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**Auditor's Report**  
**Xiamen King Long United Automotive**  
**Industry Co., Ltd**  
**For the year ended 31 December 2018**

**Grant Thornton**



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(English Translation for Reference Only)

## Auditor's Report

GTCSZ (2019) No. 350FC1463

To the Board of Directors of Xiamen King Long United Automotive Industry Co., Ltd:

### Opinion

We have audited the financial statement of Xiamen King Long United Automotive Industry Co., Ltd (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

### Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* Section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountant (Ethics Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we fulfilled our other ethical responsibilities in accordance with these requirements and the Ethics Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charge with Governance for the Financial Statement

Management of the Company is responsible for the preparation and fair presentation of the financial statement in accordance with Accounting Standards for Business Enterprises, and for such internal control as management determines in necessary to



enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statement**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, further events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



April 3<sup>rd</sup>, 2019



## Balance Sheet

Prepared by: Xiamen King Long United Automotive Industry Co., Ltd

As at 31 December 2018

Expressed in RMB

Item	Note	As at 31/12/2018	As at 31/12/2017
<b>Current assets:</b>			
Cash at bank and on hand	V、 1	948,087,029.30	1,320,306,903.06
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable and Accounts receivable	V、 2		
Prepayments	V、 3	4,345,634,242.67	4,113,091,729.71
Other receivables	V、 4	10,867,999.68	10,944,333.62
Inventories	V、 5	65,710,391.99	691,298,477.32
Assets held for sale		451,746,876.98	321,418,325.50
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>	V、 6	145,846,563.51	593,101,898.80
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investments	V、 7	1,800,000.00	2,227,500.00
Long-term receivables			
Long-term equity investments			
Investment properties	V、 8	888,110,819.23	189,458,649.23
Fixed assets			
Construction in progress	V、 9	555,110,238.99	496,449,344.71
Productive biological assets	V、 10	7,963,649.61	5,019,372.54
Oil and gas assets			
Intangible assets			
Development costs	V、 11	82,835,618.70	87,985,065.67
Goodwill			
Long-term deferred expenses			
Deferred tax assets	V、 12	16,944,271.22	4,975,161.51
Other non-current assets	V、 13	160,533,029.00	169,846,830.13
<b>Total non-current assets</b>	V、 14	12,489,995.21	11,846,339.00
<b>Total assets</b>		1,725,787,621.96	967,808,262.79
		7,693,680,726.09	8,017,969,930.80

Legal representative:

The person in charge of accounting affairs:



## Balance Sheet(continued)

Prepared by: Xiamen King Long United Automotive Industry Co., Ltd

As at 31 December 2018

Expressed in RMB

Item	Note	As at 31/12/2018	As at 31/12/2017
<b>Current liabilities:</b>			
Short-term loans	V、 15	700,000,000.00	
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payable and Accounts payable	V、 16	3,950,554,649.16	4,268,902,445.61
Advances from customers	V、 17	177,813,491.94	143,271,659.97
Employee benefits payable	V、 18	91,469,847.06	137,387,617.91
Taxes payable	V、 19	16,519,101.20	25,403,925.28
Other payables	V、 20	279,753,695.63	693,967,719.56
Liabilities held for sale			
Non-current liabilities due within one year	V、 21	132,182.85	308,186,567.52
Other current liabilities			
<b>Total current liabilities</b>		5,216,242,967.84	5,577,119,935.85
<b>Non-current liabilities:</b>			
Long-term loans			
Debentures payable			
Long-term payables	V、 22	29,856,680.72	29,509,168.17
Long-term employee benefits payable			
Provisions	V、 23	356,446,579.14	404,331,226.97
Deferred income	V、 24	78,090,560.83	88,873,083.78
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		464,393,820.69	522,713,478.92
<b>Total liabilities</b>		5,680,636,788.53	6,099,833,414.77
<b>Shareholders' equity:</b>			
Share capital	V、 25	928,000,000.00	928,000,000.00
Capital reserve	V、 26	11,971,149.21	11,971,149.21
Less:treasury shares			
Other comprehensive income	V、 27	475,084.97	
Specific reserve	V、 28	16,648,004.70	14,731,951.74
Surplus reserve	V、 29	379,626,219.75	361,122,963.03
Retained earnings	V、 30	676,323,478.93	602,310,452.05
Total equity attributable to shareholders of the Company		2,013,043,937.56	1,918,136,516.03
Non-controlling interests			
Total shareholders' equity		2,013,043,937.56	1,918,136,516.03
<b>Total liabilities and shareholders' equity</b>		7,693,680,726.09	8,017,969,930.80

Legal representative:

The person in charge of accounting affairs:



## Income Statement

Prepared by: Xiamen King Long United Automotive Industry Co., Ltd

For the year ended 31 December 2018

Expressed in RMB

Item	Note	Year ended 31/12/2018	Year ended 31/12/2017
<b>I. Operating income</b>			
Less: operating costs	V、 31	6,579,654,726.53	6,876,796,931.78
Taxes and surcharges	V、 31	5,763,529,544.62	5,939,112,237.89
Selling and distribution expenses	V、 32	49,838,842.91	63,001,039.00
General and administrative expenses	V、 33	329,315,528.92	379,055,346.82
Research and development expenses	V、 34	143,334,690.60	134,234,188.85
Financial expenses	V、 35	234,265,474.90	263,061,427.06
Including: Interest expenses	V、 36	-44,456,065.90	33,878,853.36
Interest income	V、 36	38,099,221.91	20,034,057.70
Impairment losses	V、 36	48,495,685.23	53,302,016.27
Add: Other income	V、 37	47,845,515.30	44,129,170.72
Investment income ("-" for losses)	V、 40	36,485,679.29	32,240,639.65
Including: Income from investment in associates and joint ventures	V、 38	-14,831,115.66	57,885,754.06
Gains from changes in fair value ("-" for losses)			
Gains from assets disposal ("-" for losses)	V、 39	-336,110.79	40,865.46
<b>II. Operating profit ("-" for losses)</b>		77,299,648.02	110,491,927.25
Add: Non-operating income	V、 41	8,583,687.53	3,536,818.81
Less: Non-operating expenses	V、 42	-15,946,749.18	-32,389,905.30
<b>III. Profit before income tax ("-" for losses)</b>		101,830,084.73	146,418,651.36
Less: Income tax expenses	V、 43	9,313,801.13	12,752,098.43
<b>IV. Net profit for the year ("-" for losses)</b>		92,516,283.60	133,666,552.93
<b>(1) Classification according to operation continuity</b>			
Including: Net profit from continuing operations ("-" for net loss)		92,516,283.60	133,666,552.93
Net profit from discontinued operations ("-" for net loss)			
<b>(2) Classification according to attribute</b>			
Including: Shareholders of the company			
Non-controlling interests			
<b>V. Other comprehensive income, net of tax</b>		475,084.97	
Other comprehensive income (net of tax) attributable to shareholders of the company			
A. Items that will not be reclassified to profit or loss			
B. Items that may be reclassified to profit or loss		475,084.97	
a. Gains or losses arising from changes in fair value of available-for-sale financial assets		475,084.97	
Other comprehensive income (net of tax) attributable to non-controlling interests			
<b>VI. Total comprehensive income for the year</b>		92,991,368.57	133,666,552.93
Attributable to:			
Shareholders of the company			
Non-controlling interests			
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:

The person in charge of accounting affairs:





## Cash Flow Statement

Prepared by: Xiamen King Long United Automotive Industry Co., Ltd

For the year ended 31 December 2018

Expressed in RMB

Item	Note	Year ended 31/12/2018	Year ended 31/12/2017
<b>I. Cash flows from operating activities</b>			
Proceeds from sales of goods or rendering of services		8,126,499,246.67	5,552,115,821.12
Refund of taxes		234,169,764.74	240,920,312.03
Proceeds from other operating activities		1,027,021,824.49	617,621,615.64
Subtotal of cash inflows		9,387,690,835.90	6,410,657,748.79
Payment for goods and services		7,811,458,055.12	5,098,110,781.87
Payment to and for employees		713,461,158.15	639,281,671.09
Payments of various taxes		73,542,898.58	164,328,255.91
Payment for other operating activities		953,892,708.73	1,277,606,624.91
Subtotal of cash outflows		9,552,354,820.58	7,179,327,333.78
<b>Net cash flows from operating activities</b>		-164,663,984.68	-768,669,584.99
<b>II. Cash flows from investing activities</b>			
Proceeds from disposal of investments		260,427,500.00	3,503,000,000.00
Investment returns received			
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		19,678,534.34	57,885,754.06
Net proceeds from disposal of subsidiaries and other business units		453,302.95	876,707.81
Sub-total of cash inflows		280,559,337.29	3,561,762,461.87
Payment for acquisition of fixed assets, intangible assets and other long-term assets		121,314,639.10	69,169,811.71
Payment for acquisition of investments		1,033,652,170.00	3,338,000,000.00
Net payment for acquisition of subsidiaries and other business units			
Payment for other investing activities		34,509,650.00	
Sub-total of cash outflows		1,189,476,459.10	3,407,169,811.71
<b>Net cash flows from investing activities</b>		-908,917,121.81	154,592,650.16
<b>III. Cash flows from financing activities</b>			
Proceeds from investors			
Including: Proceeds from non-controlling shareholders of subsidiaries			
Proceeds from borrowings		763,294,000.00	
Proceeds from issuance of debentures			
Proceeds from other financing activities			
Sub-total of cash inflows		763,294,000.00	
Repayments of borrowings		358,294,000.00	200,000,000.00
Payment for dividends, profit distributions or interest		236,585,938.17	12,485,548.62
Including: Dividends and profits paid to non-controlling shareholders of subsidiaries			
Payment for other financing activities			
Including: Payment to non-controlling shareholders of subsidiaries for capital reduction			
Sub-total of cash outflows		594,879,938.17	212,485,548.62
<b>Net cash flows from financing activities</b>		168,414,061.83	-212,485,548.62
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		35,629,693.30	-61,527,502.14
<b>V. Net increase in cash and cash equivalents</b>		-869,537,351.36	-888,089,985.59
Add: Cash and cash equivalents as at 31/12/2017		1,748,947,703.49	2,637,037,689.08
<b>VI. Cash and cash equivalent as at 31/12/2018</b>		879,410,352.13	1,748,947,703.49

Legal representative:

The person in charge of accounting





## Statement of Changes in Shareholders' Equity

Prepared by: Nannan King Long United Automotive Industry Co., Ltd

Item	For the year ended 31 December 2018					Total		
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Specific reserve		Surplus reserve	Retained earnings
I. Balance at 31/12/2017	928,000,000.00	11,971,149.21			14,731,951.74	361,122,963.03	602,310,452.05	1,918,136,516.03
Add: Changes in accounting policies								
Correction of prior period errors								
Others								
II. Balance at 01/01/2018	928,000,000.00	11,971,149.21			14,731,951.74	361,122,963.03	602,310,452.05	1,918,136,516.03
III. Changes in equity during the year( " - " for decrease)				475,084.97	1,916,052.96	18,503,256.72	74,013,026.88	94,907,421.53
(0) Total comprehensive income				475,084.97				
(1) Shareholders' contributions and decrease of capital								
1. Contribution by ordinary shareholders								
2. Equity settled share-based payments								
3. Others								
(11) Appropriation of profits								
1. Appropriation for surplus reserves								
2. Distributions to shareholders								
3. Others								
(1V) Transfer within equity								
1. Share capital increased by capital reserves transfer								
2. Share capital increased by surplus reserves transfer								
3. Transfer of surplus reserve to offset losses								
4. Others								
(V) Specific Reserve								
1. Appropriation during the year					1,916,052.96			
2. Liquidation during the year					7,838,398.44			
(V) Others					-5,922,345.48			
IV. Balance at 31/12/2018	928,000,000.00	11,971,149.21		475,084.97	16,648,004.70	379,626,219.75	676,323,478.93	2,013,043,937.56

person in charge of accounting affairs:

Legal representative:



# Statement of Changes in Shareholders' Equity(continued)

Prepared by: Xiamen King Long United Automotive Industry Co., Ltd

For the year ended 31 December 2018  
Year ended 31/12/2017

Expressed in RMB

Item	Share capital	Capital reserve	Less:treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Total
<b>I. Balance at 31/12/2017</b>	928,000,000.00	11,971,149.21			10,092,059.46	334,389,652.45	495,377,209.70	1,779,830,070.82
Add: Changes in accounting policies Correction of prior period errors Others								
<b>II. Balance at 01/01/2018</b>	928,000,000.00	11,971,149.21			10,092,059.46	334,389,652.45	495,377,209.70	1,779,830,070.82
<b>III. Changes in equity during the year("-" for decrease)</b>								
(I) Total comprehensive income								
(II) Shareholders' contributions and decrease of capital								
1. Contribution by ordinary shareholders								
2. Equity settled share-based payments								
3. Others								
(III) Appropriation of profits								
1. Appropriation for surplus reserves								
2. Distributions to shareholders								
3. Others								
(IV) Transfer within equity								
1. Share capital increased by capital reserves transfer								
2. Share capital increased by surplus reserves transfer								
3. Transfer of surplus reserve to offset losses								
4. Others								
(V) Specific Reserve								
1. Appropriation during the year								
2. Utilisation during the year								
(VI) Others								
<b>IV. Balance at 31/12/2018</b>	928,000,000.00	11,971,149.21			14,731,951.74	361,122,963.03	602,310,452.05	1,918,136,516.03

Legal representative:

The person in charge of accounting affairs:

