	1,175,747.17
Bank deposits readily available for payment	3,600,420,335.68	3,774,253,777.34
Other cash and bank balances readily available for payment	—	—
2. Cash and cash equivalent balance as at the end of the year	3,601,505,562.66	3,775,429,524.51

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

22. Related party transactions

(1) Purchases of raw materials and components

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2012	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Purchase	Purchases of raw materials	Mutually agreed price	11,965,604,896.06	57.90
Jointly controlled entities of the Company	Purchase	Purchases of raw materials	Mutually agreed price	183,446,673.32	0.89
Associates of the Company	Purchase	Purchases of raw materials	Mutually agreed price	48,492,213.72	0.23

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2011	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Purchase	Purchases of raw materials	Mutually agreed price	10,012,550,408.88	56.98
Jointly controlled entities of the Company	Purchase	Purchases of raw materials	Mutually agreed price	130,352,556.74	0.74
Associates of the Company	Purchase	Purchases of raw materials	Mutually agreed price	68,651,840.47	0.39
Other related parties of the Company	Purchase	Purchases of raw materials	Mutually agreed price	91,227,681.49	0.52

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

(continued)

22. Related party transactions (continued)**(2) Sales of automobiles and components and parts**

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2012	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	34,747,990,007.92	84.40
Jointly controlled entities of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	95,678.67	—
Associates of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	7,386.12	—
Other related parties of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	731,111.12	—

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2011	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	23,557,394,181.60	80.88
Jointly controlled entities of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	3,118.66	—
Other related parties of the Company	Sales	Sales of automobiles or components and parts	Mutually agreed price	9,546,346.73	0.03

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

22. Related party transactions (continued)

(3) Purchases of fixed assets and construction in progress

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2012	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	8,167,983.33	0.19
Jointly controlled entities of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	19,075,955.56	0.44
Other related parties of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	588,826.07	0.01

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making Procedure	2011	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	15,288,787.62	0.51
Other related parties of the Company	Purchases of fixed assets and construction in progress	Purchases of fixed assets and construction in progress	Mutually agreed price	5,284,153.88	0.18

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

(continued)

22. Related party transactions (continued)**(4) Sales of fixed assets**

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2012	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Sales of fixed assets	Sales of fixed assets	Mutually agreed price	2,300,558.83	31.34

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2011	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Sales of fixed assets	Sales of fixed assets	Mutually agreed price	5,628,171.22	61.09

(5) Acceptance of services

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2012	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	129,999,596.31	77.35
Other related parties of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	38,089.74	0.02

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2011	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	71,328,414.31	78.66
Other related parties of the Company	Acceptance of services	Acceptance of services	Mutually agreed price	428,859.04	0.47

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

22. Related party transactions (continued)

(6) Rendering of services

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making Procedure	2012	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Rendering of services	Rendering of services	Mutually agreed price	39,871,947.96	67.46
Jointly controlled entities of the Company	Rendering of services	Rendering of services	Mutually agreed price	852,201.13	1.44

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making Procedure	2011	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Rendering of services	Rendering of services	Mutually agreed price	25,123,783.78	55.17
Jointly controlled entities of the Company	Rendering of services	Rendering of services	Mutually agreed price	50,034.72	0.11
Other related parties of the Company	Rendering of services	Rendering of services	Mutually agreed price	105,939.10	0.23

(7) Claims and others

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2012	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Claims and others	Claims and others	Mutually agreed price	(14,108,275.19)	(31.52)
Jointly controlled entities of the Company	Claims and others	Claims and others	Mutually agreed price	(559,108.33)	(1.5)
Associates of the Company	Claims and others	Claims and others	Mutually agreed price	58,653.11	0.13
Other related parties of the Company	Claims and others	Claims and others	Mutually agreed price	3,310,711.34	7.40

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

(continued)

22. Related party transactions (continued)**(7) Claims and others** (continued)

RMB

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2011	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Claims and others	Claims and others	Mutually agreed price	4,029,572.42	31.81
Jointly controlled entities of the Company	Claims and others	Claims and others	Mutually agreed price	604,096.85	4.77
Associates of the Company	Claims and others	Claims and others	Mutually agreed price	757,672.57	5.98
Other related parties of the Company	Claims and others	Claims and others	Mutually agreed price	301,389.61	2.38

(8) Purchase of intangible assets

Related party	Category of related party transaction	Related party transaction	Pricing and decision making procedure	2011	
				Amount	Percentage of total amount (%)
Subsidiaries of the Company	Purchase of intangible assets	Purchase of intangible assets	Mutually agreed price	158,720,000.00	100.00

(9) Emolument of key management

RMB'000

Item	2012	2011
Emolument of key management	13,839	13,113

Notes to the Financial Statements

For the year ended 31 December 2012

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

(continued)

23. Receivables and payables of related parties

Item	Related party	RMB	
		31/12/2012	31/12/2011
Trade receivables	Subsidiaries of the Company	608,593,739.25	834,015,877.07
Subtotal:		608,593,739.25	834,015,877.07
Other receivables	Subsidiaries of the Company	23,551,393.40	2,323,624.87
Subtotal:		23,551,393.40	2,323,624.87
Prepayment	Subsidiaries of the Company	99,814,098.14	176,385,960.39
Subtotal:		99,814,098.14	176,385,960.39
Bills receivable	Subsidiaries of the Company	4,578,000.00	1,625,542,788.83
Subtotal:		4,578,000.00	1,625,542,788.83
Dividends receivable	Subsidiaries of the Company	158,242,274.24	73,042,279.17
Dividends receivable	Jointly controlled entities of the Company	15,280,463.03	—
Subtotal:		173,522,737.27	73,042,279.17
Trade payables	Subsidiaries of the Company	2,953,686,183.41	2,124,391,117.74
Trade payables	Jointly controlled entities of the Company	85,140,542.09	80,238,777.39
Trade payables	Associates of the Company	—	20,349,503.49
Trade payables	Other related parties of the Company	303,216.78	469,371.21
Subtotal:		3,039,129,942.28	2,225,448,769.83
Other payables	Subsidiaries of the Company	572,984.16	—
Other payables	Jointly controlled entities of the Company	800.00	—
Other payables	Other related parties of the Company	8,366,658.46	9,749,117.78
Subtotal:		8,940,442.62	9,749,117.78
Advances from customers	Subsidiaries of the Company	2,228,155,353.95	1,816,465,300.45
Advances from customers	Other related parties of the Company	34,000.00	34,000.00
Subtotal:		2,228,189,353.95	1,816,499,300.45
Bills payable	Subsidiaries of the Company	23,520,000.00	491,095,000.00
Bills payable	Jointly controlled entities of the Company	—	2,100,000.00
Bills payable	Associates of the Company	—	8,600,000.00
Bills payable	Other related parties of the Company	—	120,000.00
Subtotal:		23,520,000.00	501,915,000.00

XI. APPROVAL OF THE FINANCIAL STATEMENTS

The company and consolidated financial statements of the Company had been approved by the Board of Directors of the Company on 21 March 2013.

Supplementary Information

For the year ended 31 December 2012

(I) Supplementary Information

1. Breakdown of extraordinary gains and losses

Item	RMB	
	2012	2011
Profit or loss from disposal of non-current assets	13,163,733.99	887,124.70
Government grants accounted for in profit and loss account of the current period (except for government grants closely related to the corporate business that were given under at a fixed standard amount or quantity as stipulated by the State)	122,351,085.11	62,322,811.50
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	20,311,207.32
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	12,080,241.10	3,105,425.80
Gains from the equity in acquiree already held before the date of acquisition and measured at fair value	5,026,762.03	9,297,384.94
Gains (losses) from changes in fair value	10,473,607.26	3,131,156.00
Non-operating gains and losses other than the above items	36,861,440.97	35,276,560.79
Effect of income tax	(31,851,608.38)	(19,304,516.50)
Effect of minority interests (after tax)	(275,543.13)	(1,209,140.93)
Total	173,088,085.59	113,818,013.62

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)".

Supplementary Information

For the year ended 31 December 2012

(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.

2012	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	29.88	1.87	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	29.11	1.81	N/A
2011	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to holders of ordinary shares of the Company	27.83	1.22	N/A
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	27.03	1.18	N/A

(II) Supplementary Information (continued)**3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons**

Items of consolidated balance sheet as at 31 December 2012 with relatively material changes as compared with that as at 31 December 2011 are set forth below:

Item		2012.12.31	2011.12.31	Unit: RMB Change (%)
Held-for-trading financial assets	(1)	11,651,307.26	1,177,700.00	889.33
Bills receivables	(2)	14,790,887,422.30	8,702,977,854.66	69.95
Other current assets	(3)	60,330,465.60	95,896,929.73	(37.09)
Long-term equity investments	(4)	41,841,473.15	70,038,060.49	(40.26)
Construction in progress	(5)	4,989,704,197.26	3,050,225,885.34	63.58
Trade payable	(6)	8,697,430,801.03	6,033,540,800.73	44.15
Salaries payable	(7)	736,035,068.04	501,866,128.29	46.66
Taxes payable	(8)	537,079,490.65	283,940,139.56	89.15
Other payable	(9)	1,219,640,824.99	852,932,381.01	42.99
Non-current liabilities due within one year	(10)	51,704,662.45	26,458,955.67	95.41
Other current liabilities	(11)	540,227,876.22	266,265,212.39	102.89
Minority interests	(12)	129,125,415.53	284,395,390.98	(54.60)

- (1) As at 31 December 2012, held-for-trading financial liabilities amounted to RMB11.65 million, representing an increase of 889% as compared with 31 December 2011. The increase was mainly due to the growth in fair value of forward foreign exchange contracts.
- (2) As at 31 December 2012, bills receivable amounted to RMB14,790.89 million, representing an increase of 70% as compared with 31 December 2011. The increase was due to the increase of the domestic sales.
- (3) As at 31 December 2012, other current assets amounted to RMB60.33 million, representing a decrease of 37% as compared with 31 December 2011. The increase was mainly due to the decrease of taxes to be credited.
- (4) As at 31 December 2012, long-term equity investments amounted to RMB41.84 million, representing a decrease of 40% as compared with 31 December 2011. The decrease was mainly due to the acquisition of Baoding Xinchang which was formerly the Company's jointly controlled entity, and the jointly controlled entity Yanfeng Johnson distributed dividends.
- (5) As at 31 December 2012, construction in progress amounted to RMB4,989.7 million, representing an increase of 64% as compared with 31 December 2011. The increase was mainly due to the proceeds from the issuance of A Shares and the increased investment in other projects during the year.

Supplementary Information

For the year ended 31 December 2012

(I) Supplementary Information (continued)

3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons (continued)

- (6) As at 31 December 2012, trade payable amounted to RMB8,697.43 million, representing an increase of 44% as compared with 31 December 2011. The increase was mainly due to the increase of purchasing raw materials.
- (7) As at 31 December 2012, salaries payable amounted to RMB736.04 million, representing an increase of 47% as compared with 31 December 2011. The increase was mainly due to the increase in number of staff and salary and bonus during the year.
- (8) As at 31 December 2012, taxes payable amounted to RMB537.08 million, representing an increase of 89% as compared with 31 December 2011. The increase was mainly due to the increase of enterprise income tax payable resulting from the increase of profits during the year.
- (9) As at 31 December 2012, other payable amounted to RMB1,219.64 million, representing an increase of 43% as compared with 31 December 2011. The increase was mainly due to the increase of payables for construction equipment resulting from the increase of projects under construction.
- (10) As at 31 December 2012, non-current liabilities due within one year amounted to RMB51.70 million, representing an increase of 95% as compared with 31 December 2011. The increase was mainly due to the amortization of industrial policy supporting fund during the year.
- (11) As at 31 December 2012, other current liabilities amounted to RMB540.23 million, representing an increase of 103% as compared with 31 December 2011. The increase was mainly due to the increase of the provisions for after-sale service fees resulting from the increase of sales volume of the newly introduced cars and more times free maintenance services.
- (12) As at 31 December 2012, minority interests amounted to RMB129.13 million, representing a decrease of 55% as compared with 31 December 2011. The decrease was mainly due to the acquisition of minority interests.

(I) Supplementary Information (continued)**3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons** (continued)

Items of consolidated income statement for twelve months ended 31 December 2012 with relatively material changes as compared with that for the year ended 31 December 2011 are set forth below:

Item		2012	2011	Unit: RMB Change (%)
Operating income	(1)	43,159,966,648.39	30,089,476,665.00	43.44
Operating costs	(1)	31,561,501,368.09	22,593,797,877.09	39.69
Business tax and surcharges	(2)	1,594,765,114.98	1,052,324,859.69	51.55
Selling expenses	(3)	1,656,352,069.11	1,192,712,451.22	38.87
Administrative expenses	(4)	1,743,699,625.96	1,283,873,003.63	35.82
Financial expenses	(5)	(105,325,665.78)	(22,934,689.66)	359.24
Impairment loss on assets	(6)	75,368,926.38	5,337,965.76	1,311.94
Gains or losses from changes in fair value	(7)	10,473,607.26	3,131,156.00	234.50
Non-operating income	(8)	220,570,848.24	126,307,643.49	74.63
Non-operating expenses	(9)	42,936,221.53	7,509,939.18	471.73
Income tax expenses	(10)	1,118,964,991.48	619,998,434.10	80.48

- (1) Operating income and operating costs in 2012 amounted to RMB43,159.67 million and RMB31,561.50 million respectively, representing an increase of 43% and 40% respectively as compared with 2011. The increase in operating income was mainly due to the increase in Tianjin branch's production capacity and the Group's sales volume.
- (2) Business tax and surcharges in 2012 amounted to RMB1,594.77 million, representing an increase of 52% as compared with 2011. The increase in business tax and surcharges was mainly due to the increase in sales volume.
- (3) Selling expenses in 2012 amounted to RMB1,656.35 million, representing an increase of 39% as compared with 2011. The increase was mainly due to the increase of transportation fees and after-sale service fees resulting from the increase of sales volume.
- (4) Administrative expenses in 2012 amounted to RMB1,743.70 million, representing an increase of 36% as compared with 2011. The increase was mainly due to the increase in technology development expenses during the year.
- (5) Financial expenses in 2012 amounted to RMB105.33 million, representing an increase of 359% as compared with 2011. The increase was mainly due to the increase in interest income during the year.
- (6) Impairment loss on assets in 2012 amounted to RMB75.37 million, representing an increase of 1312% as compared with 2011. The increase was mainly due to the provision for the impairment on related special moulds and fixtures quit the market during the year.
- (7) Gains from changes in fair value in 2012 amounted to RMB10.47 million, representing a increase of 234% as compared with 2011. The increase was mainly due to the increase in fair value of forward foreign exchange contracts.

Supplementary Information

For the year ended 31 December 2012

(I) Supplementary Information (continued)

3. Irregular movements in major items of the accounting statements of the Group and explanation on their reasons (continued)

- (8) Non-operating income in 2012 amounted to RMB220.57 million, representing an increase of 75% as compared with 2011. The increase was mainly due to the disposal of land ownership and government grants during the year.
- (9) Non-operating expenses in 2012 amounted to RMB42.94 million, representing an increase of 472% as compared with 2011. The increase was mainly due to the provision for the impairment on related special mould of parts of car models quite the market during the year.
- (10) Income tax expenses in 2012 amounted to RMB1,118.96 million, representing an increase of 80% as compared with 2011. The increase was mainly due to the increase of sales and profit margin during the year resulting in the increase in taxable income.

The supplemental information provided by the management was endorsed by the following representatives of Great Wall Motor Company Limited on 21 March 2013:

Legal Representative:

General Manager:

Chief Financial Officer:

Head of Financial Department:

21 March 2013





長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*