



**Chongqing Changan Automobile  
Company Limited**

**2018 Annual Report**

**April, 2019**

## Chapter 1 Important Notice, Contents, and Definitions

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of our company hereby guarantee that no false or misleading statement or major omission was made to the materials in this report and that they will assume all the responsibilities, individually and jointly, for the trueness, accuracy and completeness of the contents of this report.

The Chairman of the Board Zhang Baolin, the Chief Financial Officer Zhang Deyong and the responsible person of the accounting institution (Accountant in charge) Chen Jianfeng hereby declare that the Financial Statements enclosed in this annual report are true, accurate and complete.

Except the following directors, all the directors attended the board meeting for reviewing the annual report.

The name of the directors absent	Positions	Reasons for the absence	Name of the consignee
Zhu Huarong	Directors	Business trip	Zhang Deyong
Zhou zhiping	Directors	Business trip	Zhang Dongjun
Tan Xiaogang	Directors	Business trip	Zhang Deyong
Liu Jipeng	Independent Directors	Business trip	Wei Xinjiang
Li Qingwen	Independent Directors	Business trip	Pang Yong

The prospective description regarding future business plan and development strategy in this report does not constitute virtual commitment. The investors shall pay attention to the risk.

The preplan profit distribution of the Company deliberated and approved by the Board is: taking the total shares 4,802,648,511 as of Dec. 31, 2018 as the radix, sending cash dividends of RMB 0.18 Yuan (tax included) per every 10 shares to all shareholders, and not converting capital reserve into share capital.

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## Definitions

Items		Definitions
Changan Auto., the Company	Refers to	Chongqing Changan Automobile Company Limited
South Industries	Refers to	China South Industries Group Co., Ltd., the Company's actual controller
China Changan	Refers to	China Changan Automobile Group Co., Ltd., old name: China South Industries automobile Co., Ltd., a subsidiary company of South Industries
Changan Industry	Refers to	Chongqing Changan Industry (Group) Co., Ltd., old name: Changan Automobile Co., Ltd., Changan Automobile (Group) Co., Ltd., a subsidiary company of South Industries, the controlling shareholder of the Company before December, 2005
Nanjing Changan	Refers to	Nanjing Changan Automobile Co., Ltd., a subsidiary company of the Company
Hebei Changan	Refers to	Hebei Changan Automobile Co., Ltd., a subsidiary company of the Company
Hefei Changan	Refers to	Hefei Changan Automobile Co., Ltd., a subsidiary company of the Company
Changan Bus	Refers to	Baoding Changan Bus Co., Ltd. , a subsidiary company of the Company
International Company	Refers to	Chongqing Changan Automobile International Sale Service Co., Ltd. , a subsidiary company of the Company
Changan Suzuki	Refers to	Chongqing Changan Suzuki Auto. Co.Ltd., a subsidiary company of the Company
Changan Ford	Refers to	Changan Ford Automobile Co. Ltd., a JV of the Company
Changan Mazda	Refers to	Changan Mazda Automobile Co. Ltd, a JV of the Company
CME	Refers to	Changan Mazda Engine Co. Ltd, a JV of the Company
CAPSA	Refers to	Changan PSA Automobiles Co., Ltd, a JV of the Company
Jiangling Holding	Refers to	Jiangling Holding Co., a JV of the Company
Changan Finance	Refers to	Changan Auto Finance Co.Ltd Company's Joint Stock Company
Financial Co. of CSGC	Refers to	Financial Co. of China South Industries Group Co., Ltd. ,
UPI	Refers to	United Prosperity (Hong Kong)Investment Co., Ltd,a subsidiary company of China Changan
Hafei Group	Refers to	Harbin Hafei Automobile Industry Group Co., Ltd., a subsidiary company of China Changan
CMAL	Refers to	Chongqing Changan Minsheng APLL Logistics Co., Ltd, a Joint Stock Company of China Changan.

## Chapter 2 Company Profile & Main Financial Indexes

### I. Basic Information

Stock abbreviation	Changan Automobile 、Changan B	Stock Code	000625、200625
Listed on	Shenzhen Stock Exchange		
Company name in Chinese	重庆长安汽车股份有限公司		
Company abbreviation in Chinese name	长安汽车		
Company name in English	Chongqing Changan Automobile Company Limited		
Legal representative	Zhang Baolin		
Registered address	No. 260, East Jianxin Road Jiangbei District, Chongqing		
Post code of the registered address	400023		
Office address	No. 260, East Jianxin Road, Jiangbei District, Chongqing		
Post code of the office address	400023		
Website	<a href="http://www.changan.com.cn">http://www.changan.com.cn</a>		
E-mail address	<a href="mailto:cazqc@changan.com.cn">cazqc@changan.com.cn</a>		

### II. Contact Information

	Secretary of the Board of Directors	Securities affairs representative
Name	Li Jun	
Contact address	No. 260, East Jianxin Road, Jiangbei District, Chongqing	
TEL:	023-67594008	
FAX:	023-67866055	
E-mail address	<a href="mailto:cazqc@changan.com.cn">cazqc@changan.com.cn</a>	

### III. Information Disclosure and Filing Site

Newspaper selected by the Company for information disclosure	China Securities Journal, Securities Daily and Hong Kong Commercial Daily
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Website selected by CSRC for publishing this annual report	www.cninfo.com.cn
The place where this annual report is prepared and kept	Secretary's Office of Board of Directors

#### IV. Changes of Registration Information

Organization Code	9150000020286320X6
Changes in the main business since the company's listing	Not applicable
All previous changes of dominant stockholders	<p>In Dec. 2005, according to the restructuring program on automobile business, the Company's actual controller, China South Industries Group Corporation made transferring of all state-owned shares of the Company as part of funding for China South Industries Automobile Company Limited. In March 2006, all shares held by Changan Group have been transferred to China South Industries Automobile Company Limited. China South Industries Automobile Company Limited became the majority shareholder of the Company, and Changan Group holds zero share since then.</p> <p>In July 2009, with the approval of State Administration for Industry and Commerce, "China South Industries Automobile Company Limited", changed its name to "China Changan Automobile Group Co., Ltd.". With the change of its name, no change occurred in its property, ownership and control relation of the Company.</p>

#### V. Other Relevant Information

The accounting firm employed by the Company:

Name of the accounting firm	Ernst & Young Hua Ming LLP (Special Ordinary Partner)
Address of the accounting firm	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, China
Name of the certified public accountant for signature	Qiao Chun, Hu Yan

The recommendation agency engaged by the Company executing the persistent supervision responsibilities in the reporting period

☐ Applicable ☒ Not applicable

The financial consultant engaged by the Company performing the duties of persistent supervision and guidance in the reporting period

☒ Applicable ☐ Not applicable

Financial Consultant	Address of financial consultant	Name of financial consultant	Supervision duration
Shanghai Realize Investment Consulting Co., Ltd.	No.639,Xinhua Road, Shanghai	Ye Suqin	September 2016 - September 2020

## VI. Summary of Accounting Data and Financial Indexes

Does the company conduct the retrospective adjustment or restatement of previous years accounting data due to changes in accounting policies or accounting errors?

☐ Yes    ☒ No

	2018	2017	Increase/decrease on a y-o-y basis (%)	2016
Operating revenue (Yuan)	66,298,270,389.77	80,012,205,182.37	-17.14%	78,542,441,757.19
Net profit belonging to shareholders of the listed company (Yuan)	680,728,392.03	7,137,234,723.47	-90.46%	10,285,284,120.57
Net profit belonging to shareholders of the listed company after deduction of non-recurring profit and loss (Yuan)	-3,165,070,272.21	5,716,114,648.34	-155.37%	9,448,723,644.17
Net cash flow arising from operating activities (Yuan)	-3,887,475,302.44	-1,123,470,776.83	-246.02%	2,286,551,305.20
Basic earnings per share (Yuan/Share)	0.14	1.49	-90.60%	2.19
Diluted earnings per share (Yuan/Share)	Not applicable	Not applicable	Not applicable	Not applicable
Return on equity (ROE) (%)	1.45%	15.65%	Down 14.20 Points	26.81%
	End of 2018	End of 2017	Increase/decrease of the end of current year compared with that of the previous year (%)	End of 2016
Total assets (Yuan)	93,488,854,098.95	106,125,114,622.69	-11.91%	106,510,473,733.93
Net assets belonging to shareholders of the listed company (Yuan)	46,244,958,676.52	47,598,690,942.28	-2.84%	43,573,812,403.87

**VII. The differences between domestic and international accounting standards**

(1). Simultaneously pursuant to both Chinese accounting standards and international accounting standards disclosed in the financial reports of differences in net income and net assets.

☐ Applicable    ☒ Not applicable

No difference.

(2). Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards.

☐ Applicable    ☒ Not applicable

No difference.

**VIII. Key financial indicators for the quarter**

Unit: Yuan

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Business income	20,010,746,940.77	15,632,085,249.27	14,208,826,200.12	16,446,611,999.61
Net profit attributable to shareholders of listing Corporation	1,391,793,407.67	217,813,171.17	-446,525,102.83	-482,353,083.98
Net profit attributable to shareholders of the listing Corporation after deducting non-recurring gains and losses	896,758,297.55	-201,041,609.14	-711,470,154.01	-3,149,316,806.61
Net cash flows from operating activities	2,636,312,735.66	1,765,089,024.49	-3,477,552,441.10	-4,811,324,621.49

Whether or not the above mentioned financial indicators and the total number of the company has disclosed the major difference between quarterly reports and semi-annual report

☐ Yes    ☒ No

**IX. Non-recurring items and amounts**

☒ Applicable    ☐ Not applicable

Unit: Yuan

Item	2018	2017	2016
Non-recurring items and amounts(including accrued reversal assets impairment part)	8,561,074.73	41,774,452.23	-26,176,073.44
Government subsidies included in the profit and loss of the current period (Except closely related to business operations, in accordance with the national unified standard quota or quantitative enjoyment of government subsidies)	2,873,192,102.56	1,613,343,216.59	864,258,952.35
The investment cost of the enterprise to obtain subsidiaries and joint ventures which is less than the fair value of the identifiable net assets of the investee when the investment is obtained	1,020,821,274.01	-	-
Except the above other operating income and expenses	48,285,737.46	29,262,070.84	53,570,410.76



Interest on deferred payment of funds received by non financial enterprises	29,303,167.73	33,408,866.16	41,300,590.86
Reduction: the impact of income tax	82,007,701.31	188,136,520.19	94,404,693.21
Impact of minority shareholders' equity (after tax)	52,356,990.94	108,532,010.50	1,988,710.92
Total	3,845,798,664.24	1,421,120,075.13	836,560,476.40

According to “Public offering of securities information disclosure of the company's information disclosure announcement No. 1 – non-recurring gains and losses” defined non-recurring items ,and Public offering of securities information disclosure of the company's information disclosure announcement No. 1 - non-recurring gains and losses “The items listed in the non-recurring items defined as recurring items shall be explained .

☐ Applicable    ☒ Not applicable

The company in the reporting period does not base on the definition and listing of “Public offering of securities information disclosure of the company's information disclosure announcement No. 1 – non-recurring gains and losses” about non-recurring gains and losses to define a case of recurring profit or loss.

## Chapter 3 Analysis of Main Business

### I. The main business of the Company in the reporting period

Does the Company need to comply with the disclosure requirements of special industry

☐ Yes ☒ No

During the reporting period, the company's main business is the R&D, manufacturing and sale of cars (including sedan and commercial vehicles), the R&D and production of automobile engine products. Besides, the company integrates advantageous resources to actively develop travel services, new retail and so on and carry out multi-dimensional industrial layout.

Changan automobile always adheres to the mission of "leading the car civilization for the benefit of human life", and the concept of "energy conservation, environmental protection, scientific and technological intelligence", vigorously develops new energy and smart cars, guides the automobile civilization by the use of scientific and technological innovation, and provides customers with high quality products and services. After years of development, the products cover low & middle class, wide range and various series such as sedans, mini cars, buses, trucks, SUV, MPV, including the traditional fuel and new energy models, and the engine platforms from 1.5L to 2.0L. The company owns many famous brands such as Changan passenger car, Oushang automobile, Kaicheng automobile, Changan Ford, Changan Mazda, Changan SUZUKI, Changan PSA and so on. Up to now, the Company has successfully launched a series of classic brands such as Raeton CC, Eado series, Alsvin series, CS series SUV, COS1<sup>®</sup>, Oushang and Honor; a series of famous JV products such as all new Focus, new Mondeo, Kuga, Edge, Axela, CX-5, CX-8, Vitar, Alivio, DS7 and so on. At the same time, we have launched new energy vehicles such as Eado EV, new Benben EV and CS75 PHEV, which are admired by the market and loved by the consumers.

### II. Major changes in assets

#### 1、 Major changes in assets

No significant changes in major assets during the reporting period

#### 2、 Main Overseas Assets

☐ Applicable ☒ Not applicable

### III. Core Competence Analysis

In 2018, Chang'an Automobile set off by "zero in" and officially released the "Third Entrepreneurship-Innovation and Entrepreneurship Plan", which is driven by innovation and renders efficiency into the core competitiveness of the organization, and is committed to transforming into a smart travel technology company. In 2018, Chang'an Automobile invested 3.823 billion yuan in the development of products and technology projects, and continued to build leading R&D capabilities in the industry.

**Speed up R&D, and new products delivery released on schedule.** The new products such as the second-generation Eado, Eado DT, second-generation Eado XT, CS35PLUS, new CS75, new CS55, Keshang, CS75PHEV, and Eado EV 460 were put into production on time. In 2018, the sales number of CS55 reached 165,000; the sales number of CS75 reached 140,000; the sales number of CS35 reached 130,000; the sales number of Eado series reached 126,000; the sales number of new energy vehicles reached 87,000, an year-on-year increase of 42.9 %.

**R&D technology is progressing steadily, and create the "3 + N" technology label.** New energy core technology has made great breakthroughs. Changan made breakthroughs in five key technologies such as energy flow optimization, and the new pure electric products have a low power consumption of 100 kilometers to 10 degrees; The EV 460 was used to complete the 80 km/h rear-end test in a live state to achieve the industry's starting point. The Intelligent technology took the lead in the industry. L2 level integrated adaptive cruise and fully automatic parking technology were applied into the first mass production of Chinese brands. The L3 limited automatic driving technology completed the engineering and entered the phase of mass production. The L4 unmanned

implementation of the first domestic demonstration operation is in the leading position in the industry. We will create three technical labels: "Fashion, Intelligence, and Green", improve collision safety, NVH(noise, vibration and acoustic roughness), CAE(computer-aided engineering), testing, body, chassis, electrical appliances, interior and exterior decoration, lightweight and other new technology capabilities. In the evaluation results of the National Enterprise Technology Center 2017-2018 announced by the National Development and Reform Commission, Chang 'an Automobile ranked third in the country and first in the industry with 96.4 points, and its R&D strength ranked first in China's automotive industry for 5 consecutive years.

**The R&D system is continuously improved and the management process is continuously optimized.** We will optimize the design of top-level structures, push forward the matrix transformation in research and development, and set up the "7 institutes and 2 departments". We will focus on breakthroughs in intelligent technology, new energy technology, and product experience design, and innovate and enhance R&D capabilities. The first phase of the Changan Automobile Global R&D Center, which is the global R&D hub of Changan Automobile, basically completed with admissions of The R&D department in 2019. The R&D process system gradually extends and covers business processes such as pre-products, pre-technologies, product platforms, and pre-modeling. Changan automobile was granted as Chongqing Outstanding Innovative Enterprise in 2018 and Chongqing Smart Network United Automobile Technology Innovation Center.

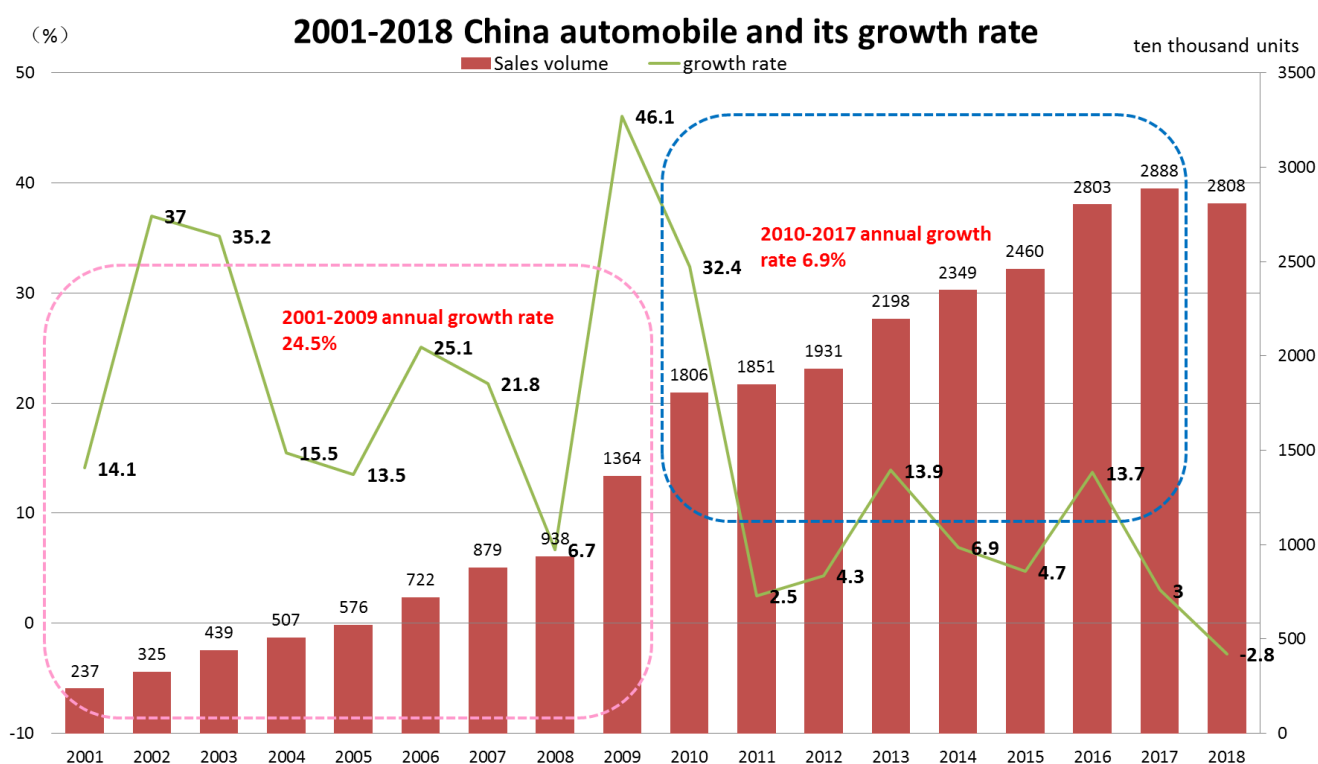
**R&D and innovations are fruitful.** There were 1,093 patent applications throughout the year, of which 401 were filed for invention patents. As of 2018, Changan automobile had 1,225 valid invention patents. The "Key Technologies and Industrialization of Auto Double Clutch Automatic Transmission (DCT)" and "Development and Application of New Energy Vehicle Functional Safety Technology" won 9 awards in the Automotive Engineering Society Science and Technology Progress Award. The total number of winners ranked first in the automobile industry. The H15TG-AA engine won the 2018 China Top Ten Engine Award; the new CS75 has won four + + + +(excellent) highest rated models in the evaluation of China's smart car index; Raeton CC won the "Red Point Design Award" with "high color value" and "warm enough" product design. Raeton CC won the new five-star performance under the C-NCAP standard of the 2018 edition and became the first safety practitioner under the new standard.; The new CS75, the new CS35PLUS, Raeton CC, and the second-generation Eado were assembled to defeat 39 autonomous and joint venture brands with a strong performance of 23 crowns in the China Mass Production Performance Competition (CCPC), which demonstrates the strength and style of Chang 'an Automobile as the leader of Chinese automobile brand industry. Supported by advanced technology, Chang 'an Automobile successfully challenged the Guinness World Record TM honor- the largest auto-driving vehicle parade and became the world's first car brand to successfully create this record.

**The brand is advancing steadily and the brand structure is clear.** Chang'an Automobile implemented a multi-brand strategy, formally released the four major business brands of Chang 'an Passenger Car, Middle-end Passenger Car, Oushang Automobile, and Kaicheng Automobile, carried out brand structure landing projects, clarified market segmentation and development paths, and accelerated collaborative development; Chang'an Automobile accelerated the promotion of Chang'an passenger car "brand upward", focus on building brand positioning, brand constitution, enterprise identification system and business processes and other brand planning and management systematization work; We will deepen brand research, strengthen data-driven operations, and enhance brand asset management and management capabilities. In the "2018 China Brand Value Evaluation Information" issued by the State Administration of Market Supervision and Administration, Chang 'an Automobile ranked second in the Chinese brand value automobile industry with 35.835 billion yuan.

## Chapter 4 Business Discussion and Analysis

### I、Overview

The year 2018 coincided with the 40th anniversary of China's reform and opening up. During the period, China achieved the largest economic transformation and social development. As an important pillar industry of the country, the automobile industry has become the world's largest automobile market for 10 consecutive years and has achieved remarkable achievements. In 2018, the automobile industry carried out the decisions of the Communist Party Central Committee and the State Council, insisted on the overall key tone of the steady progress, regarded the supply side structural reform as the main line, actively promoted the industrial transformation and upgrading, pushed forward the strategy of innovation driven development and promoted the high quality development of the industry. In 2018, China's economy has shifted from a high-speed growth phase to a high-quality development phase, while facing a complex and severe external situation. Affected by policy factors and macroeconomics, the Chinese auto market has ended its growth momentum of the past 28 years. The cumulative sales volume of the whole year was 28.081 million units, down 2.8% year-on-year, and the growth rate was 5.8 percentage points lower than the previous year. 23.71 million units of Passenger cars were sold, down by 4.1% year-on-year. Among them, the SUV fell by 2.5% year-on-year, a sharp drop from 2017 growth; MPV sales fell by 16.2% year-on-year; due to the impact of joint venture product prices, the Chinese brand market share fell year-on-year. Among the new energy passenger vehicles, the sales of pure electric passenger vehicles reached 788,000 units, a year-on-year increase of 68.4%, and continued to maintain a high-speed growth momentum. As the automobile industry entered a transition period, the industry concentration continued to increase, and the top ten group sales of automobile sales totaled 25.036 million units, accounting for 89.2% of total vehicle sales (88.5% in the same period of last year). The above data comes from "China automobile industry production and sales express" (China Automobile Industry Association) and its industry information release.



**Production and sales of China's auto industry in 2018**

	2018 Accumulative production (ten thousand)	y-o-y increase (%)	2017 Accumulative production (ten thousand)	y-o-y increase (%)
Automobile	2780.9	-4.2	2808.1	-2.8
Passenger cars	2352.9	-5.2	2371.0	-4.1
Sedan	1146.6	-4.0	1152.8	-2.7
MPV	168.5	-17.9	173.5	-16.2
SUV	995.9	-3.2	999.5	-2.5
Cross-passenger car	42.0	-20.8	45.3	-17.3
New energy cars	127	59.9	125.6	61.7
New energy Passenger cars	107	80.5	105.3	82
EV	79.2	65.5	78.8	68.4

During the reporting period, Changan earnestly studied and implemented Xi Jinping's thought on socialism with Chinese characteristics for a new era and the spirit of the 19th Party Congress. With the key of "strengthening efficiency, promoting brand, experience orientation and innovation breakthrough", Changan overcame various difficulties, withstood various pressures and worked hard together to promote high quality development. In 2018, Changan Automobile (Group) achieved sales of 2,137,800 units, with a market share of 7.6% and sold 1,479,700 units of Chinese brand cars. The main work in the reporting period is as follows:

**(1) The third-time entrepreneurship starting, strongly promoting strategic execution**

Changan Automobile was guided by the innovation and entrepreneurship plan and focused on the "1143" strategy to promote the company's key business strategy decomposition, promote strategic measures such as improving efficiency, operating customers, branding, marketing innovation, new energy, integrating resource development, jointing venture and cooperation. Changan conducted strategic discussions on four areas of innovation and entrepreneurship, capital operation, brand building and forward-looking technology to further clarify strategic thinking and initiatives.

**(2) Closely focusing on efficiency, promoting reform and innovation**

Since 2018, Changan Automobile has continued to deepen its reforms and implemented a series of vigorous and wide-ranging reforms with efficiency as its core. The matrix transformation of R&D field has begun to take effect. CA-PDS 4.0 was officially released, and the product development cycle was shortened from 36 months to 24 months. The matrix transformation of the power sector was completed, and the full-time power project director was set up. The matrix operation mode was initially formed. The "1/2 Project" was rapidly advanced, the process optimization results were remarkable, and the management efficiency was greatly improved. With the initial effect of the reform of the marketing field of "customer-centered, product and service as the main line", the new marketing business department was established to realize the integration of online and offline resources. The reform of the light vehicle hybrid ownership system has steadily advanced. Changan has innovated incentive and restraint mechanisms, promoted the matching of people and posts, optimized the organizational position system, promoted R&D projects and investment mechanisms, fully implemented the deferred bonus plan, implemented the compensation reform project, and established a position system and compensation system that is in line with the market to motivate employees.

**(3) Completing management weaknesses and improving development quality**

Changan Automobile regards efficiency as the vitality of the company, and strives to improve the quality of its operations. It has established a matrix of project quality improvement projects and promoted 20 upgrading projects. Changan Automobile strongly promoted the increase of revenue, cost reduction, control of investment, and reduction of the library, built system capabilities, and solved the painful and difficult problems that affect the current efficiency improvement. The project team promoted the company's operation quality by adopting precise resources to open source and increase income, focusing on product structure to optimize

product mix, optimizing logistics structure to reduce logistics costs.

#### (4) Key product updating iterations, the results of technological innovations being significant

CS35PLUS, new CS75, second-generation Eado, second-generation Eado XT, Eado DT, COS1° and many other new or replacement products entered the market on schedule. CS85 COUPE made a stunning appearance at the Guangzhou Auto Show. National Science and Technology Support Project-S10TGDI and H15TGDI two high-efficiency clean engines passed the national acceptance. In the evaluation of the National Enterprise Technology Center issued by the National Development and Reform Commission, Changan Automobile ranked first in the Chinese automotive industry for 10 consecutive years. Reaton CC won the German Red Dot Design Award and successfully challenged the most severe crash test in the history of C-NCAP. .

#### List of products listed in 2018

Date of listing	Model name	Model features
March 2018	Second-generation Eado	<p>A compact family car that is stylish and safe. It is equipped with 1.6GDI and 1.4TGDI engine as a new generation of Eado.</p> <p>The product model incorporates fashionable and dynamic elements to highlight the youthfulness. The product is better than the previous generation in terms of styling, interior and exterior jewelry texture, active and passive safety and driving comfort.</p> <p>The new car adopts the 18th version of the collision five-star safety design, equipped with 6 airbags, automatic emergency braking system, adaptive endurance, tire pressure monitoring system, LED headlights and other safety and technology configurations.</p>
March 2018	Eado DT	<p>Stylish design, family-style dynamic grille, LED low beam with lens, light-guided daytime running light, optical LED taillight, more than 45% skin-friendly microfiber leather wrapping, two-color stitching process.</p> <p>Equipped with a floating 10.25-inch LCD screen, in Call3.0 intelligent car interconnect system, intelligent driving computer, keyless entry, one-button start, intelligent light control.</p> <p>It is equipped with Blue Core 1.6L DVVT aluminum engine, advanced chassis adjustment, EPS electronic steering assist system, ESP body electronic stability system, HHC ramp assist system.</p>
April 2018	New CS75	<p>We introduce the international pioneering elements into the exterior design to create a new urban SUV with a strong sense of the times. The overall shape is domineering, the body is extremely powerful, and the tension is full and coordinated.</p> <p>The product is equipped with high-strength steel energy-absorbing frame body, with new five-star safety standard, equipped with APA automatic parking system, AEB emergency braking system, ACC full-speed adaptive cruise system, LCDA parallel line auxiliary system, LDW lane departure warning system and AVM360° Panoramic parking assist system.</p>
August 2018	Second-generation Eado XT	<p>The new car continues the product positioning of the XT fashion sports, and integrates with the international popular elements to further enhance the appearance of the fashion sports, the quality of the interior, and create a domestic first-class compact hatchback boutique sedan.</p> <p>The new car is equipped with safety features, 6 airbags, automatic emergency braking system, adaptive endurance, tire pressure monitoring and other security</p>

		configurations, and equipped with 10.25-inch large screen, inCall3.0s and other smart technology configurations.
August 2018	Third-generation Alsvin	Using the latest Changan family design, it creates a visually impactful product appearance. The overall style is stylish and dynamic, with detailed design to shape the aesthetic benchmark of small cars. It is equipped with two engines, EA14 and EA15, and is matched with 5MT and DCT transmissions respectively. Equipped with a variety of fuel-saving technologies, the fuel consumption is as low as 5.2L/100km. At the same time, it provides users with a high-quality experience through practical space and practical configuration, and fully interprets the new concept of fashion and practical sedan.
October 2018	CS35PLUS	CS35PLUS is characterized by styling, intelligence and quality. The overall shape technology, fashion, tough, interior technology, luxury, exquisite, equipped with ESP/ESC, tire pressure monitoring, panoramic sunroof, EPB electronic parking, ACC adaptive battery life, PAB active brakes and other technology configurations. The price range is 69,900-104,900 yuan, setting a new benchmark for the small SUV market of 70,000-100,000 yuan.

#### **(5) The new energy industry developing smoothly and "Shangri-La" plan gradually taking form**

The "Shangri-La" plan is accelerating. Chongqing Changan New Energy Automobile Technology Co., Ltd. was incorporated and prepared for independent operation and capital introduction. Changan layout battery, IGBT, entry-level electric vehicles, and promote cooperation with BYD, China Railway (IGBT). We have strategic cooperation with BYD, Weilai and other auto companies, and deep integration with high-tech and Huawei technology companies, and the future integration of the national grid and special calls to coordinate the future charging ecology, and signed a framework agreement with Chongqing to build a new energy industrial park. "Shangri-La" plan has begun to take shape. New energy core technologies have made progress and many key technologies have achieved breakthroughs. The new energy product line has been further enriched, and the cruising range has continued to improve. It has successfully developed and launched Eado EV460, New Benben EV360, CS75PHEV and other products.

#### **(6) Intelligent innovation speeding up and industrial cooperation achievements appearing**

The intelligent strategy is solidly advanced. In August 2018, Changan Automobile released its intelligent strategy, "Beidou Tianshu", which aims to transform from a traditional automobile manufacturing enterprise to a smart travel technology company. Changan cooperated with Tencent, Huawei, and Keda Xunfei to build a smart car industry alliance. The new CS75 is equipped with APA 4.0, which realizes the L2-class intelligent driving mass production in China. The L3-class limited auto-driving technology has been completed and entered into mass production development. 55 new CS55s are equipped with L3-class automatic driving technology, which has completed the world's largest scale. The autopilot parade successfully challenged the Guinness World Record. The L4-class unmanned driver achieved the first domestic demonstration operation and was in the leading position in the industry. During the Zhibo Conference, 17,500 users registered to experience the Changan intelligent function. The intelligent manufacturing construction has achieved initial success. The Liangjiang 2 factory was rated as the intelligent factory in Chongqing, and its welding and stamping workshop was rated as the digital workshop in Chongqing. The intelligent manufacturing special project "Intelligent Flexible High-speed Stamping New Mode Application" undertaken by Changan Automobile passed the municipal acceptance. .

#### **(7) Integrating industry's superior resources and creating a new development model**

Changan strengthens cooperation with advantageous resources inside and outside the industry, cooperates with BYD to develop new energy battery technology, cooperates with FAW and Dongfeng, and deploys forward-looking technology. It has established a joint venture with Weilai to concentrate on resources to build a pure electric platform. In addition, the cooperation with the benchmarking companies in the Internet/communication industry has also made progress. Together with Tencent, the company has established the Wutong Chelian, and the product technology development has progressed in an orderly manner. It has formed

strategic alliances with China Mobile and Baidu, and established a joint innovation center with Huawei to promote strategic cooperation.

“T3 Travel” was carried out in an orderly manner, and “Changan Travel” completed the layout of 7 major cities and operated nearly 10,000 vehicles. Changan established a new energy “car to travel” technology company, and quickly transformed into a “trip + sales” model. Changan actively explored a new marketing model, and Chongqing's three new retail-operated stores, Chehemei Auto Mall, were put into operation, and the nationwide 10 store pilots are advancing. The e-commerce platform sold 21,000 vehicles, with a network maintenance of 465,000 orders and a financial sales of 16,000 units.

#### **(8) The brand moving steadily upwards with the clearer brand positioning and structure**

Changan officially released four major business brands of Changan passenger vehicle, middle and advanced passenger vehicle, Oushang automobile and Kaicheng automobile, and launched a brand architecture project to accelerate coordinated development. From the brand level of Changan automobile business, we will strengthen the brand system construction work, enhance the image of the company's external communication, and vigorously promote the brand.

#### **(9) Overseas markets actively expanding, and overseas sales growing rapidly**

Changan optimizes its overseas development strategy, focuses on strategic cooperation projects in key markets, and develops high-quality in America, Central and Eastern Africa, and Asia-Pacific markets. The annual export volume was 61,000 vehicles, a year-on-year increase of 34.6%, which was historically high.

#### **(10) Introducing big data platform management, improving quality, reducing costs and increasing efficiency**

Changan fully promotes cost reduction and quality control, carries out full value chain cost management, grasps data and uses the principle of “unified platform, unified data, and unified operation” to promote CA-DDM construction and builds a comprehensive, real, transparent and shared big data platform, achieving over 90% of the core system coverage. The company promotes the efficiency of the “Cheetah Program” by significantly improving management efficiency, and the process mobility rate is nearly 100%.

## **II. Analysis of Main Business**

### **1、Overview**

Whether it is the same as the summary in the business discussion and analysis.

☒ Yes ☐ No

### **2、Income and cost**

#### **(1) Composition of the operating revenue**

	2018		2017		Unit :Yuan
	Sum	Share of operating income (%)	Sum	Share of operating income(%)	Increase/decrease on a y-o-y basis (%)
Operating revenue	66,298,270,389.77	100.00%	80,012,205,182.37	100.00%	-17.14%
<b>Industry</b>					
Automobile	66,298,270,389.77	100.00%	80,012,205,182.37	100.00%	-17.14%



Products					
Vehicles	66,276,054,153.09	99.97%	79,980,063,484.58	99.96%	-17.13%
Outsourcing	22,216,236.68	0.03%	32,141,697.79	0.04%	-30.88%
Area					
China	63,892,840,365.38	96.37%	78,348,298,046.00	97.92%	-18.45%
Overseas	2,405,430,024.39	3.63%	1,663,907,136.37	2.08%	44.57%

**(2) Accounted for more than 10% of the company's operating income or operating profit of the industry, products or area**

☒ Applicable ☐ Not applicable

Unit : Yuan

	Operating Revenue	Operating Cost	Gross margin	Increase/decrease on a year-on-year basis Operating Revenue (%)	Increase/decrease on a year-on-year basis Operating Cost (%)	Increase/decrease on a year-on-year basis gross margin
Industry						
automobile	66,298,270,389.77	56,583,468,369.14	14.65%	-17.14%	-18.42%	Up 1.34 points
Products						
Sales of products	66,276,054,153.09	56,564,408,454.35	14.65%	-17.13%	-18.42%	Up 1.34 points

The company's statistics scope of main business in the reporting period was adjusted, and the company has adjusted its main business data last year according to the scope in the reporting period.

☐ Applicable ☒ Not applicable

**(3) Is the income from sales in kind greater than the service income**

☒ Yes ☐ No

Unit: One set

Industry	Item	2018	2017	Increase/decrease on a year-on-year basis (%)
Automobile Industry	Sales volume	2,137,785	2,872,456	-25.58%
	Production volume	2,062,396	2,814,792	-26.73%
	Stock volume	46,937	46,660	0.59%
	Market share (%)	7.60%	9.95%	Down 2.35 points

Note: The above sales volume and production volume are consistent with the date from the Company and its subsidiaries and JVs. The analysis over market share is based on the data from China Automobile Industry Association.

**Notes to the year-on-year change of the relevant data by over 30%**

☐ Applicable ☒ Not applicable

**(4) The company has signed a major sales contract as of the time of the fulfillment of this report**

☐ Applicable    ☒ Not applicable

**(5) Cost**

Unit: Ten Thousand Yuan

Industry classification	Item	2018		2017		Increase/decrease on a year-on-year basis (%)
		Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Automobile	Product Sale	5,656,441	99.97%	6,933,589	99.96%	-18.42%
Production	Outsourcing	1,906	0.03%	2,714	0.04%	-29.77%
Total		5,658,347	100.00%	6,936,303	100%	-18.42%

**(6) Notes to the change of the consolidated scope in the reporting year**

☒ Applicable    ☐ Not applicable

During the reporting period, Changan Automobile has added Chongqing Changan New Energy Automobile Technology Co., Ltd., Fuzhou Fuqing Changan New Energy Automobile Sales Co., Ltd., Guangzhou Changan New Energy Automobile Sales and Service Co., Ltd., Xiamen Changan New Energy Automobile Sales and Service Co., Ltd. and Nanjing Changan New Energy Automobile Sales and Service Co., Ltd. Changan has acquired Chongqing Changan Suzuki Automobile Co., Ltd. and Zhenjiang Demao Hairun Equity Investment Fund Partnership (Limited Partnership). A total of seven companies were included in the consolidated statements. Changan has liquidated Heilongjiang Changan Automobile Sales Co., Ltd., Xinjiang Changan Automobile Sales Co., Ltd., Harbin Changan Automobile Technology Research Co., Ltd. and Shanghai Changan Automobile Engineering Technology Co., Ltd., and a total of four companies are no longer included in the consolidated statements.

**(7) Significant change or adjustment of the business, products or services in the reporting period**

☐ Applicable    ☒ Not applicable

**(8) Main Customers and principal suppliers****Main Customers**

Total sales amount to top 5 customers (RMB)	5,374,405,160.90
Proportion of sales to top 5 customers in the annual sales (%)	8.11%
Proportion of sales amount of the related party in the top 5 customers (%)	4.68%

**Top 5 customers**

Unit : Yuan

Serial No.	company	Sales value	proportion in total sales (%)
1	First	1,459,155,094.78	2.20%

2	Second	1,335,816,637.76	2.01%
3	Third	958,757,083.78	1.45%
4	Fourth	811,959,547.62	1.22%
5	Fifth	808,716,796.96	1.22%
total		5,374,405,160.90	8.11%

**Other descriptions of major customers**

☐ Applicable    ☒ Not applicable

**Principal suppliers**

Total purchase amount to top 5 suppliers (RMB)	7,961,460,531.71
Proportion of purchase to top 5 suppliers in the annual purchase (%)	14.07%
Proportion of purchase amount of the related party in the top 5 suppliers (%)	6.05%

**Top 5 suppliers**

Unit : Yuan

Serial No.	Company name	Purchase value	Proportion in the total purchase(%)
1	First	3,521,735,458.18	6.22%
2	Second	1,389,088,291.94	2.45%
3	Third	1,284,085,746.55	2.27%
4	Fourth	1,018,878,772.01	1.80%
5	Fifth	747,672,263.03	1.32%
Total		7,961,460,531.71	14.07%

**Other descriptions of major suppliers**

☐ Applicable    ☒ Not applicable

**3、Expenses**

Unit: Ten Thousand Yuan

Item	2018	2017	increase/decrease (%)	Description of major changes
Selling expense	5,283,255,346.48	3,978,124,859.65	32.81%	Mainly due to the increase in business resources and promotion expenses during the reporting period to promote sales.
Management expense	2,782,755,531.47	2,663,645,058.45	4.47%	
Financial expense	-427,062,035.06	-524,973,961.02	18.65%	
R&D expense	2,543,265,379.12	2,616,651,435.07	-2.80%	

#### 4、Research and Development Expenditure

√ Applicable    □ Not applicable

In 2018, Changan Automobile invested 3.823 billion yuan in product and technology project development, and continued to build industry-leading research and development strength.

##### R&D investment Table

	2018	2017	Changes in ratio
Labor Number	7,722	7,177	7.59%
Proportion of labor in the Company	21.43%	18.34%	Up 3.09 pions
Investment value (yuan)	3,823,210,086.54	3,631,454,231.54	5.28%
Proportion of investment in the revenue	5.77%	4.54%	Up 1.23 pions
Capitalization (yuan)	1,279,944,707.42	1,014,802,796.47	26.13%
Proportion of capitalization in R&D investment	33.48%	27.94%	Up 5.54 pions

##### Significant Change of the proportion of R&D investment in the revenue

□ Applicable    √ Not applicable

##### Significant change of the proportion of capitalization in the R&D investment

□ Applicable    √ Not applicable

#### 5、Cash Flow

Unit: Yuan

Item	2018	2017	Increase/decrease ( % )
Subtotal of cash inflows from operating activities	81,996,970,246.85	88,973,892,693.73	-7.84%
Subtotal of cash outflows from operating activities	85,884,445,549.29	90,097,363,470.56	-4.68%
Net cash flows from operating activities	-3,887,475,302.44	-1,123,470,776.83	-246.02%
Subtotal of cash inflows from investing activities	2,488,521,707.35	8,760,050,883.48	-71.59%
Subtotal of cash outflows from investing activities	9,057,241,752.33	4,578,162,255.41	97.84%
Net cash flows from investing activities	-6,568,720,044.98	4,181,888,628.07	-257.08%
Subtotal of cash inflows from financing activities	1,195,280,377.20	1,163,689,175.66	2.71%
Subtotal of cash outflows from financing activities	2,547,968,288.91	5,738,660,114.27	-55.60%
Net cash flows from financing activities	-1,352,687,911.71	-4,574,970,938.61	70.43%
Net increase in cash and cash equivalents	-11,803,151,475.73	-1,542,126,976.52	-665.38%

##### Notes to the year-on-year change of the relevant data by over 30%

√ Applicable    □ Not applicable

In 2018, “net cash flow from operating activities” decreased by RMB 2,764.01 million compared with the previous year, mainly due to the significant decrease in “cash received from sales of goods and services” compared with the previous year; “net cash flow from investing activities” “The decrease of RMB 10,750.61 million compared with the previous year was mainly due to the sharp decline in the “cash received from investment income” compared with the previous year, and the “cash for the purchase and construction of fixed assets and intangible assets” increased significantly from the previous year; Net cash flow increased by RMB 3,222.28 million compared with the previous year, mainly due to the decrease in “payment of cash paid for debts” compared with the previous year (the payment of corporate bonds due in the previous year) and “cash for dividends distributed” decreased from the previous year.

#### Notes to the significant difference between cash flow from operating activities and net profit in the reporting year

☒ Applicable    ☐ Not applicable

As for the significant difference between cash flow from operating activities and net profit in the reporting period, refer to the item “Supplementary Information of the Cash Flow Statement” in the Financial Statements Note 56.

### III. Analysis of non principal business

☐ Applicable    ☒ Not applicable

### IV. Assets and liability

#### 1、The significant changes of the assets

Unit: Yuan

Item	Dec.31,2018		Dec.31,2017		Increase/ decrease (%)	instructions
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Cash	9,980,544,526.14	10.68%	22,631,536,496.53	21.33%	-10.65%	Reduction in cash received from sales of goods, reduction in cash received from investment income, increase in cash paid for purchase and construction of fixed assets and intangible assets, and increase in cash paid for investment.
Notes receivable	1,409,419,600.50	1.51%	1,806,807,193.04	1.70%	-0.19%	
Inventory	4,917,420,457.19	5.26%	4,666,183,421.80	4.40%	0.86%	
Investment property	7,329,561.28	0.01%	7,556,272.84	0.01%	0.00%	
Long-term equity investments	13,275,170,118.83	14.20%	14,098,523,896.97	13.28%	0.92%	
Fixed assets	22,161,054,058.31	23.70%	19,044,533,667.68	17.95%	5.75%	
Construction in	5,383,844,030.75	5.76%	3,234,173,155.52	3.05%	2.71%	New investment in NE1

progress						project, global R&D phase I project, automobile product structure adjustment project, H fifth phase project and V301 project.
Short-term loans	190,000,000.00	0.20%	185,000,000.00	0.17%	0.03%	
Long-term loans	-	0.00%	6,575,973.33	0.01%	-0.01%	

## 2、Assets and liabilities measured by fair value

Unit: Yuan

Item	Amount at year beginning	Comprehensive income in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Amount purchased in the current period	Amount sold in the current period	Amount at year end
Financial assets							
Financial assets available for sales	164,365,000.00	-	208,339,952.31	-	1,157,616,359.00		1,530,321,311.31
Subtotal of financial assets	164,365,000.00	-	208,339,952.31	-	1,157,616,359.00		1,530,321,311.31
Others							
Total	164,365,000.00	-	208,339,952.31	-	1,157,616,359.00		1,530,321,311.31
Financial liabilities							

Whether the measurement attributes of main assets in the reporting period have significantly changed

☐ Yes    ☒ No

## 3、Property rights limits by the end of report period

Item	book value at the end of this year	Limited Reason
Cash	332,390,911.34	Used to open the acceptance deposit
Notes receivable and accounts receivable	469,622,570.00	Notes receivable pledge to issue notes payable
Intangible assets	18,499,267.20	Obtain liquidity borrowings and obtain commercial acceptance bills

Total	820,512,748.54	
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## V. Analysis of Investment

### 1、General information

√ Applicable    □ Not applicable

External investment		
Investment Amount in the report period (RMB)	Investment Amount in 2017 (RMB)	Variance rate
2,933,579,617.67	1,217,743,029.48	140.90%
Particulars of investees		
Company Name	Principal business	Proportion in the investees' equity (%)
Changan Peugeot Citroen Automobile Co., Ltd.	Design, manufacture and sale of Peugeot, Citroen and DS brand cars and light commercial vehicles.	50%
Guoqi (Beijing) Intelligent Network Association Automotive Research Institute Co., Ltd.	Engineering and technology research and experimental development; product design, industrial design; technology development, consulting, promotion, service, transfer; sales of mechanical equipment, hardware, electrical, electronic products, electronic components; import and export of goods, technology import and export, agent Export; technical testing, property management.	8.33%
Beijing Wutong Chelian Technology Co., Ltd.	Technology development, technical consultation, technical services, technology transfer; economic and trade consultation; design, production, agency, advertising; import and export of goods, technology import and export; sales of self-developed products.	49%
Changan Automobile Russia Co., Ltd.	Automobile and parts import and export, automobile distribution and other services.	100%
Chongqing Changan Suzuki Automobile Co., Ltd.	Production and sales of self-produced cars, engines and their parts and components, sales of self-produced products, provision of relevant after-sales services, and engaged in research and development work.	100%
Weapon Equipment Group Finance Co., Ltd.	(1) Handling financial and financing consultants, credit certificates and related consulting and agency services for member units; (2) assisting member units in realizing	3.83%

	the payment and payment of transaction funds; (3) approved insurance agency business; (4) for members The unit provides guarantees; (5) handles entrusted loans and entrusted investments between member units; (6) handles bill acceptance and discounting for member units; (7) handles internal transfer settlement between member units and corresponding settlement and liquidation plans (8) absorbing the deposits of member units; (9) handling loans and financing leases for member units; (10) engaging in interbank lending; (11) issuing financial company bonds upon approval; (12) underwriting corporate bonds of member units; (13) Equity investment in financial institutions; (14) Investment in securities; (15) Consumer credit, buyer credit and financial leasing of member units.	
Hunan Guoxin Semiconductor Technology Co., Ltd.	Technology development, technical consulting, technical services, technology transfer in the field of power semiconductors; design, research and development, testing, sales of power semiconductors; import and export of goods and technology; conference and exhibition services.	25%

## 2、Major equity investment in the reporting period

Unit: Yuan

Company name	Principal business	Investment mode	Investment amount	Share-holding ratio	Capital source	Partner	Investment period	Progress on book closing date	Any litigations	Disclosure date(in case)	Disclosure index(in case)
Changan Peugeot Citroen Automobile Co., Ltd.	Design, manufacture and sale of Peugeot, Citroen and DS brand cars and light commercial vehicles.	Increasing capital	1,800,000,000	50%	Its own capital	Peugeot Citroen Group	Indefinite duration	Capital increase completed, industrial and commercial registration procedures completed	No	2018-01-13	Announcement on Related Transactions of Capital Increase of Changan Peugeot Citroen Automobile Co., Ltd. (Bulletin No: 2018-03)
Total	--	--	1,800,000,000	--	--	--	--	--	--	--	--



**3、Major non-equity investment in the reporting period**

Please refer to Notes V to Financial Statement Item 13” Construction in progress”.

**4、Investment of Financial Assets****(1)Equity-holdings in financial enterprises**

√ Applicable    □ Not applicable

Company name	Company variety	Initial investment cost (RMB Yuan)	Opening equity Holdings (share)	Opening equity holding ratio (%)	Closing equity holdings (share)	Closing equity Holdings (%)	Closing book value (RMB Yuan)	Gain/loss in the reporting period (RMB Yuan)	Accounting title	Equity source
Southwest Securities	Securities Firm	50,000,000	35,500,000	0.63%	35,500,000	0.63%	123,540,000	1,775,001.20	Tradable financial assets	Initial investment

**(2) Derivative Investments**

□ Applicable    √ Not applicable

**5、Use of raised funds**

□ Applicable    √ Not applicable

**VI. Selling of major assets and major equity****1、Selling of major assets**

□Applicable    √ Not applicable

There is no selling of major assets.

**2、Selling of Equity**

□Applicable    √ Not applicable

There is no selling of major equity.

**VII. Analysis of main holding companies and equity companies**

√ Applicable    □Not applicable

Basic information of main subsidiary companies and shareholding companies which have an impact on over 10% of net profits

Unit: ten thousand yuan

Name	Registered capital	Equity held	Main businesses	Total assets	Main operating income	Net profit
Nanjing Changan Automobile Co., Ltd.	60,181	84.73%	Produce and sell auto and parts	125,443	243,106	25,854
Chongqing Changan Automobile Customer Service Co., Ltd.	3,000	100%	Produce and sell auto and parts	74,959	162,391	25,679
Chongqing Changan Chelian Technology Co., Ltd.	8,850	100%	Produce and sell auto and parts	105,352	36,328	-15,139
Chongqing Changan New Energy Automobile Technology Co., Ltd.	9,900	100%	Produce and sell auto and parts	117,997	8,306	-24,380
Changan Mazda Engine Co., Ltd.	20,996USD	50%	Produce and sell auto and parts	212,264	195,640	7,654
Jiangling Holdings Co., Ltd.	200,000	50%	Produce and sell auto and parts	930,108	412,282	-81,874
Changan Ford Automobile Co., Ltd.	24,100USD	50%	Produce and sell auto and parts	4,217,594	4,975,428	-80,399
Changan Mazda Automobile Co. Ltd.	11,097USD	50%	Produce and sell auto and parts	1,337,457	2,004,878	252,640
Changan Peugeot Citroen Automobile Co., Ltd.	760,000	50%	Produce and sell auto and parts	669,644	91,513	-87,408

Subsidiaries acquired and sold in the reporting period

√ Applicable    □ Not applicable

During the reporting period, Changan Automobile has added Chongqing Changan New Energy Automobile Technology Co., Ltd., Fuzhou Fuqing Changan New Energy Automobile Sales Co., Ltd., Guangzhou Changan New Energy Automobile Sales and Service Co., Ltd., Xiamen Changan New Energy Automobile Sales and Service Co., Ltd. and Nanjing Changan New Energy Automobile Sales and Service Co., Ltd. Changan has acquired Chongqing Changan Suzuki Automobile Co., Ltd. and Zhenjiang Demao Hairun Equity Investment Fund Partnership (Limited Partnership). A total of seven companies were included in the consolidated statements. Changan has liquidated Heilongjiang Changan Automobile Sales Co., Ltd., Xinjiang Changan Automobile Sales Co., Ltd., Harbin Changan Automobile Technology Research Co., Ltd. and Shanghai Changan Automobile Engineering Technology Co., Ltd., and a total of four companies are no longer included in the consolidated statements.

Name	Acquisition and disposal of subsidiaries during the reporting period	On the overall production and operation and performance impact
Chongqing Changan New Energy Automobile Technology Co., Ltd.	Newly established	No major influence
Fuzhou Fuqing Changan New Energy Automobile Sales Co., Ltd.	Newly established	None
Guangzhou Changan New Energy Automobile Sales and Service Co., Ltd.	Newly established	None
Xiamen Changan New Energy Automobile Sales and Service Co., Ltd.	Newly established	None
Nanjing Changan New Energy Automobile Sales	Newly established	None

and Service Co., Ltd.		
Chongqing Changan Suzuki Automobile Co., Ltd.	Acquisition	Major influence
Zhenjiang Demao Hairun Equity Investment Fund Partnership (Limited Partnership)	Acquisition	No major influence
Heilongjiang Changan Automobile Sales Co., Ltd.	Liquidation	None
Xinjiang Changan Automobile Sales Co., Ltd.	Liquidation	None
Harbin Changan Automobile Technology Research Co., Ltd.	Liquidation	None
Shanghai Changan Automobile Engineering Technology Co., Ltd.	Liquidation	None

## VIII. Structural main business under the company control

☐Applicable    ☒Not applicable

## IX. The company's future development prospect

### 1、 Industry competition pattern and trend of development

Due to uncertainties such as trade frictions, the global GDP growth will face downside risks. IMF forecasts that global GDP growth will keep around 3.5-3.6% in 2019 and 2020, and even slow down to 2.9% in 2020.

China's external environment is undergoing significant changes, and the transformation and upgrading of China's economy is climbing the slope and overcoming the difficulties. China's economy is generally stable with variations and worries. The GDP growth is expected to be 6.0-6.5% for 2019. The automobile industry is an important component of consumption, ranking first and accounting for more than 10% of the total social retail sales, but there is a downward trend.

Policy Trend: China strengthens the sustained reform, promotes consumption, reduces taxes and fees, and encourages the innovation, further supports the excellent and strong enterprises, intensifies the supervision, and stimulates the development of the automobile industry. However, under the background of environment-protection acceleration, subsidy recession, acceleration of opening up, the automobile industry is facing a test.

Consumption trend: The consumption upgrade trend is obvious. The proportion of sales from over 100,000 -yuan vehicles is increasing year by year. The distinct regional differences in China bring about diversification and gradient development of automobile demand. Internet Aborigines have gradually become the main consumer of automobiles with strong demand for personalization and fashion. We can occupy consumers' minds only by strengthening high-quality and diversified products and services.

Technology Trend: The breakthroughs in big data, chips, artificial intelligence and communication technology (5G) will bring subversive changes to the social, industrial and business models. Cross-border integration, mutual benefit and win-win situation, and fulfillment of commitments will be the general trend of intelligent development. At the same time, 2025 will be the key turning point for the return of electronics to market, demand and technology.

Competition situation: The competition pattern of automobile industry is further chaotic with the differentiated competitions. It mainly manifests that the multinational automobile enterprises regard China as their main battlefield; the prices of joint venture brands are exploring downward with continuous price wars and shrinking product gross profit; Chinese brands continue to integrate resources to develop electrification and intellectualization; new forces of automobile manufacturing enter the stage of mass production.

## 2、Development strategy of the Company

Faced with the new normal status of "low growth, micro profit" in the automobile market, Chang'an automobile will conduct the reform and innovation, stimulate vitality, focus on the core part, integrate resources, strengthen efficiency and enhance profitability with "2025 vision planning" as the traction. Driven by innovation, the "efficiency" will become the core competitiveness of the company. Four strategic measures should be taken as the starting point to achieve the third entrepreneurship - innovative entrepreneurship plan.

We should adhere to the two legs of independence and joint venture, insist on the coordination of traditional business and new business, build a world-class automobile enterprise, transform from serving customers to operating customers, from operating products to brand, from traditional products to intelligent + new energy products, and from traditional enterprises providing products to intelligent travel technology companies.

## 3、Business plan

The business objective of the board of directors of the company in 2019 is: work hard to produce and sell more than 2.15 million vehicles. In order to achieve the above objectives, the company focuses on the six quality improvement requirements of "development, reform, party building, scientific and technological innovation, management and three key battles". With the four strategic measures of upgrading brand, integrating resources, innovative marketing and opening up overseas as the grab, the company deepens reform, improves efficiency, vigorously grasps marketing, achieves the quality leadership and makes every effort to promote the third entrepreneurship-innovative entrepreneurship plan of Chang'an Automobile. The key work of the company is as follows: firstly, make a painful determination to improve the quality of operation; secondly, persevere and unswervingly build efficiency as the core competitiveness of the organization; thirdly, optimize the system and unswervingly achieve marketing breakthroughs; fourthly, focus on the core business, and unswervingly create classic products; fifthly, go straight to the front, and unswervingly transform to operating customers; sixthly, persevere in promoting brand development; seventhly, deepen the strategy and firmly implement the Shangri-La plan; eighthly, promote the Beidou Tianshu plan down-to-earth and unswervingly; ninthly, break through the key points and unswervingly develop overseas business; tenthly, integrate resources and unswervingly break through new business; Eleventhly, deepen reform and unswervingly stimulate organizational innovation vitality; twelfthly, improve cooperation of joint ventures and promote the strategic adjustment. Thirteenthly, utilize the culture of Party building to guide production and operation.

## 4、Capital requirement and use plan of 2019

In order to achieve the company's strategic objectives, it is expected that in 2019 the investment in fixed assets will mainly guarantee the investment of new product projects, encourage the improvement of core competence, focus on resources to build core R&D and brand publicity capabilities such as intellectualization, new energy, shape-creating, and so on. Equity investment is mainly used for intellectualization, new energy, brand promotion, core competence construction and overseas development. According to the progress of the projects and the operation and financing environment, the company will study and formulate a variety of financing plans and plans for the use of funds to improve the efficiency of the use of funds and reduce the cost of funds.

## 5、Possible risks

Firstly, the macroeconomic downside risks. China's development is still in and will remain in an important period of strategic opportunities for a long time. The world is facing unprecedented changes in a century, in which opportunities coexist with danger. Economic operation is stable and changing, the external environment is complex and severe, the economy is facing downward pressure, the consumer confidence of residents is insufficient, the car market is seriously declining, and the growth target of expanding domestic demand is under pressure.

Measures: We should strengthen the sense of suffering, seize the main contradictions and solve them pertinently; strengthen the macro-situation research and judgment, and increase policy efforts, take the initiative to seize the opportunity; strengthen the communication of local policies in key regions, and adjust the promotional plans properly.

Secondly, the risk of profit reduction of joint ventures: the future automobile market is featured with more new products and

faster price reduction. Taking 2018 as an example, according to incomplete statistics, 578 new products (including 154 brand-new models) are on the market and 920 products are on sale. Over the next three years, multinational automobile companies will accelerate their localization, and Chinese brands and new automobile manufacturers will continue to brand up, which compelled joint venture brands to cut sales price under competitive pressure, and the product profit margins will shrink fast.

Measures: Focus on products, accelerate product replacement and new product introduction, and accelerate the localization of components.

Thirdly, the efficiency risk of corporate organizational mechanism. The current organizational mechanism is difficult to fully stimulate the vitality and efficiency of personnel, and does not meet the strategic needs of state-owned enterprise reform in the new era; the process efficiency is not improved significantly, and the organizational ability to support the strategic landing is facing great challenges.

Measures: Explore the overall reform plan of the organizational system, establish an incentive mechanism with external competitiveness, and attract external talents.

## **X. Registration form for reception, research, communication, interview, etc. during the reporting period**

Date	Manner	Type of Reception Object	Index
2018.1.4	On-Site Survey	Institution	For details, see the January 5, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: January 4, 2018 investor relations activities record sheet
2018.1.11	On-Site Survey	Institution	For details, see the January 15, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: January 11, 2018 investor relations activities record sheet
2018.1.17	On-Site Survey	Institution	For details, see the January 19, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: January 17, 2018 investor relations activities record sheet
2018.1.18	On-Site Survey	Institution	For details, see the January 19, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan automobile: January 18, 2018 investor relations activities record sheet
2018.1.24	On-Site Survey	Institution	For details, see the January 25, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: January 24, 2018 investor relations activities record sheet
2018.1.26	On-Site Survey	Institution	For details, see the January 30, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: January 26, 2018 investor relations activities record sheet
2018.2.12	On-Site Survey	Institution	For details, see the February 13, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: February 12, 2018 investor relations activities record sheet
2018.3.6	On-Site	Institution	For details, see the March 8, 2018 Shenzhen stock exchange interactive

	Survey		( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: March 6, 2018 investor relations activities record sheet
2018.3.8	On-Site Survey	Institution	For details, see the March 12, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: March 8, 2018 investor relations activities record sheet
2018.3.13	On-Site Survey	Institution	For details, see the March 16, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: March 13, 2018 investor relations activities record sheet
2018.3.15	On-Site Survey	Institution	For details, see the March 19, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: March 15, 2018 investor relations activities record sheet
2018.7.19	On-Site Survey	Institution	For details, see the July 23, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: July 19, 2018 investor relations activities record sheet
2018.7.24	On-Site Survey	Institution	For details, see the July 26, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: July 24, 2018 investor relations activities record sheet
2018.8.31	On-Site Survey	Institution	For details, see the September 3, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: August 31, 2018 investor relations activities record sheet
2018.9.5	On-Site Survey	Institution	For details, see the September 6, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 5, 2018 investor relations activities record sheet
2018.9.10	On-Site Survey	Institution	For details, see the September 11, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 10, 2018 investor relations activities record sheet
2018.9.13	On-Site Survey	Institution	For details, see the September 14, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 13, 2018 investor relations activities record sheet
2018.9.14	On-Site Survey	Institution	For details, see the September 17, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 14, 2018 investor relations activities record sheet
2018.9.18	On-Site Survey	Institution	For details, see the September 19, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 18, 2018 investor relations activities record sheet
2018.9.19	On-Site Survey	Institution	For details, see the September 21, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 19, 2018 investor relations activities record sheet
2018.9.25	On-Site Survey	Institution	For details, see the September 27, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 25, 2018 investor relations activities record sheet

			investor relations activities record sheet(1)
2018.9.25	On-Site Survey	Institution	For details, see the September 27, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 25, 2018 investor relations activities record sheet(2)
2018.9.26	On-Site Survey	Institution	For details, see the September 28, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 26, 2018 investor relations activities record sheet(1)
2018.9.26	On-Site Survey	Institution	For details, see the September 28, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 26, 2018 investor relations activities record sheet(2)
2018.9.27	On-Site Survey	Institution	For details, see the September 28, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: September 27, 2018 investor relations activities record sheet
2018.10.10	On-Site Survey	Institution	For details, see the October 12, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: October 10, 2018 investor relations activities record sheet
2018.10.18	On-Site Survey	Institution	For details, see the October 22, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: October 18, 2018 investor relations activities record sheet
2018.10.26	On-Site Survey	Institution	For details, see the October 26, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: October 26, 2018 investor relations activities record sheet
2018.11.21	On-Site Survey	Institution	For details, see the November 23, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: November 21, 2018 investor relations activities record sheet
2018.11.23	On-Site Survey	Institution	For details, see the November 26, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: November 23, 2018 investor relations activities record sheet
2018.11.27	On-Site Survey	Institution	For details, see the November 29, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: November 27, 2018 investor relations activities record sheet
2018.12.14	On-Site Survey	Institution	For details, see the December 18, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: December 14, 2018 investor relations activities record sheet
2018.12.18	On-Site Survey	Institution	For details, see the December 20, 2018 Shenzhen stock exchange interactive ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) on the Changan Automobile: December 18, 2018 investor relations activities record sheet
Reception Times			33
Number of Agencies			85

Number of Individuals	0
Number of other entities	0
Whether to disclose undisclosed important information	No



## Chapter 5 Important Matters

### I .Company common stock profit distribution and capital reserves converting into share capital

**During the reporting period, the common stock profit distribution policy, especially the formulation, implementation or the adjustment situation of cash dividend policy.**

☒ applicable   ☐ not applicable

According to the China Securities Regulatory Commission requirements, in combination with the practical situation of the company, the Company has rectified the “Articles of Association” and clarified about the distributable profit caliber, dividend distribution way, principle, form, cash dividend conditions and proportion, stock dividend condition, plans to set up and review procedures, the implementation, the conditions of distribution policy adjustment, and decision-making procedures, etc, to strengthen the supervision function of independent directors in the profit distribution plan, policy adjustment, and strengthen the guarantee system of the dividend return for investors. For details of the company’s specific distribution policy, please refer to the Articles of Association. Company’s reported profit distribution plan and equity shares in line with the relevant provisions of the Articles of Association and relevant provisions.

During the reporting period, profit distribution plan and capital reserves converting into share capital plans conforming to the relevant provisions of the company's articles of association, etc.

Special Statement for Cash Dividend Policy	
Whether comply with the company's articles of association or requirements of resolutions of the shareholders' general meeting:	Yes
Whether the standard of distribution and the proportion is clear:	Yes
Whether the related decision-making process and mechanism is complete:	Yes
Whether the independent directors play a proper role:	Yes
Whether the small and medium-sized shareholders have the chance to fully express their views and demands, whether the legitimate rights and interests get fully protected:	Yes
Whether cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Not Applicable

**For the last three years (including the reporting period), the company profit distribution draft or plan, and draft or plan that the capital reserves converting into share capital**

2016 annual profit distribution plan is: Based on the existing total shares of 4,662,886,108, distribute cash of RMB 6.42 yuan (including tax) to all the shareholders every 10 shares.

2017 annual profit distribution plan is: Based on the existing total shares of 4,802,648,511, distribute cash of RMB 4.46 yuan (including tax) to all the shareholders every 10 shares

2018 annual profit distribution plan is: Based on the existing total shares of 4,802,648,511, distribute cash of RMB 0.18 yuan (including tax) to all the shareholders every 10 shares.

**Share out Cash Bonus Table for last three years**

Unit: Yuan

Year	Cash dividend amount (tax included)	Net profit attributable to shareholders of listed companies in dividends annual consolidated statements	The net profit ratio (%) attributable to shareholders of listed companies in consolidated statements
2018	86,447,673.20	680,728,392.03	12.70%
2017	2,141,981,235.91	7,137,234,723.47	30.01%
2016	3,083,300,344.06	10,285,284,120.57	29.98%

**II. Preplan of profit allocation and capital reserve converting into share equity during the reporting period**

For every 10 shares to send bonus shares	0
For every 10 shares dividend number (RMB) (tax included)	0.18
The equity base of distribution plan(shares)	4,802,648,511
Total cash dividends (yuan) (tax included)	86,447,673.20
Distributable profits (yuan)	34,682,279,143.32
Proportion (%) of cash dividends to total profit distribution	100%
Cash dividend policy:	
Others	
Detailed statement of profit allocation or plan that capital accumulation fund turn to be added	
<p>Audited by Ernst &amp;Young Huaming certified public accountants (special ordinary partnership), the parent company annual net profit of 2018 is RMB199,107,092.93 yuan, added with early undistributed profit of RMB36,640,962,334.05 yuan, minus the allocated cash dividend of RMB2,157,790,283.66 yuan during the reporting period, so at the end of 2018 the undistributed profits can be used for distribution is RMB 34,682,279,143.32 yuan. At the end of 2018, monetary fund balance of the parent company is RMB 7,310,973,018.99 yuan.</p> <p>2018 annual profit distribution plan is: Based on the existing total shares of 4,802,648,511, send cash of RMB 0.18 yuan (including tax) to all the shareholders every 10 shares with total cash of RMB 86,447,673.20 yuan (including tax).</p>	

**III. Commitments Fulfillment Condition**

**1、Commitments that company, shareholders, actual controllers, the acquirer, directors, supervisors and senior management personnel or other affiliated parties during the report period fulfilled and by the end of report period not yet fulfilled.**

Commitments	Commitment entity	Commitment content	Commitment time	period for commitment	Performance
-------------	-------------------	--------------------	-----------------	-----------------------	-------------

Share limited commitment	China Changan	When the company non-publicly subscribes for new shares of listed companies in 2017, the newly acquired shares of listed company can not be transferred within 36 months since the listing, but can be transferred after 36 months according to relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange.	Oct., 2017	36 months	China Changan did not sell company shares during the reporting period
Other small shareholders commitment	China Changan	In order to avoid and eventually solve the possible competition or potential competitors, better maintain the interests of investors, the company controlling shareholder China Changan made the commitment: In two consecutive years profit of Harbin Hf Automobile Industry Group Co, With the continuous development ability and management level is improved significantly. Under such condition, the enterprise will be affiliated into the company.	September, 2010		The Harbin Hefei Automobile Industry Group Co at present is still running at a loss, The conditions have not yet reached the profitable for two consecutive years.

**2、The assets of the company or project include the earnings forecast, and during the report period, the profit forecast still existed, the company assets or projects achieve the profit forecast and explain the reasons**

☐Applicable ☒Not-applicable

**IV. The non-operating fund occupation situation of the controlling shareholders and their affiliates to the listed companies**

☐Applicable ☒Not-applicable

During the reporting period there does not exist non-operating fund of the listed company occupied by the controlling shareholder and its affiliated parties.

**V. The board of directors, supervisors, and independent directors (if applicable) explaining the "non standard audit report" from the accounting firm during the reporting period**

☐Applicable ☒Not-applicable

Certified public accountants do not issue "non-standard audit report" for the current report.

## VI. Explaining the change with last year's financial statements, accounting policies, accounting estimate and accounting methods

☒Applicable ☐ Not-applicable

For details, please refer to “32. Accounting Policies and Changes in Accounting Estimates” of the “Significant Accounting Policies and Accounting Estimates” in Note 3 to the Financial Statements in the “2018 Annual Report of the Company”.

## VII. During the reporting period, big accounting errors correction and the need for trace restatement

☐Applicable ☒ Not-applicable

During the reporting period, no significant accounting errors correction and no need for trace restatement.

## VIII. Compared with financial report for last year, the explanation to the scope change of consolidated statements

☒ applicable ☐ not applicable

During the reporting period, Changan Automobile has added Chongqing Changan New Energy Automobile Technology Co., Ltd., Fuzhou Fuqing Changan New Energy Automobile Sales Co., Ltd., Guangzhou Changan New Energy Automobile Sales and Service Co., Ltd., Xiamen Changan New Energy Automobile Sales and Service Co., Ltd. and Nanjing Changan New Energy Automobile Sales and Service Co., Ltd. Changan has acquired Chongqing Changan Suzuki Automobile Co., Ltd. and Zhenjiang Demao Hairun Equity Investment Fund Partnership (Limited Partnership). A total of seven companies were included in the consolidated statements. Changan has liquidated Heilongjiang Changan Automobile Sales Co., Ltd., Xinjiang Changan Automobile Sales Co., Ltd., Harbin Changan Automobile Technology Research Co., Ltd. and Shanghai Changan Automobile Engineering Technology Co., Ltd., and a total of four companies are no longer included in the consolidated statements.

## IX. The appointment, dismissal of the accounting firm

### The appointment of the accounting firm

The name of the domestic accounting firm	Ernst & Young Hua Ming LLP
Domestic accounting firms payment (ten thousand Yuan)	395
A continuous years of domestic accounting firms audit service	12
Domestic accounting firm of Certified Public Accountants name	Qiao Chun, Hu Yan

Whether to change the accounting firms

☐Applicable ☒ Not-applicable

Employ audit of internal control accounting firms, financial adviser or sponsor

☒Applicable ☐Not-applicable

Through the approval from the company's 2017 annual shareholders' meeting, the company hired Ernst & Young Huaming certified public accountants (special ordinary partnership) as the company's 2018 annual internal control audit certified public

accountants. In 2018 the internal control audit fee paid for the internal control auditing services provided by Ernst & Young Huaming certified public accountants (special ordinary partnership) is RMB 1.27 million yuan.

## **X. After the disclosure of the annual report, the Company faces the suspension and termination of the listing**

☐Applicable ☒Not-applicable

## **XI. Bankruptcy restructuring related matters**

☐Applicable ☒Not-applicable

During the report period no bankruptcy restructure related matters occur.

## **XII. Crucial litigation and arbitration events**

☐Applicable ☒Not-applicable

During the reporting period the company has no crucial litigation and arbitration events.

## **XIII. Punishment and rectification**

☐Applicable ☒Not-applicable

During the reporting period there's no punishment and rectification.

## **XIV. The integrity of company and its controlling shareholder, actual controller**

☐Applicable ☒Not-applicable

## **XV. Company equity incentive plan, the implementation of the employee stock ownership plan or other staff incentives.**

☒Applicable ☐Not-applicable

At the 30th meeting of the 7th board of directors, *A bill to cancel some stock options of the Company* was deliberated and passed on Apr 17th, 2018, and 10,826,600 stock options would be cancelled. For details, please refer to *The announcement of cancellation about some stock options of the company* (Announcement Number: 2018-23) on Apr 18th, 2018. On May 24th, 2018, the company disclosed *Notice on the completion of cancellation about some stock options* (Announcement Number: 2018-35), according to relevant regulations, the company applied to the shenzhen branch of China securities registration and settlement co., LTD for the cancellation of stock options and completed the cancellation procedures.

## **XVI. Significant related party transactions**

### **1、Related transactions related to day-to-day operation**

For details, please refer to Note 9 "Related Party Relationships and Transactions" in the Financial Statements.

## 2、Assets or equity acquisition, sales related transactions

For details, please refer to Note 9 "Related Party Relationships and Transactions" in the Financial Statements.

## 3、Related transactions of common investment

☒Applicable ☐Not-applicable

For details, please refer to Chapter four " Major equity investment in the reporting period " in the Financial Statements.

## 4、Related rights and debt relations

☒Applicable ☐Not-applicable

For details, please refer to Note 9 "Related Party Relationships and Transactions" in the Financial Statements.

Whether there is any non-business related credits and debts

☐Applicable ☒ Not-applicable

There is no non-operating associated credits and debts during the reporting period.

## 5、Other significant related transactions

☒applicable ☐ not applicable

Related queries in disclosure website of interim report of related transactions

Name of temporary announcement	Temporary announcement date	Temporary announcement site name
Announcement about related transaction of replenishment chang 'an Peugeot Citroen automobile co., LTD	Jan, 13th, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Related transactions announcement about renewing 《Daily Framework Agreement For Related Transactions》、《Property Leasing Framework Agreement》、《Integrated Service Agreement》	Apr, 4th, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement about increasing estimated amount of 2018 daily related transaction	Apr, 18th, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Related Transactions Announcement that China South Industries Group Co., Ltd. provides financial service for the company (Note 1)	May, 7th, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Related transaction announcement that Chongqing Automobile Finance Co., Ltd. provides financial services (Note 2)	May, 7th, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

**Note 1:** Changan Automobile has signed a Financial Service Agreement with China South Industry Group Finance Co.,Ltd and strictly implemented the approval procedures from BOD meeting and Shareholders' meeting. In accordance with " Administrative Measures for Financial Companies of Enterprise Groups" issued by CBRC, Changan Automobile reviewed China South Industry Group Finance Co.,Ltd and issued a risk assessment report.(For details, please refer to " A report on risk assessment of China South Industry Group Finance Co.,Ltd " disclosed on <http://www.cninfo.com.cn> on Feb., 1st 2019)

In 2019, China South Industry Group Finance Co.,Ltd will provide the following services for the company:

- ① Provide the maximum deposit balance of not more than 5.5 billion, and the deposit interest rates should not be lower than that of other domestic financial institutions over the same period;
- ② Provide the maximum credit total of 12 billion yuan and related credit services, the credit rate provided by the finance Company for Changan Automobile should not be higher than that of other domestic financial institutions over the same period;
- ③ Provide the maximum credit total of 15 billion auto financial services and other financial services, and set the prices for financial services in accordance with the standards not higher than market fair prices or national standards.

**Note 2:** Changan Automobile has signed a Financial Service Agreement with Changan Automobile Finance Co., Ltd and strictly implemented the approval procedures from BOD meeting and Shareholders' meeting. In accordance with "Administrative Measures for Motor Financing Companies" issued by CBRC, Changan Automobile reviewed Changan auto finance and issued a risk assessment report. (For details, please refer to "A report on risk assessment of Changan Automobile Finance" disclosed on <http://www.cninfo.com.cn> on Feb., 1st 2019)

In 2019, Changan auto Finance will provide the following services for the company:

- ① Provide the maximum deposit balance of not more than 3.5 billion, and the deposit interest rates should not be lower than that of other domestic financial institutions over the same period;
- ② Provide the maximum of 2 billion yuan in auto finance personal consumer credit discount service, and set the prices for financial services in accordance with the standards not higher than market fair prices or national standards;
- ③ Provide the maximum credit total of 6 billion auto financial services and other financial services, and set the prices for financial services in accordance with the standards not higher than market fair prices or national standards.

## **XVII. Major contract and its performance**

### **1、Trusteeship, contracting, leasing matters**

#### **(1) Trusteeship**

☐ Applicable    ☒ Not-applicable

Information about Trusteeship

There is no Trusteeship during the reporting period.

#### **(2) contracting**

☐ Applicable    ☒ Not-applicable

Information about contracting

There is no contracting during the reporting period.

#### **(3) Leasing**

☒ Applicable    ☐ Not-applicable

Information about leasing

Related party rental situation can be found in the note nine of financial statements 5 (2) related party relationships and transactions.

Projects whose profit and loss to the company during the reporting period is more than 10% of total profits

☐ Applicable    ☒ Not-applicable

Projects whose profit and loss to the company during the reporting period can't be more than 10% of total profits

## 2、Major guarantee

☐Applicable    ☒ Not-applicable

There's no major guarantee during the report period.

## 3、Entrust others for cash assets management

### (1) Entrust financial situation

☐Applicable    ☒ Not-applicable

There's no entrusting situation during the reporting period.

### (2) Entrusted loans situation

☐Applicable    ☒ Not-applicable

There's no entrusted loan during the reporting period.

## 4、Other major contract

☐Applicable    ☒ Not-applicable

There's no other major contract during the reporting period.

## XVIII. Social responsibility

### Fulfill social responsibility of targeted poverty alleviation

☒ applicable    ☐ not applicable

In 2018, Changan Automobile positively responded to the "poverty alleviation plan for the 13th Five-Year-Plan period", and fully implemented the guiding principles of the Eighteenth National Congress of the CPC, the third, fourth, fifth, sixth plenums of the 18th CPC Central Committee, poverty alleviation and development meeting of the central government. Changan Automobile promoted the poverty alleviation through society and education, public welfare and public utilities construction, etc in full compliance with the decisions and arrangements of the Party Central Committee and the State Council based on the enterprise actual situation to push forward the better and faster economic and social development of poverty-stricken area such as Luxi and Yanshan Counties of Yunan Province and Pengshui and Youyang Counties of Chongqing Municipality.

#### 1、In 2018, precise poverty alleviation in "two counties" of Yunnan

##### (1) The company donated RMB 11 million to Luxi County.

**a. On education poverty alleviation projects:** firstly, invest 2 million yuan to improve the teaching facilities of Santang Town Junior Middle School; secondly, invest 1.77 million yuan to build Changan Automobile (Luxi) Training Base Project (Phase II). Thirdly, the Company issues the Circular on Priority Employment of Graduates from Luxi Branch and Yanshan Branch of Yunnan Institute of Technicians (No. 2016), requiring relevant departments to implement it conscientiously. Under the same conditions, students from Luxi and Inkshan Branches should be recruited first, and within their abilities, they should actively promote the goal of precise poverty alleviation and poverty alleviation in the two counties. The Institute has set up two "Chang'an Automobile Classes"



for Yubei factories and Oshang Automobiles, recruiting 62 students and continuously promoting the precise poverty alleviation. Fifthly, Changan arranged company experts to teach the courses of "Introduction to World Skills of Automobile Event Competition", "Diagnosis and Maintenance of Automobile Electrical Appliances" and "Enterprise Culture" for school teachers and students.

**b. On the poverty alleviation project of people's livelihood:** invest 7.23 million yuan to build a rural domestic garbage collection and transportation facility project in Luxi County.

**(2) The company donated RMB 11 million to Yanshan County.**

**a. On the industrial poverty alleviation project:** firstly, invest 2.5 million yuan to build an apple planting project in Ashe Township; secondly, invest 2 million yuan to build SanQi planting project in Panlong Township; thirdly, invest 1 million yuan for the commercial cattle breeding project in Weimo Township; fourthly, invest 1 million yuan in the pepper planting project in Ganhe Township; fifthly, Changan intensifies its support to the industrial development of Yanshan County, and actively explores the feasibility of incorporating Yanshan-related enterprises into the Chang'an Automobile Purchasing Supply Chain.

**b. On education poverty alleviation projects:** firstly, invest 2 million yuan for the construction of the student dormitory building in Awenzhai Primary School; secondly, invest 1.4 million yuan for the student loan program. Thirdly, the Company issues the Circular on Priority Employment of Graduates from Luxi Branch and Yanshan Branch of Yunnan Institute of Technicians (No. 2016), requiring relevant departments to implement it conscientiously. Under the same conditions, students from Luxi and Inkshan Branches should be recruited first, and within their abilities, they should actively promote the goal of precise poverty alleviation and poverty alleviation in the two counties; fourthly, sign strategic agreements with Yanshan Branch on school-enterprise cooperation and establish school-enterprise cooperation relations; The Institute has set up two "Chang'an Automobile Classes" for Yubei factories and Oshang Automobiles, recruiting 40 students and continuously promoting the precise poverty alleviation. Fifthly, Changan arranged company experts to teach the courses of "Introduction to World Skills of Automobile Event Competition", "Diagnosis and Maintenance of Automobile Electrical Appliances" and "Enterprise Culture" for school teachers and students.

**c. On the poverty alleviation project of people's livelihood:** firstly, invest 1 million yuan in township hospitals equipment configuration project to equip some township hospitals with basic equipments such as ventilator, electrocardiograph and electro-acupuncture apparatus to improve the medical environment and medical conditions; Secondly, implement relief and poverty alleviation projects and donate 100,000 yuan to solve the difficulties of the affected people in a timely manner to ensure social harmony and stability; Thirdly, implement the "Summary on Organizing the National Day of Poverty Alleviation and submitting the annual work of poverty alleviation notice" (Armament Reform [2018] 422), launch a series of activities called "China South Industries Group Poverty Alleviation Week" and call on all units to publicize and actively mobilize their employees to involve in "Yanshan Material Donation" and "Yanshan Purchase" consumption poverty alleviation work on the premise of voluntary and market-oriented transactions, and Changan received a total of 2723 clothes, 281 books and arranged direct transportation of these donations to Yanshan County.

## **2、Precise poverty alleviation in tow Counties of Chongqing in 2018**

(1) According to the "Notice of the Chongqing Municipal Development and Reform Commission's Leading Group for Poverty Alleviation on Carrying out Donation Assistance and Reporting Poverty Alleviation Materials"( Yu Development and Reform Commission of the Poverty Alleviation Group issued [2018] Document No. 2), Changan Automobile donated 300,000 yuan to Pengshui County for improving infrastructure, public services and so on.

(2) In accordance with the spirit of the Notice of the Office of the People's Government of Jiangbei District of Chongqing on the Work Plan of Aiding Youyang County in 2018 (No. 92 of Jiangbei Prefecture Office), Changan Automobile donated 200,000 yuan to Youyang County for the construction of school educational facilities.

### Changan Automobile Statistics on Poverty Alleviation in 2018

Indicator	Unit	Quantity / Details
I . Total	——	——
1.funds	10 thousand RMB	2250
2. Material	10 thousand RMB	——
II . Subdivision	——	——
1. Industrial poverty alleviation	——	——
1.1 Industrial poverty alleviation project type	——	1) Apple Planting Project in Ashe Township; 2) Sanqi Planting Project in Panlong Township; 3) Cattle Breeding Project in Weimo Township; 4) Pepper Planting Project in Ganhe Township.
1.2 Industrial poverty alleviation project investment funds	10 thousand RMB	650
2. Education poverty alleviation	——	——
2.1 Funding for poor students	10 thousand RMB	140
2.2 Improve educational resources in poor areas	10 thousand RMB	597
3. Medical and health poverty alleviation	——	——
3.1 Medical and health resources invested in poverty areas	10 thousand RMB	823
4. Other projects - people's livelihood poverty alleviation	——	——
4.1 Amount of investment	10 thousand RMB	40

### 3、Follow-up precision poverty alleviation plan

Changan Automobile will actively implement poverty alleviation work, continue to carry out targeted poverty alleviation work in Luxi County and Yanshan County of Yunnan Province, Pengshui County and Youyang County of Chongqing Municipality, and effectively promote accurate poverty alleviation work.

### 3. Fulfill the social responsibility of the environmental protection

Whether the listed companies and their subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

√ Yes ☐ No

#### Basic status

Changan Automobile mainly produces engines and automobiles. The main pollutants are chemical oxygen demand, ammonia nitrogen, total nickel, toluene, xylene and non-methane hydrocarbon, etc. Waste water mainly comes from the treatment of surface treatment wastewater, spray painting wastewater and oil containing wastewater before the coating workshop, which is discharged after physicochemical and biochemical treatment. The exhaust gas is mainly painted waste gas and flue gas. The exhaust gas of the spray paint is absorbed, concentrated and burned, and the exhaust gas of the oven is discharged after burning. Two sulfur oxide and nitrogen oxide are mainly from the waste gas from the clean energy of natural gas. All of the exhaust gases from energy and natural gas combustion are organized emissions. The company's headquarters and subsidiaries have a sound environmental management system, which has passed the environmental management system certification.

#### Pollution discharge information

During the reporting period, there were 309 pollutant outlets and 18 water pollutant outlets. The emission standards were strictly implemented according to the national sewage comprehensive discharge standard, the water pollutant discharge standard in Beijing,

the national standard for the comprehensive emission of air pollutants, the standard for the emission of air pollutants on the surface of automobile manufacturing in Chongqing, the standard for the comprehensive emission of air pollutants, and the vehicle Manufacturing industry (painting process) air pollutant emission standard in Beijing, national industrial enterprise boundary environmental noise emission standard and so on. The total emission of major pollutants: 383.26 tons of chemical oxygen, 27.02 tons of ammonia nitrogen, 212.63 tons of sulfur dioxide and 255.14 tons of nitrogen oxides. All the pollutants in the company are discharged, and there is no excess total emission.

Solid wastes are separately collected and stored. Main dangerous wastes are wastewater and sludge treatment, paint slag, phosphated residue and waste solvent, etc. The units with hazardous waste business qualification are entrusted to dispose hazardous wastes. The general industrial solid wastes and household garbage are disposed by the units with qualification according to the requirement of the local government. The waste electrical and electronic products are disassembled by the units with qualification and are safely disposed by the units with hazardous waste business qualification.

#### **Construction and operation of pollution prevention facilities**

During the reporting period, the main waste gas prevention and control facilities include foundry dust removal and deodorization facilities in engine factories, welding dust removal facilities in vehicle factories and treatment facilities for coating volatile organic waste gas; together with wastewater treatment facilities, they are included in preventive maintenance management of equipment, with account books, operation instructions, preventive maintenance rules, preventive maintenance plans and implementation records, and equipment spot inspection records, operating records and so on. The facilities are running normally.

#### **Administrative licensing of environmental impact assessment and other environmental protection for construction projects**

In accordance with the regulations of the State Council on environmental protection and management of construction projects, the People's Republic of China Environmental Impact Assessment Law, the regulations on environmental protection in Chongqing, and the Interim Measures for the construction project completion of environmental protection and acceptance by the Ministry of environmental protection of the state, the environmental impact assessment and completion ring of the new, modified and expanded projects are required and strictly enforce the environmental impact assessment system and the "Three Simultaneity" system.

In 2018, the Company obtained "New Energy Electric Drive Assembly System Project EIA Approval", and completed the EIA acceptance about Dianjiang Test Site Project(Phase II)、PDC Project(Phase I)、Passenger Car Project.

#### **Emergency preparedness and exercise of emergency environmental events**

Continue to carry out environmental protection emergency drills to enhance the response capacity to environmental emergencies. In 2018, all bases made environmental risk assessment reports and emergency plans for environmental emergencies. The Company carried out 3 drills of a company-level environmental emergency, more than 14 emergency drills at the factory and 314 drills at workshop.

#### **Programming and implementation of self-monitoring of the environment**

In 2018, Key sewage units of Changan Automobile: Yuzui Base of OuShang Automotive Division, Yuzui Base of Jiangbei Engine Factory, Yubei Factory, Beijing Changan, Hefei Changan. All the key sewage made self-monitoring schemes, and self-monitoring has been carried out, and information disclosure has been carried out according to the requirements of the local ecological environment department.

#### **Others**

During the reporting period, Yubei Factory, Oushang Automobile Business Department, Jiangbei Engine Factory and Mold Business Department were included in Chongqing Environmental Credit Evaluation in 2017, and were all evaluated as Chongqing Environmental Credit Enterprises.

**Whether to publish a report on social responsibility**

√Yes □No

Corporate Social Responsibility Report					
The nature of the enterprise	Whether it contains environmental information	Whether it contains social information	Whether it contains corporate governance information	Reporting Disclosure Criteria	
				Domestic standards	Foreign standards
State - owned enterprises	Yes	Yes	Yes	"Guidelines for the Shenzhen Stock Exchange Main Board", "Main Board Information Disclosure Business Memorandum No. 1 - Periodic Report Disclosure Relevant Issues", "Contents and Formats of Information Disclosure of Companies for Public Offering No. 2 - Contents and Form of Annual Report ", "Guidelines for the Social Responsibility of Shenzhen Stock Exchange "	

**Specific description**

1. Whether the company has passed the environmental management system certification (ISO14001)	Yes
2. Company "waste gas, waste water, waste residue" three-waste reduction performance	Beijing Changan reused 38,891 tons wastewater and 87,401.96 tons of solid waste.
3. Amount of annual environmental protection investment in 2018 (10 thousand)	21,335
4. The company invests in upgrading the ability of employees to improve their personal knowledge and skills to enhance their career development (10 thousand)	4,039.59
5. The amount of corporate social donations (funds, materials, free professional services) (10 thousand)	3,171.99

**XIX. Other important events**

√Applicable □Not-applicable

On Mar. 16th, 2018, the company disclosed 《Chongqing Changan Automobile Co., Ltd. announcement on the free transfer of state-owned shares of controlling shareholders》(Announcement Number: 2018-11). The controlling shareholder of the company——China Changan Automobile Group Co., Ltd. intends to transfer about 1,035,312,673 shares of Changan Automobile (accounting for 21.56% of the total share capital) to China South Industries Group Co., Ltd. without charge.

On May 31st, 2018, the company disclosed 《Announcement of Chongqing Changan Automobile Co., Ltd. on the free transfer of the controlling shareholder's state-owned shares approved by the SASAC》(Announcement Number: 2018-39). On Jun 21st, 2018, the company disclosed 《Announcement on the completion free transfer of controlling shareholders' state-owned shares》(Announcement

Number: 2018-42) and confirmed the transfer registration process of the above-mentioned free transfer of shares on Jun 15th, 2018.

## **XX. Important matters of the Company's subsidiary**

☐Applicable    ☒Not-applicable

## Chapter 6 Changes in the shareholding of the company and shareholders

### I. Change in shareholdings

#### 1、Change in shareholdings

Unit: One share

	Balance before current change		Addition and deduction (+, -) during change				Balance after current change	
	Quantity	Ratio (%)	Additional issued	Stock dividend	Provident fund transfer	other	Quantity	Ratio (%)
Non-circulated shares	139,781,303	2.91%					139,781,303	2.91%
1、State-owned legal person shares	139,762,403	2.91%					139,762,403	2.91%
2、Senior management personnel shares	18,900	0.00%					18,900	0.00%
Circulated shares	4,662,867,208	97.09%					4,662,867,208	97.09%
1、Domestic listed RMB shares	3,760,881,066	78.31%					3,760,881,066	78.31%
2、Domestic listed foreign shares	901,986,142	18.78%					901,986,142	18.78%
Total shares	4,802,648,511	100.00%					4,802,648,511	100.00%

#### Reason of stock changes

☐ applicable    ☒ not applicable

#### Approval of stock changes

☐ applicable    ☒ not applicable

#### Ownership transfer of stock change

☐ applicable    ☒ not applicable

#### Progress in the implementation of stock repurchase

☐ applicable    ☒ not applicable

#### Progress in the implementation of the reduction of stock by means of centralized bidding

☐ applicable ☒ not applicable

**The influence of share changes on financial indicators, such as the latest year and the latest basic earnings per share and diluted earnings per share, the net assets per share belonging to the common shareholder of the company**

☐ applicable ☒ not applicable

**Other contents which the company regards necessary and securities supervising institution requires the Company to disclose.**

☐ applicable ☒ not applicable

## 2、Change in Non-circulated shares

☒ Available ☐ Not-available

Unit: one share

Name of shareholders	Non-circulated shares held at the year-beginning	Decrease during the reporting period	Increase during the reporting period	Non-circulated shares held at the year-end	Reason for non-circulated shares	Date for the circulated shares
China Changan Automobile Co., Ltd.	139,762,403	-	-	139,762,403	Non - public offering shares of 139,762,403 in 2017	2019-10-14
Zhu Huarong	18,900	-	-	18,900	Executive lock stocks	6 months after the retirement
Total	139,781,303	-	-	139,781,303	--	--

## II. Issuing and listing of securities

### 1、Securities issuance (excluding preferred stocks) during the reporting period

☐ applicable ☒ not applicable

### 2、Changes in the total number of shares of the Company and changes in the structure of the shareholders and in the structure of the Company's assets and liabilities

☐ applicable ☒ not applicable

### 3、Existing internal staff shares

☐ Available ☒ Non available

## III. Shareholders and actual controllers situation

### 1、The number of shareholders of the company and the stock

Unit: one share

Number of	189,472	Number of	203,311	Number of	0	Number of	0
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ordinary shareholders at the period-end		ordinary shareholders at the month-end prior to the disclosure of this Report		preferred shareholders with resumed voting rights at the period-end		preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report		
Holding more than 5% of the shareholders, or top 10 shareholders situation								
Name of shareholders	Nature of Shareholders	Percentage of total shares ( % )	Shares held at the year-end	increases and decreases during the report period	Non-circulat ed shares held at the year-end	Circulated shares held at the year-end	Pledged/ Frozen cases	
							Share status	amount
China South Industries Group Co., Ltd.	State-owned legal person shares	21.56%	1,035,312,673	1,035,312,673	-	1,035,312,673	No pledge or freeze	
China Changan Automobile Co., Ltd.	State-owned legal person shares	19.32%	928,044,946	-1,035,312,673	139,762,403	788,282,543	No pledge or freeze	
China securities finance Co, Ltd	domestic general legal person shares	4.88%	234,265,333	32,220,512	-	234,265,333	No pledge or freeze	
United Prosperity (Hongkong) Investment Co., Limited	foreign legal person shares	3.21%	154,120,237	46,852,509	-	154,120,237	No pledge or freeze	
Central Huijin Investment Ltd.	domestic general legal person shares	1.15%	55,393,100	-	-	55,393,100	No pledge or freeze	
GIC PRIVATE LIMITED	foreign legal person shares	0.93%	44,803,223	-36,090,349	-	44,803,223	No pledge or freeze	
DRAGON BILLION SELECT MASTER FUND	foreign legal person shares	0.85%	40,597,114	39,250,619	-	40,597,114	No pledge or freeze	
China Merchants Bank Co., Ltd.-Boss CSI Central Enterprise Structure Adjustment Transaction Open Index Securities Investment Fund	fund, finance products, etc.	0.75%	36,010,722	36,010,722	-	36,010,722	No pledge or freeze	



Hong Kong Central Clearing Company Limited	foreign legal person shares	0.49%	23,648,047	5,477,959	-	23,648,047	No pledge or freeze	
Industrial and Commercial Bank of China Co., Ltd. - Yinhua CSI Central Enterprise Structure Adjustment Transaction Open Index Securities Investment Fund	fund, finance products, etc.	0.39%	18,676,200	18,676,200	-	18,676,200	No pledge or freeze	
Explanation on the relationship and the action alike of above shareholders		Among the top 10 shareholders, China South Industries Group Co., Ltd., the actual controller; China Changan Automobile Group Co., Ltd., the controlling shareholder, and its wholly owned subsidiary United Prosperity (Hong Kong) Investment Co., Limited. belong to the concerted actor regulated by “Disclosure Administration of Shares Change Information of The Listed Company”.						
The ten largest circulated shareholders								
Name of shareholders			Shares at the year end		Shares type			
					Type		Amount	
China South Industries Group Co., Ltd.			1,035,312,673		RMB ordinary shares		1,035,312,673	
China Changan Automobile Co., Ltd.			788,282,543		RMB ordinary shares		788,282,543	
China securities finance Co, Ltd			234,265,333		RMB ordinary shares		234,265,333	
United Prosperity (Hongkong) Investment Co., Limited			154,120,237		Domestic listed foreign shares		154,120,237	
Central Huijin Investment Ltd.			55,393,100		RMB ordinary shares		55,393,100	
GIC PRIVATE LIMITED			44,803,223		Domestic listed foreign shares		44,803,223	
DRAGON BILLION SELECT MASTER FUND			40,597,114		Domestic listed foreign shares		40,597,114	
China Merchants Bank Co., Ltd.-Boss CSI Central Enterprise Structure Adjustment Transaction Open Index Securities Investment Fund			36,010,722		RMB ordinary shares		36,010,722	
Hong Kong Central Clearing Company Limited			23,648,047		RMB ordinary shares		23,648,047	
Industrial and Commercial Bank of China Co., Ltd. - Yinhua CSI Central Enterprise Structure Adjustment Transaction Open Index Securities Investment Fund			18,676,200		RMB ordinary shares		18,676,200	
The top 10 shareholders to sell circulated shares, and the infinite tradable relationship between shareholders and top 10 shareholders or concerted action			Among the top 10 shareholders, China South Industries Group Co., Ltd., the actual controller; China Changan Automobile Group Co., Ltd., the controlling shareholder, and its wholly owned subsidiary United Prosperity (Hong Kong) Investment Co., Limited. belong					

	to the concerted actor regulated by “Disclosure Administration of Shares Change Information of The Listed Company”.
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**Whether the company top 10 shareholders of ordinary shares, and the top 10 circulated shareholders agreed on the repurchase transactions during the report period**

☐Available ☒Not- available

The company top 10 shareholders of ordinary shares, and the top 10 circulated shareholders did not agree on the repurchase transactions during the reporting period.

**2、The controlling shareholder of the company.**

Nature of the controlling shareholder: the central state-owned

Type of the controlling shareholder: legal person

Name	Legal /Representative	Date of establishment	Organization code	Business scope and major products:
CHINA CHANGAN AUTOMOBILE GROUP CO., LTD	Liu Weidong	Dec 26th, 2005	911100007109339484	Design, development, manufacture and sales of automobile & motorcycle, automobile & motorcycle engine, automotive and motor cycle components & parts; sales of optical products, electronic and photoelectron products, night-time vision device, information and communication equipment; technical development, technical transfer, technical consultation, technical training, and other technical service relative with the operation mentioned above; imports and exports; merge and acquisition and consultation of assets restructuring.
The controlling equity and equity during the reporting period, the controlling shareholder of listed companies in other domestic and foreign markets	To the reporting period, the holding companies: Harbin Dongan Auto Engine Co., Ltd. (stock code 600178); Hunan Tianyan Machinery Co., Ltd. (stock code 600698), Chongqing Changan Minsheng APLL Logistics Co., Ltd (stock code 01292.HK)			

**The change of controlling shareholder during the reporting period**

☐Available ☒Not- available

No changes in controlling shareholder during the reporting period.

**3、The ultimate controller of the Company**

Nature of the ultimate controller: the central state-owned asset management institution

Type of the ultimate controller: legal person

Name	Legal	Date of	Organization	Business scope and major products:
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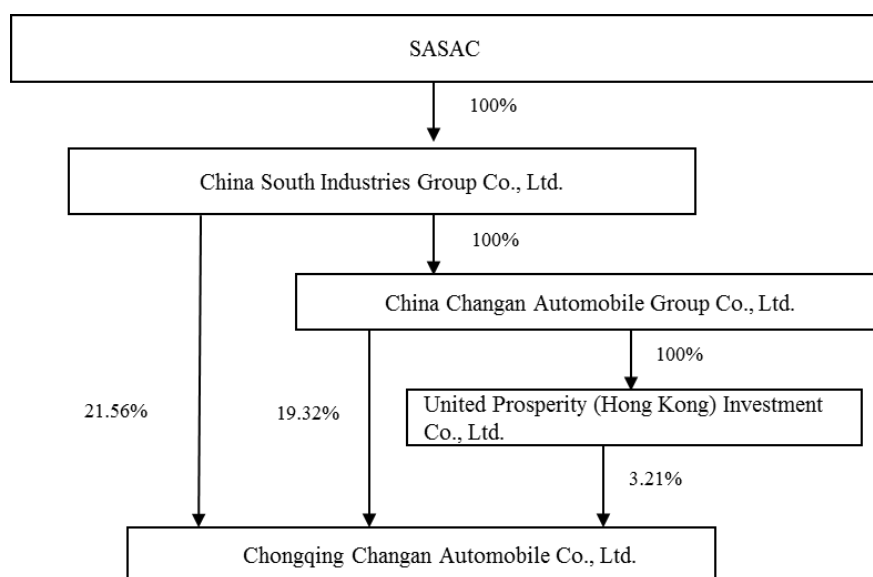
	/Representative	establishment	code	
China South Industries Group Corp.	Xu Ping	29 Jun.,1999	91110000710926043F	investment and management of state-owned assets; manufacturing of guns and firearms; engineering prospecting, designing, construction, contracting, construction supervision; equipment installation, etc.
The controlling equity and equity during the reporting period, the controlling shareholder of listed companies in other domestic and foreign markets	To the reporting period, direct or indirect holding companies: Harbin Dongan Auto Engine Co., Ltd. (stock code 600178); Baoding Tianwei Electric Co., Ltd. (stock code 600550); Jiangling Motors Co., Ltd. (stock code 000550); Hunan Tianyan Machinery Co., Ltd. (stock code 600698); China Jialing Industrial Co., Ltd. (stock code 600877); Chongqing Jianshe Automotive Systems Co., Ltd. (stock code 200054); Lida Optical Co., Ltd. (stock code 002189); Yunnan West Instrument industrial Co., Ltd. (stock code 002265); Chongqing Changan Minsheng logistics Limited (stock code 01292.HK).			

#### The change of the ultimate controller during the reporting period

☐Available    ☒Not- available

No changes in the ultimate controller during the reporting period.

Relationship among the Company and its controlling shareholders:



#### Actual control people control the company through trust or other asset management method.

☐Available    ☒Not available

#### 4、 Other legal shareholders with over 10% holding

☐Available    ☒Not available

**5、 Reduced shareholdings of controlling shareholders, actual controllers, restructuring parties and other committing parties**

☐ Available    ☒ Not available

## Chapter 7 Information about Directors, Supervisors, Senior Management and Employees

### I . Share ownership changes of directors, supervisors and senior management

Name	Position	As state	Gender	Age	Term start date	Term Termination date	Shares held at beginning (stock)	increased share number in this issue (stock)	decrease d share number in this issue (stock)	share number at the end (stock)
Zhang Baolin	Chairman	present	M	56	2017-09-22	2019-03-23				
Zhu Huarong	Director, President	present	M	53	2016-03-23	2019-03-23	25,200	-	-	25,200
Zhou Zhiping	Director	present	M	48	2016-03-23	2019-03-23				
Tan Xiaogang	Director	present	M	55	2016-03-23	2019-03-23				
Zhang Dongjun	Director, Deputy Vice Director	present	M	52	2018-05-18	2019-03-23				
Zhang Deyong	Director	present	M	44	2018-05-18	2019-03-23				
Liu Jipeng	independent director	present	M	62	2016-03-23	2019-03-23				
Li Qingwen	independent director	present	M	63	2016-03-23	2019-03-23				
Tan Xiaosheng	independent director	present	M	48	2016-03-23	2019-03-23				
Pang Yong	independent director	present	M	49	2016-03-23	2019-03-23				
Chen Quanshi	independent director	present	M	73	2016-03-23	2019-03-23				
Ren Xiaochang	independent director	present	M	62	2017-09-20	2019-03-23				
Wei Xinjiang	independent director	present	M	49	2017-09-20	2019-03-23				

Cao Xingquan	independent director	present	M	47	2018-05-18	2019-03-23				
Yan Ming	Chairman of the supervisory	present	M	53	2019-01-03	2019-03-23				
Sun Dahong	Supervisor	present	M	52	2016-03-23	2019-03-23				
Zhao Huixia	Supervisor	present	M	58	2016-03-23	2019-03-23				
Zhang Anguo	Employee Supervisor	present	M	59	2016-03-23	2019-03-23				
Luo Yan	Employee Supervisor	present	F	44	2016-03-23	2019-03-23				
Yuan Mingxue	Executive Vice President	present	M	50	2016-03-23	2019-03-23				
Liu Bo	Deputy Vice Director	present	M	52	2016-03-23	2019-03-23				
He Chaobing	Deputy Vice Director	present	M	51	2016-03-23	2019-03-23				
Zhang Jingjing	Deputy Vice Director	present	F	52	2016-03-23	2019-03-23				
Li Wei	Deputy Vice Director	present	M	52	2016-03-23	2019-03-23				
Tan Benhong	Deputy Vice Director	present	M	43	2017-08-31	2019-03-23				
Liu Zhengjun	Deputy Vice Director	present	M	53	2017-11-24	2019-03-23				
Ye Pei	Vice President	present	M	43	2018-09-21	2019-03-23				
Zhao Fei	Vice President	present	M	44	2018-09-21	2019-03-23				
Chen Wei	Vice President	present	M	46	2018-09-21	2019-03-23				
Li Mingcai	Vice President	present	M	37	2018-09-21	2019-03-23				
Li Jun	Board Sectary	present	F	49	2016-03-23	2019-03-23				
Huang Zhongqiang	Vice President	departure	M	50	2016-03-23	2018-05-21				
Luo Minggang	Vice President	departure	M	55	2016-03-23	2018-05-21				
Dong Qihong	Chairman of the supervisory	departure	M	54	2017-12-16	2018-08-27				
Gong Bing	Vice President	departure	M	49	2016-03-23	2018-05-21				
Wang	Director	departure	M	45	2016-03-23	2018-05-14				

Xiaoxiang										
Wang Jun	Deputy Vice Director	departure	M	46	2016-03-23	2018-09-21				
Wang Kun	Director/Vice president	departure	M	43	2016-03-23	2018-01-27				
Total							25,200	-	-	25,200

## II. Personnel Changes of directors, supervisors and senior management

Name	Position	Type	Term	Reason
Yan Ming	Chairman of the supervisory	elected	2019-01-03	recruitment for work needs
Zhang Dongjun	Director	elected	2018-05-18	recruitment for work needs
Cao Xingquan	independent director	elected	2018-05-18	recruitment for work needs
Zhang Deyong	Director	elected	2018-05-18	recruitment for work needs
Zhang Deyong	Deputy Vice Director	engaged	2018-01-26	recruitment for work needs
Ye Pei	Vice President	engaged	2018-09-21	recruitment for work needs
Zhao Fei	Vice President	engaged	2018-09-21	recruitment for work needs
Chen Wei	Vice President	engaged	2018-09-21	recruitment for work needs
Li Mingcai	Vice President	engaged	2018-09-21	recruitment for work needs
Wang Jun	Deputy Vice Director	departure	2018-09-21	Work change
Huang Zhongqiang	Vice President	departure	2018-05-21	Work change
Luo Minggang	Vice President	departure	2018-05-21	Work change
Dong Qihong	Chairman of the supervisory	departure	2018-08-27	Work change
Gong Bing	Vice president	departure	2018-05-21	Work change
Wang Kun	Director/Vice president	departure	2018-01-27	Work change
Wang Xiaoxiang	Director	departure	2018-05-14	Work change

## III. Employment

Professional Background, Main Work Experience and Main Duties and Responsibilities of present directors, supervisors and senior managers

### 1、Directors

Mr. Zhang Baolin, Chairman, born in 1962. He has obtained a postgraduate degree, a senior economist and senior political & ideological worker. He currently holds the position of the member of the Party Group and the Vice General Manager of China South Industries Group, and the Chairman of Chongqing Changan Automobile. He used to work as Vice Secretary and Secretary of

the League Committee of the South-west Industries Bureau in China Industries Company, Secretary of the Party Committee of Chongqing Changfeng Machinery Factory, Senior Deputy General Manager and General Manager of Chengdu Wanyou Company, Director, Vice President and Deputy General Manager of Changan Automobile (Group) Co., Ltd., the President of the Company, the vice secretary of the Party Committee of China Changan, the president assistant of South Industries Group, the General Manager and the vice Chairman of the Company, the General Manager of China Changan Automobile Co, Ltd.

Mr. Zhu Huarong, Director and President. He was born in 1965, master graduate student, researcher-level senior engineer. Currently he is the president assistant of South Industries Group, the director of China Changan Automobile Group and the director, president and the vice secretary of party committee of Chongqing Changan Automobile. He was vice director of Changan Technology Department, the chief engineer of Changan Automobile Manufacture Factory, president assistant of Changan Automobile (Group) Co., Ltd. and director of technical center, director of science and technology committee, vice President of Changan Automobile (Group) Co., Ltd and the leader of engineering research division., vice President and secretary of party committee of Chongqing Changan Automobile, the vice secretary of party committee of China Changan Automobile Group

Mr. Zhou Zhiping, Director. He was born in 1971, the doctor graduate. Currently he is staff director of China South Industries Group, director, secretary of the Party Committee, Union Chairman of Chongqing Changan Automobile. He was deputy director of Motor sector of development and planning department of China South Industries Group Corp, manager and director of long-term planning sector of development and planning department of China South Industries Group Corporation, deputy director and director of capital operation Department of China South Industries Group Corp, the general manager of the southern industrial asset management Ltd, the staff director of China South Industries Group, the secretary of party committee and the labor union chairman of the Company.

Mr. Tan Xiaogang, Director. He was born in 1963, the master's degree, researcher-level senior engineer. Currently, he is the director of Development & Planning Department of China South Industries Group. He used to be the Vice Director, executive Vice Director of Workshop No. 343, deputy Secretary of the Yuanling County CPC Committee in Hunan Province, director, executive deputy general manager, and general manager of Hunan Yunjian Co. Ltd, Chariman, the Secretary of the Party Committee of Hunan Yunjian Group, and vice director of Development & Planning Department of China South Industries Group.

Mr. Zhang Dongjun, Director, is born in 1966, master's degree. Now he is the Director and Chief Accountant of China Changan Automobile Group Co, Ltd. He used to be the deputy general manager of the southern industrial asset management Ltd, the deputy director of Capital operation Department of China South Industries Group, the deputy general manager of China South Industries Automobile Co., Ltd, the Deputy Director of Capital Operations Department of Weapons and Equipment Group, Director of Technical Management Department of Science and Technology Quality Department, Director of Integrated Technology Office, and Deputy Director.

Mr. Zhang Deyong, director, vice president, born in 1974, MPAcc, senior accountant. He is vice president of the Company and the head of the capital operation Department of the Company. He was the director, the chief accountant, and a committee member of the Party committee of the Chongqing Changan Industry Group. The deputy director (registered) of finance department in South Industries, the director, the chief accountant, the committee member of the Party committee of Chongqing Changjiang Electrician Co., Ltd., the deputy director (registered) of the Finance Department of South Industries Group, the deputy director, director of finance department and the assistant president in the Institute of Automation of South Industries Group.

Mr. Liu Jipeng, independent director. He was born in 1956, master degree. He has the certificates of Phase II Professor, Senior Fellow, Senior Economist and Certified Public Accountant and currently serves as Dean and Phase II Professor of Business School of China University of Political Science and Law. Currently, he is the dean, professor, and PhD supervisor of Capital Finance Institute in China University of Political Science and Law; Legal adviser to the State-owned Assets Supervision and Administration Commission of the State Council; the vice Chairman of China Enterprise Reform and Development Research Association; Deputy director of the independent board of directors of the China listed companies Association. He is a famous expert on joint-stock systems and corporate issues, specializing in the combination of joint-stock systems, collectivization, and internationalization theory and practice. He has



published more than 400 articles on newspapers and magazines domestic and abroad, such as People's Daily and Economic Research Journal and received more than 800 interviews by domestic and overseas newspaper and magazines. In the last 20 years, he has managed the shareholding system reform, corporate strategy, acquisition and reorganization, financing scheme design for over 300 companies, such as National Electricity Company, Aviation Industry Corporation of China, Chinalco, Haier Group, Hainan Airlines, Wanxiang Group, Li-ning Sproting Goods Co, Tianjin Development Zone Head Office. These enterprises cover more than 20 provinces and cities, including various industries. He is called "the first person in stock reform" by media.

Mr. Li Qingwen, independent director. He was born in 1956, master degree. He is currently the dean of the Automobile Evaluation Institute and vice chairman of the China Automobile Talent Research Association. He once served as chairman of China Energy Automobile Communications Group, president of China Automobile Newspaper, president of China Energy Newspaper, director and deputy director of the General Office of Heilongjiang Provincial People's Government, and secretary of Hailin Municipal Committee of Heilongjiang Province. Since 1998, his works with a total of nearly one million words in automotive research, monographs, reviews, and interviews have been published.

Mr. Tan Xiaosheng, independent director, born in 1970, bachelor's degree. Currently, he is Cyber Hero founder, senior engineer, deputy secretary-general of the CCF, outstanding cyber security talents in 2018, high-end leader of Zhongguancun in 2012, technical expert of the Network Security Bureau of the Ministry of Public Security, and chairman of the CCF YOCSEF 2015-2016 headquarters, and successively worked at Xi'an Jiaotong University, Peking University Founder Group, Shenzhen Modern, Shenzhen Haixin, 3721, Yahoo! China, MySpace China. From 2009 to 2019, he worked at 360 Company and served as vice president of technology, chief privacy officer, chief security officer, and technical president. He is also an adjunct professor and manager of the School of Computer Science at Chongqing University of Posts and Telecommunications, an adjunct professor at Xidian University, and an enterprise tutor at Beijing University of Posts and Telecommunications. Technical areas: network security technology, cloud computing platform technology, operational automation technology, search engine technology.

Mr. Pang Yong, independent director, born in 1969, master's degree. Currently, he is the chairman and CEO of IDEO, and adjunct professor of Jilin University. He used to be the manager of Liaoning Industry Group, and director of Raytheon Co. China. "I Flow Smart Terminal- Smart Decision Management Platform" is under his leading design, and he acquires the copyright from National Copyright Administration; meanwhile, he is the developer of China AD-CAS, Competitiveness Model of Channel System, and Standardized Database Resources. He is also the Chief expert in lean marketing of automobile dealers certified by Ministry of Human Resources and Social Security of the People's Republic of China.

Mr. Chen Quanshi, independent director, born in 1945, bachelor's degree. Currently, He is currently a professor and director of the Department of Automotive Engineering of Tsinghua University, director of the Electric Vehicle Research Office, and honorary director of the Electric Vehicle Branch of the China Automobile Engineering Society. He once served as vice president of the School of Mechanical Engineering of Tsinghua University, head of the Department of Automotive Engineering, and director of the Automobile Research Institute. To undertake the topic of "Fuel Cell City Passenger Vehicle Technology Research" in the major national "863" electric vehicle projects, national energy conservation and new energy vehicle 863 major projects; He won the first prize for scientific and technological progress in Beijing in 2009 and the second prize for national invention(ranked second). He published a monograph "Fuel Cell Electric Vehicle"(first author) 2004, Tsinghua University Press; Editor-in-Chief of Advanced Electric Vehicle Technology (First Author) the first edition of 2007 (won the second prize of the National Machinery Industry Science and Technology Progress Award).

Mr. Ren Xiaochang, independent director, was born in 1956, bachelor's degree. He served as the chairman and general manager of China Automobile Engineering Research Institute, the group expert of the 12th Five-Year plan national key science and technology special (EV) projects, and the committee member of the second national strategic emerging industry development expert advisory committee. He is the expert of the Chinese machinery industry science and technology, the special subsidy expert of the State Council and the evaluation expert of the national science and technology award. The main social part-time jobs include the deputy director of the China Automobile Engineering Society, the deputy director of the academic committee of the State Key

Laboratory for automobile body advanced design and manufacture of Hunan University, the deputy director of the technical committee of the State Engineering Laboratory of electric vehicles, and the state key experiment on automobile safety and energy saving of the Tsinghua University, and the member of the academic committee of China Academy of international engineering. Its main research and scientific research projects have won the awards such as provincial and ministerial level and scientific and technological progress awards, including 3 second-level awards and 3 third-level awards.

Mr. Wei Xinjiang, independent director, was born in 1969, PHD. He is currently assistant general manager of China Life Insurance (Group) company strategic planning department and a senior commissioner of China Life Financial Insurance Research Center. He was engaged in teaching and scientific research for 13 years at the International Investment Department of the Chinese Academy of Finance and the Institute of Finance and economics of foreign trade and Economy University. He studied at Holland business school, the University of Birmingham, the European Commission and the United Nations Hague International Court of justice for 3 years. He is the expert in international business, overseas M & A, operation of capital market and so on. It has rich research on finance, insurance, overseas investment, and comprehensive finance and so on. He also served as a part-time professor and postgraduate instructor of the International College of Renmin University of China, Xi'an Jiaotong-Liverpool University and the Holland business school. He has published nearly 150 papers in international and domestic journals, and 8 books, such as *the fraud and anti-fraud of automobile insurance*, *the comparative study of the anti-monopoly policies between the United States and the EU*, and *the analysis of the accounting statements and investment value of the enterprises*.

Mr. Cao Xingquan, independent director, born in 1971, doctor of law. He is currently a professor at the School of Civil and Commercial Law of Southwest University of Political Science and Law, and a doctoral tutor in the direction of civil and commercial law. He has 17 years of civil and commercial law teaching and research experience, including 14 years of teaching at Southwest University of Political Science and Law. He is a lecturer in the National fine course "Business Law" and the National Resource sharing course "Business Law". He focuses on the study of commercial law, company law, securities law, and insurance law. He has presided over or participated in more than 20 various scientific research topics, published more than 60 academic papers, published more than 10 academic works and participated in teaching materials; He is the executive director and director of the China Law Conference Law, Insurance Law, and Securities Law Research Association; He once served as vice president of the Fourth Division of the Chongqing First Intermediate People's Court Civil Trial; Member of Chongqing People's Procuratorate Expert Committee on Civil Administration Supervision; He has participated in many national and local legislative consultations, engaged in a large number of professional consultations, special lectures, and legal services in enterprise restructuring, capital operations, and corporate governance, and concurrently served as an arbitrator in arbitration committees in Shenzhen, Chongqing, and Zunyi.

## 2、Supervisors

Mr. Yan Ming, Chairman of the Supervisory Board, born in 1965, Master of Law, Senior Political Engineer. He is currently the Inspector of the Audit and Risk Department of China South Industries Co., Ltd., Chairman of the Supervisory Board of China South Industries Co., Ltd., Chairman of the Supervisory Board of Chongqing Chang'an Automobile Co., Ltd.. He served as Deputy Minister and Minister of Organization Department of Jialing Industrial Co., Ltd.; United Front Department Minister, Party School Executive Vice President, Director of Human Resources Development Management Office of Jialing Industrial Co., Ltd.; Deputy Party Secretary and Disciplinary Committee Secretary of Jialing Industry Co., Ltd.; Deputy Director of Human Resources Department of China South Industries (Exchange); Deputy Director and Director of the Party Group Work Department(Supervision Department) of China South Industries Co., Ltd., Deputy Chairman of the Party Group Discipline Inspection Unit, Member, Deputy Secretary, Member and Secretary of the CPC Ordinance Group directly under the Committee; Director of the Supervision Department of China South Industries and deputy leader of the Party Group Discipline Inspection Unit; Audit and Risk Department Inspector of China South Industries; Chairman of the Supervisory Board of China Chang 'an Automobile Group Co., Ltd., Baoding Tianwei Group Co., Ltd., Zhonghui Fortis(Shenzhen) Co., Ltd., Southern Industrial Assets Management Co., Ltd..

Mr. Sun Dahong, Supervisor. He was born in 1966, master degree, senior economist. Currently, he is the vice director of general office. He used to be the vice director of legal division under the general office in China South Industries Group, vice director and

director of Legal Advisor Division in China South Industries Group, and director of Legal Affairs Division of general office, and the chief of Secrets Agency in South Industries Group.

Mr. Zhao Huixia, Supervisor. He was born in 1960, bachelor degree, senior account. Currently, he is the professional senior staff. He used to be the deputy general accountant and director of Hafei Automobile Co, vice general manager of Harbin Hafei Automobile Industry Group, vice general manager of Hafei Automobile Co, the Secretary of the Party Committee and Vice President of Hafei Automobile Industry Group, vice general manager of AVIC Automobile Industry Co., Ltd, Assistant President and general manager of Operations Management Department of China Changan Automobile Group Co, Ltd.

Mr. Zhang Anguo, staff supervisor. He was born in 1959, master degree, senior political & ideological worker. Currently, he is the officer of Management Section under Party organization of Party Work Department. He used to be the chief of quality section of quality Department, section chief and chief of Labor Union, chief of organization division of Party Work Department, director of Party Construction division of Party Work Department (Corporate Culture Center).

Ms. Luo Yan, staff supervisor. She was born in 1974, bachelor degree, assistant economist. Currently, she is the chief of salary & performance section of HR department. She used to be the maintenance electricians, engineering measurer person, labor technology fixed member, schemer in workshop No.232 of No.3 plant, chief of welfare section of Salary Division of HR Department, and chief of welfare office III.

### 3、Senior Management other than Directors and Supervisors

Mr. Yuan Mingxue, the major executive vice president, born in 1968, master's degree, senior engineer, he used to be the Vice Director and Director of the General Manager's Office, Director of the Quality Control Department, Assistant to President, and Vice President of Changan Automobile (Group) CO., LTD, the Deputy Executive President and the Secretary of CPC of Chongqing Changan Suzuki Auto. Co., Ltd, vice president of the Company.

Mr. Liu Bo, Executive Vice President and Head of Automobile Engineering General Institute, born in 1966, Master's degree, Senior Researcher-level Engineer. He used to serve as the Vice Director of Workshop No.71 of Jiangling Machinery Plant, the Vice Director of Engine Research Division under Company Technology Department, the Vice Director of the Technical Center, the Vice Director, Executive vice Director of Automobile Engineering Institute, Assistant to the President and the Director of Project Supervision Office of the Company, the Director of the Project Administration Department, President of Changan Automobile Engineering Research Institute.

Mr. He Chaobing, Executive Vice President and Director of Operations Management Committee, born in 1967, master's degree, Professor level senior engineer. A former director of fourth development center and Vice President of Automobile Engineering Research Institute, Deputy director of commercial vehicle business management department, President assistant and general manager of the Beijing Changan Automobile Co., Ltd, President assistant and director of purchase department, President assistant and vice general manager of the commercial vehicle division, Executive vice president and party secretary of Changan Ford Motor Co., Ltd.

Ms Zhang Jingjing, Executive Vice President. Born in 1966, bachelor's degree, professor-level and senior engineer. She used to serve as former deputy chief engineer of the 2nd factory of the Company, vice director of development and planning department of the Company, deputy director of Science and Technology Committee of the Company, deputy director of the administration office, the director of the project department, the minister of the Company's human resources department, the company CEO assistant and the director of Quality Department, and General Counsel.

Mr. Li Wei, executive vice president, born in 1966. Master graduate student, research senior engineer. The former president of the Beijing Institute, executive vice president, assistant president of Changan automobile and deputy vice president and the Secretary of the Party Committee of Changan Automotive Engineering Research Institute.

Mr. Tan Benhong, the executive vice president and the director of the Institute of styling design. Born in 1975, master's degree, engineer. He was the deputy director of the Changan company Automobile Technology Department, the product technology manager of the Nanjing factory of Changan Ford Automobile Co., Ltd., the deputy director of the reception office and the secretarial reception department of the Changan Company office, the director of the technical Planning Institute of the Automobile Engineering Research

Institute, the deputy chief engineer of the Automobile Engineering Research Institute and the director of the Institute of technical planning and research, the Vice president of the General Academy of automobile engineering research, Dean of Beijing Research Institute, the department head of market department, brand public relations, product planning department, and vice deputy President and Secretary of the Party committee of the Research Institute, and the spokesman of company news.

Mr. Liu Zhengjun, executive vice president, general manager of Chongqing changan Co., Ltd., general manager of new marketing business department, director of Chelizi joint venture project, director of light vehicle operation management committee. He was born in 1965, bachelor's degree and senior engineer. he once was the Chairman of Haifei Automobile, and the chief economist of China Changan. He was the deputy director and director of the inspection department of the quality department in the company, the vice department head and department head of the quality department of the Company, the director of the office of the quality division, the general manager and party secretary of the Hebei Changan Automobile Co., Ltd., the vice chairman and general manager of Hafei automobile.

Ye Pei, vice president and general manager and the secretary of the party committee of the passenger car marketing department, Secretary of the party committee, deputy director of the passenger car operation management committee, born in 1975, master's degree, engineer. He once served as the deputy chief of the Jiangling Engine Branch General Administration Division, deputy chief of the quality division, deputy director of the quality management department, assistant general manager of Nanjing Changan Automobile Co., Ltd., deputy minister of quality and director of the quality evaluation and improvement department. Director of Market Quality Office, deputy director of the company's office, general manager of Nanjing Changan Automobile Co., Ltd., Secretary of the party committee, Deputy general manager of commercial vehicle business department and manufacturing logistics Department of commercial vehicle business department, Secretary of the party branch, assistant to the general manager of the company, Secretary of the strategic planning department, Secretary of the party branch, general manager and party secretary of the car sales department.

Chen Wei, Vice President and Director of Safety Production of the company, Deputy Director of the European Business Management Committee, born in 1972, undergraduate. He once served as secretary of the Youth League Committee of Chang 'an Automobile Manufacturing Plant, director of the factory office, deputy director, director, and party committee secretary; Vice President of Personnel and Secretary of Discipline Committee of Changan Ford Co., Ltd.; Chang 'an Automobile Manufacturing and Logistics Department Minister, Party Branch Secretary, Director of the OTD Project of the company, General Manager of Beijing Chang' an Automobile Company, Secretary of the Party Committee, and Director of the Beijing Research Institute Construction Project.

Li Ming, vice president and general manager of overseas business department, general counsel of the company, 1981, master's degree. He used to be the acting manager and manager of the sales department of Chongqing Changan Automobile International Sales Service Co., Ltd.. Changan Automobile Overseas Business Development Department Assistant General Manager and Sales Regional Manager, Deputy General Manager of Overseas Business Development Department, General Manager of International Sales Company, Deputy General Manager of Changan Automobile Overseas Business Development Department, Director of Russian JV Project, Brazilian Project Manager.

Zhao Fei, vice president and executive vice president of Changan Ford, Secretary of the party committee, born in 1974, master's degree, senior engineer. He used to be the technical director and technical quality manager of the engine Department of Changan Ford Mazda Automobile Co., Ltd.; Engine Director of Changan Ford Mazda Automobile Co., Ltd.; Institute Director of Chang 'an Automobile Research Institute Engine Technology; Deputy director of Chang 'an Engine 4 Factory; China Chang'an Group's deputy general manager of science and technology development department; Director and General Manager of Harbin Dongan Automobile Engine Manufacturing Co. Ltd.. Party secretary and chairman of Harbin Dongan automobile engine manufacturing Co., Ltd., assistant to President and minister of strategic planning, party branch secretary.

Ms. Li Jun, the Secretary of BOD and the Vice Director of Capital Operation Department, was born in 1969, MBA, senior accountant. She used to be the Vice Director of Security Investment Office, Director of Capital Operation Office of the Financial

Department, Director of the BOD Office, Vice director of the finance department of the Company.

#### Employment in shareholders' work unit

√Applicable    □ Not applicable

Name	Name of shareholders' work unit	Position in shareholders' work unit	Term start date	Term end date	Whether get allowance in shareholders' work unit
Zhangbaolin	China South Industries Group Corp.	secretary of the party committee, vice president			Y
Zhu Huarong	China South Industries Group Corp 、 China Changan	the Assistant President of China South Industries Group Corp, the director of China Changan			N
Zhou Zhiping	China South Industries Group Corp 、 China Changan	the director of China South Industries Group Corp, the general manager and the secretary of party committee of China Changan			Y, Receiving the Payment allowance in China Changan
Tan Xiaogang	China South Industries Group Corp	Director of the Strategic Development			Y
Zhang Dongjun	China Changan	vice president, general accountant			Y
Yan Ming	China South Industries Group Corp	Audit and Risk Department Inspector			Y
Sun Dahong	China South Industries Group Corp	vice director of general office			Y
Zhao Huixia	China Changan	the professional senior staff			Y
Liu Zhengjun	China Changan	the chief economist of China Changan			N

#### Employment in other work unit

√Applicable    □ Not applicable

Name	Name of other work units	Position in other work units	Term start date	Term end date	Whether get allowance in other work unit
Liu Jipeng	China University of Political Science and Law	the dean, professor, and PhD supervisor of Capital Finance Institute in China University of Political Science and Law; Legal adviser to the State-owned Assets Supervision and Administration Commission of the			Y

		State Council; the vice Chairman of China Enterprise Reform and Development Research Association; Deputy director of the independent board of directors of the China listed companies Association.			
Li Qingwen	China Energy& Automobile Media Group	the dean of the Automobile Evaluation Institute and vice chairman of the China Automobile Talent Research Association			Y
Tan Xiaosheng	Cyber Hero	The founder of Cyber Hero, senior engineering			Y
Pang Yong	IDEO	Chairman and CEO of IDEO, adjunct professor of Jilin University			Y
Wei Xinjiang	China Life Insurance (Group)	assistant general manager of China Life Insurance (Group) company strategic planning department			Y
Chen Quanshi	Tsinghua University	a professor and director of the Department of Automotive Engineering of Tsinghua University, director of the Electric Vehicle Research Office, and honorary director of the Electric Vehicle Branch of the China Automobile Engineering Society.			Y
Cao Xingquan	Southwest University	a professor at the School of Civil and Commercial Law of Southwest University of Political Science and Law, and a doctoral tutor in the direction of civil and commercial law			Y
Position in other work unit	This table only shows the main office performance and position of independent directors.				

**Securities regulatory agency's punishment to the current and former directors, supervisors and senior management during the reporting period in recent three years.**

☐Applicable ☒Not applicable

#### **IV. Remuneration of directors, supervisors and senior management**

**Payment decision-making process, determination basis, the actual payment of directors, supervisors and senior managers**

Decision-making process: except the independent directors, the annual remuneration of directors, supervisors and senior

management is referring to the wage management regulations and rating standard of South Industries Group. Payment of company independent directors is prescribed by the board of directors and submitted to the board of directors of the company, and approved by the shareholders' general meeting.

The basis: the senior management evaluation is divided into annual appraisal, mid-term assessment, term-change assessment and "look back" examination. Annual appraisal is to evaluate the business performance which senior management is in charge of, and the employee representatives and part of the units give to democratic appraisal or special evaluation on senior management, the assessment results will feedback to themselves in time on the problems existing in their work and relevant suggestions for improvement, which will be rectified in the coming new year. At the same time the assessment results will be linked with the annual performance award. Mid-term assessment is mainly to evaluate the business performance which senior management is in charge of, assessment results are related to the targeted training, position promotion, post communication, etc; term-change assessment is that the employee representative gives democratic evaluation on all the senior management and does special visit to part of unit, and the assessment results are related to the targeted training, position promotion, post communication training and post appointment of the senior management; new office head "look back" examination is mainly to look back the adjusted team, understand the working status of the new team in time, check the configuration effect of the new group, promote the new group into role as soon as possible, and reduce the risk of personnel employment.

Actual payments: senior managers pay basic salary monthly, annual performance prize combines annual appraisal status, the rest delays payment according to the company's business situation. In 2018, the remuneration the directors, supervisors and senior managers receiving from the company is 10.7489 million yuan in total.

**Payment of directors, supervisors and senior managers got from the company during the reporting period**

Name	Position	Gender	age	status	Total earning from the company(yuan)
Zhang Baolin	Chairman of the board	M	56	Present	-
Zhu Huarong	Director and President, Secretary of Party Committee	M	53	Present	880,341.90
Zhou Zhiping	Director	M	48	Present	660,256.42
Tan Xiaogang	Director	M	55	Present	-
Zhang Dongjun	Director	M	52	Present	-
Zhang Deyong	Director, Executive Vice President	M	44	Present	362,273.00
Liu Jipeng	Independent Director	M	62	Present	120,000.00
Li Qingwen	Independent Director	M	63	Present	120,000.00
Tan Xiaosheng	Independent Director	M	48	Present	120,000.00
Pang Yong	Independent Director	M	49	Present	120,000.00
Chen Quanshi	Independent Director	M	73	Present	120,000.00
Ren Xiaochang	Independent Director	M	62	Present	120,000.00
Wei Xinjiang	Independent Director	M	49	Present	120,000.00

Cao Xingquan	Independent Director	M	47	Present	70,000.00
Yan Ming	Chairman of the supervisory	M	53	Present	-
Sun Dahong	Supervisor	M	52	Present	-
Zhao Huixia	Supervisor	M	58	Present	-
Zhang Anguo	Employee Supervisor	M	59	Present	187,640.00
Luo Yan	Employee Supervisor	F	44	Present	180,458.77
Yuan Mingxue	Major Executive vice president	M	50	Present	709,866.16
Liu Bo	Executive vice president	M	52	Present	733,837.09
He Chaobing	Executive vice president	M	51	Present	731,662.61
Zhang Jingjing	Executive vice president	F	52	Present	709,109.76
Li Wei	Executive vice president	M	52	Present	710,703.55
Tan Benhong	Executive vice president	M	43	Present	700,023.43
Liu Zhengjun	Executive vice president	M	53	Present	470,712.72
Ye Pei	vice president	M	43	Present	98,802.00
Zhao Fei	vice president	M	44	Present	98,802.00
Chen Wei	vice president	M	46	Present	98,802.00
Li Mingcai	vice president	M	37	Present	98,802.00
Li Jun	the Secretary of BOD	F	49	Present	654,427.69
Wang Jun	Executive vice president	M	46	Departure	548,692.00
Huang Zongqiang	vice president	M	50	Departure	360,042.88
Luo Minggang	vice president	M	55	Departure	359,941.85
Dong Qihong	Chairman of the supervisory	M	54	Departure	-
Gong Bing	vice president	M	49	Departure	423,926.17
Wang Xiaoxiang	Director	M	45	Departure	-
Wang Kun	Director, Vice President, the Secretary of BOD	M	43	Departure	59,754.64
Total	--	--	--	--	10,748,878.64

**Stock-ownership incentive awarded to directors, supervisors and senior managers during the reporting period**
☐ Applicable    ☒ Not applicable



## V. Core technology team or key technical personnel changes during the reporting period (not the directors, supervisors and senior management)

During the reporting period, the company's core technical team and key technical personnel remained stable.

## VI. The Employees of the Company

### 1. The number of employees, professional composition and education level

Number of employees in the parent company(persons)	27,764
Number of employees in major subsidiaries(persons)	8,265
Total number of active employees(persons)	36,029
Total number of current salaried employees(persons)	36,029
Number of retired employees whose parent company and major subsidiary bear the costs(persons)	6,280
Professional composition	
Professional component categories	Professional Composition(persons)
Production personnel	20,440
Sales staff	1,160
Technicians	9,888
Finance staff	385
Administrators	471
Managers	3,685
Total	36,029
Educational Background	
Type of education	Number (persons)
PHD	120
Postgraduate	2,341
Bachelor degree	11,831
University specialty	7,424
Secondary school, high school and corresponding education	12,000
Secondary and below	2,313
Total	36,029

### 2. Compensation policy

The company actively deepens the adjustment of the distribution mechanism, continuously optimizes and improves the compensation system, adheres to the principle of benefit orientation, improves the mechanism of linkage between wages and benefits, improves the efficiency of distribution, and pays employees for job creation and value creation. Salary goes along with profit of the

company. The Company guides the departments to transform from "fighting for people", "fighting for money" to "earning people", "making money", and drastically streamlines remuneration items, simplifies calculation rules, improves employee recognition and management efficiency. Based on the combing and evaluation of jobs, combined with market benchmarks, the company has established salary and broadband standards, and set a reasonable salary gap. At the same time, the company insists on a compensation strategy that combines follow and lead, and implements differentiated distribution. The focus of compensation resources is on key and core positions to support the company strategy.

### **3. Training plan**

With the "third entrepreneurship-innovative entrepreneurship plan" and customer needs as the guide, with the goal of building efficiency as the core competitiveness of the organization, the Company comprehensively empowers organizations and employees, and continuously builds a learning organizational culture. The Company will focus on leadership, brand and customer management, management awareness, and core competency training, and work hard to promote special promotion and certification projects at all levels and in various fields. The Company will create new models for training, make full use of social resources, pay close attention to the adjustment of the talent structure and the capability structure, increase the training of new frontier knowledge and skills such as smart manufacturing, big data, new energy sources, and artificial intelligence, and face up to the challenges of the market and talents in the transformation of innovation to effectively support the company strategy.

### **4. Outsourcing of services**

☐ Applicable    ☒ Not applicable

## Chapter 8 Corporate Governance

### I、The basic situation of corporate governance

In strict accordance with the requirements of the Company Law, the Securities Law and the relevant laws and regulations of the CSRC, the Company continuously improved the corporate governance structure and promoted the standard operation of the Company. The actual situation of the corporate governance of the Company is in line with the relevant requirements of the CSRC normative documents on corporate governance.

The company has established an effective internal control system over the financial report. According to company's operation and management characteristics, the company strictly implemented the "Enterprise Accounting Standards", improved the basic accounting management, established a sound financial system, optimized accounting and statements preparation process, strengthened the financial supervision, conducted the in-depth implementation of financial management, established the management foundation work, accounting and finance management authorization, the monetary fund management, financing, purchasing and payment, fixed assets, projects under construction, accounting policy, accounting estimate, consolidated financial statements, cost management, inventory management, financial analysis and other financial management system to ensure the quality of accounting information and the safety of the Company property. According to internal control deficiencies identified standards of the financial report, there is no internal control defects over financial reporting in the report period. The text of the internal control self-assessment report in 2018 April 18 was published in the huge influx of information network <http://www.cninfo.com.cn>.

**Whether there are differences between corporate governance and the related requirements of "company law" and China CSRC.**

☐yes    ☒no

There is no difference between corporate governance and the related requirements of "company law" and China CSRC.

### II. Independent completion situation in terms of business, personnel, assets, organization and finance which is relative to the controlling shareholders

The company and the controlling shareholders are fully independent in terms of business, assets, personnel, organization and finance.

### III. Competition situation

In December 2009, according to the national "Automobile Industry Adjustment and Revitalization Plan" regarding promoting auto enterprise merger restructuring and further optimization of state-owned economy strategy layout requirements, the actual controller of the company China South Industries Group Corporation and China Aviation Industry Group Company proceeded industry restructuring, China Aviation Industry Group Company transferred 100% equity of Jiangxi Changhe Automobile Co., LTD free. (hereinafter referred to as "Changhe Automobile") and 100% stake of Harbin Hafei Automobile Industry Group co., LTD. (hereinafter referred to as "Hafei group") into the company's controlling shareholder China Changan Automobile Group Co.,

LTD. (hereinafter referred to as "China Changan"). This above-mentioned behavior led to competition between the company and subordinate enterprise of China Changan, the controlling shareholder. To finally solve the possible competition and better maintain the interests of company's investors, the company's controlling shareholder China Changan commitment: 1. When Jiangxi Changhe Automobile Co., Ltd. and Harbin Hafei Automobile Industry Group Co., LTD. can make profits for two successive years with sustainable development ability and improved management level, it's proposed to affiliate the two companies into Changan automobile. In October 28, 2013, the controlling shareholder of China Changan transferred Jiangxi Changhe Automobile Co. Ltd. to Jiangxi provincial state owned enterprise assets (Holdings) Limited, China Changan proposed Jiangxi Changhe Automobile Co. Ltd. injected commitment matter was removed. The Harbin Hafei Automobile Industry Group Co at present is still at a status of loss, and could not reached the profitable status for two consecutive years.

## IV、Annual shareholders meeting and interim shareholders meeting during the reporting period

### 1、Shareholders meeting during the reporting period

Meeting Session	Type	Investors' participation ratio	Opening Time	Disclosure Time	Disclosure Index
2018 First Interim Shareholders Meeting	Interim	44.44%	Jan. 30, 2018	Jan. 31, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2018 First Interim Shareholders Meeting Resolution Announcement(Announcement Number: 2018-07)
2017 Annual Shareholders Meeting	Annual	57.32%	May. 18 <sup>th</sup> , 2018	May. 19 <sup>th</sup> , 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2017 Annual Shareholders Meeting Resolution Announcement(Announcement Number: 2018-34)

### 2、Preferred shareholders' request to hold the interim shareholders meeting with restoration of voting rights

☐Applicable ☒Non-applicable

## V、Duties performed by independent directors during the reporting period.

### 1、Independent directors attend board of directors and the shareholders meeting

Independent directors attend board of directors and the shareholders meeting						
Names of independent directors	Times of attending the board of directors during the report period	Times of presence	Times of attendance by communication mode	Times of entrust attendance	Times of absence	Whether absent from the meeting for two consecutive times
Liu Jipeng	20	2	18			N
Li Qingwen	20	2	18			N
Tan Xiaosheng	20		18	2		N
Pang Yong	20	2	18			N
Chen Quanshi	20	2	18			N
Ren Xiaochang	20	2	18			N

Wei Xinjiang	20	1	18	1		N
Cao Xingquan	13	1	12			N
Times for independent directors attending the shareholders meeting						2

**The explanation on absence in two consecutive board of directors meetings**

☐ Applicable    ☒ Non-applicable

**2、Independent directors express disagreement to company related matters****Whether independent directors express disagreement to company related matters.**

☐ Yes    ☒ No

Independent directors did not express disagreement to company related matters during the reporting period.

**3、Other explanation on the fulfillment of responsibility of independent directors****Whether the suggestions of Independent directors are adopted or not**

☒ Yes    ☐ No

**Explanation on whether the suggestions of Independent directors are adopted or not**

During the reporting period, the company adopted the proposals of independent directors on the equity acquisition and related transactions and other aspects.

**VI、Duty performance of specialized committees of the board of directors during the report period****1、Audit Committee**

The audit committee under the board of directors consists of 3 people. The chairman of the committee is Mr. Liu Jipeng, who is an independent director. During the reporting period, the audit committee held 3 meetings and performed the following duties:

1) Carefully reviewed the 2017 annual financial accounting report and 2018 action plan of audit supervision department compiled by the company, and agree to the above matters; Reviewed the proposal on Recruitment of 2018 Annual Financial Report Auditor and Recruitment of 2018 Annual Internal Control Report Auditor, and agreed to submit the proposal to the board of directors for approval of continuing to hire Ernst & Young Hua Ming as the company's 2018 annual financial report auditor and 2018 Annual internal control report auditor.

2) After the Ernst & Young Hua Ming issued 2017 annual audit report, the audit committee reviewed the 2017 annual financial statements (AUDIT) and major adjustments related to accounting firms, concluded the audit work of the Ernst & Young Hua Ming. The audit committee considered that Ernst & Young Hua Ming had professional competence, worked diligently, maintained their independence in audit, and completed 2017 annual audit task on time. The audit committee voted and made resolutions on company's annual financial report, and agreed to submit the 2017 financial report to the board of directors for approval.

3) Carefully reviewed the company's 2018 annual audit plan and related materials, and approved the audit plan and audit requirements of 2018 annual financial report proposed by the Ernst & Young Hua Ming.

## 2、 Compensation and Review Committee

The compensation and review committee under the board of directors consists of 3 independent directors. The chairman of the committee is Mr. Chen Quanshi. During the reporting period, the committee held 2 meetings and performed the following duties:

- 1) Review and agree to the "Bill on the Cancellation of Some Stock Options of the Company".
- 2) Review and agree to the motion on the annual salary distribution plan for deputy management performance in 2017

## 3、 Compensation and Review Committee

The strategy and investment committee under the board of directors consists of four non-independent directors and one independent director. The chairman is Mr. Zhangbaolin. During the reporting period, the strategy and investment committee held 5 meetings and performed the following duties:

- 1) Review and agree to the "Proposal on the Transfer of Assets Related to the Company's New Energy Vehicle Business to a wholly-owned subsidiary";
- 2) Review and agree to the "Proposal on the Acquisition of 50 % Equity in Chongqing Changan Suzuki Automobile Co., Ltd.";
- 3) Examine and agree to the "Proposal on Replenishment of the Finance Co., Ltd. of the Weapons and Equipment Group";
- 4) Review and agree to the "Proposal for the Establishment of a Power Semiconductor(IGBT) Innovation Center Project for Changan Automobile Shares";
- 5) Review and agree to the "Proposal on the Acquisition of 35 % Equity in Chongqing Changan New Energy Automobile Co., Ltd".

## VII. The work of the board of supervisors

**The board of supervisors found whether the company was at risk or not in the supervision during the report period**

☐ Yes    ☒ No

The board of supervisors has no disagreement on the supervision during the report period.

## VIII. The evaluation and incentive of senior management

For details, please refer to Section 7 of this year's report. "IV. Remuneration of directors, supervisors, and senior management."

## IX. Internal Control

### 1、 Significant Deficiency of Internal Control found during the report period

☐ Yes    ☒ No

**2、Self-assessment report of internal control**

Disclosure date of self-assessment report of internal control		Apr. 23, 2019
Disclosure index of self-assessment report of internal control		<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
proportion of total asset in the assessment accounting for the total asset in the financial statement		91.13%
proportion of revenue in the assessment accounting for the revenue in the financial statement		95.23%
Deficiency Definition Standard		
Type	Financial Report	Non Financial Report
qualitative standard	1. Fraud behavior of the directors, supervisors and senior management. 2. The company has corrected the published financial report, the significant wrong report due to fraud and mistakes, the significant mistakes in the financial report found by certified public accountants, but not found by the company's internal control. 3. The supervision of audit committee on the company's external financial report and internal control of financial report is not effective.	1.Lack democratic decision-making procedure or violation of democratic decision-making procedure 2.Violate national laws and regulations and get punished 3.Great loss of middle and senior management and senior technical personnel 4.Frequent media negative news with a large range 5.Significant business lacks regulation control or regulation system becomes ineffective 6.The significant deficiencies of internal control is not corrected
quantitative standard	The amount of misstatement of the financial statements falls within the following ranges: Wrong report $\geq 1\%$ of total asset	Determine the internal control deficiencies in financial reporting by reference to the quantitative criteria.
Financial Report Major Defects	0	
Non-financial reporting significant number of defects	0	
Financial Reporting Key Number of defects	0	
Non-financial reporting Number of important defects	0	

**X. Internal control audit report**

√Applicable    □Not applicable

deliberations in the internal control audit report	
The audit opinion of the internal control audit report compiled by Ernst & Young Hua Ming Accounting Firm: Chongqing Changan Automobile Co., Ltd keeps the effective financial report internal control on significant aspects from Dec.31st,2018, according to "Basic Norms of Enterprise Internal Control" and other related regulations.	
Disclosure date of audit report of internal control	Apr.23, 2019
Disclosure index of audit report of internal control	Internal control audit report will be published on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> on Apr.23, 2019

type of opinion on internal control audit report	standard and unqualified opinion
Whether there is huge deficiency in the non-financial report	No

**Whether the accounting firm issued non-standard internal control audit report or not?**

☐ Yes ☒ No

**Whether the internal control audit report issued by the Accounting Firm agreed with the self-assessment report of the board of directors or not?**

☒ Yes ☐ No



## Chapter 9 Corporate Bonds

**Is there a corporate bond that is publicly issued and listed on the stock exchange and fails to be fully paid up or not due on maturity until the approval of the annual report ?**

☐ Yes ☒ NO

## **Chapter 10 Auditor's Report**

Ernst & Young Hua Ming Shen Zi (2019) No. 60662431\_D01  
Chongqing Changan Automobile Company Limited

**To the shareholders of  
Chongqing Changan Automobile Company Limited**

### **Opinion**

We have audited the accompanying financial statements of Chongqing Changan Automobile Company Limited, which comprise the consolidated and the company balance sheet as at 31 December 2018, and the consolidated and the company income statements, the statements of changes in equity and the cash flow statements for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements of Chongqing Changan Automobile Company Limited present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2018, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

**Auditor's Report (continued)**

Ernst & Young Hua Ming Shen Zi (2019) No. 60662431\_D01  
Chongqing Changan Automobile Company Limited

**Key audit matters (continued)**

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Provision for warranties</i>	
<p>According to after-sales maintenance contracts or related national laws and regulations, Chongqing Changan Automobile Company Limited provides warranties on automobile and undertakes to repair or replace items that fail to perform satisfactorily based on certain pre-determined conditions. In addition, in order to improve customer satisfaction and to maintain the quality and safety of the sold vehicle, Chongqing Changan Automobile Company Limited also provides extra free repairing service or promotes a recall based on needs. Chongqing Changan Automobile Company Limited should estimate and recognize the warranty costs and the corresponding liabilities.</p> <p>Provisions for warranties granted by Chongqing Changan Automobile Company Limited for the vehicles sold are recognized based on sales volume and past experience of the cost of repair and replacement, and labor cost, which involves a number of assumptions and judgments. Provision for extra free repairing service program or recalls are recognized based on the vehicles involved and the estimated average cost of repair and replacement, and labor cost, which involves a number of assumptions and judgments. Any increase or decrease in the provision would have a significant impact on the financial statements.</p> <p>Refer to Note III 22, 31 and Note V 24 of the consolidated financial statements for the disclosures of the provision for warranties.</p>	<p>With regard to the warranty provisions audited by us:</p> <ul style="list-style-type: none"> <li>• We understood and evaluated the process of the warranty provisions. In addition, we tested the key controls and application controls over the process of the warranty provisions.</li> <li>• We assessed the reasonableness and evaluated the major assumptions of management's warranty provision models. We tested the samples of payment of the warranty provisions and tested the mathematical accuracy of calculations therein by re-performing the calculations regarding the balance of the provisions.</li> <li>• We reviewed the adequacy of disclosures in the financial statements.</li> </ul>

**Auditor's Report (continued)**

Ernst & Young Hua Ming Shen Zi (2019) No. 60662431\_D01  
Chongqing Changan Automobile Company Limited

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<i>Capitalization of internal development costs</i>	
<p>The research and development activities launched by Chongqing Changan Automobile Company Limited mainly include technology development, product process design and product manufacturing process design. Management capitalized the costs on development projects met the criteria set out in the accounting standard for capitalization.</p> <p>The expenditures in development stage are capitalized that should meet all the conditions including technically feasible, use or sale intention, market, finance, resources, and etc. The judgment should be made according to every project and agreed by all related departments. In addition, for projects that have been capitalized in the past, the judgment whether the expenditures in development can be continuing capitalized should be made according the latest progress and future expectations of the project. The judgment made by the management would have a significant impact on the financial statements.</p> <p>Refer to Note III 18, 31 and Note V 13 of the consolidated financial statements for the disclosures of capitalization of internal development costs.</p>	<p>With regard to the capitalization of internal development costs audited by us:</p> <ul style="list-style-type: none"> <li>• We understood, evaluated and validated the key controls over the capitalization of internal development costs.</li> <li>• We assessed the criterias set by the management related to the capitalization of the costs under development stage. We assessed the accuracy of the start point and the stop point for capitalization of internal development costs. We also tested samples of projects to review the feasibility reports and other reports for important stages.</li> <li>• We reviewed the adequacy of disclosures in the financial statements.</li> </ul>

**Auditor's Report (continued)**

Ernst & Young Hua Ming Shen Zi (2019) No. 60662431\_D01  
Chongqing Changan Automobile Company Limited

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<i>Business combination involving entities not under common control</i>	
<p>Chongqing Chang'an Automobile Co., Ltd. purchased 50% equity of Chongqing Chang'an Suzuki Automobile Co., Ltd. (hereinafter referred to as "Chang'an Suzuki", a joint venture with 50% equity held by Chongqing Chang'an Automobile Co., Ltd.) and 51% equity of Zhenjiang Demao Hairun Equity Investment Fund Partnership (Limited Partnership) (hereinafter referred to as "Zhenjiang Demao", formerly Chongqing Changan Auto A joint venture with 49% equity held by a joint stock limited company). After the acquisition, Chang'an Suzuki and Zhenjiang Demao became the wholly-owned subsidiaries of Chongqing Chang'an Automobile Co., Ltd. As at the acquisition day, Chongqing Chang'an Automobile Co., Ltd. recognised the investment income of RMB 209,443,337.73 on the basis of the fair value of its original equity holdings, and recognized the non-operating income of RMB811,377,936.28 on account of the merger cost less than the fair value of the identifiable net assets obtained. The determination of the fair value of identifiable assets and original shareholdings on the acquisition date in the merger of enterprises under different control involves important judgments and assumptions.</p> <p>Refer to Note III 4 and Note VI of the consolidated financial statements for the disclosures of business combinations.</p>	<p>With regard to the capitalization of internal development costs audited by us:</p> <ul style="list-style-type: none"> <li>• Obtained and checked the relevant transaction information such as equity transfer agreement, board resolution and government approval, checked the implementation of relevant legal procedures, and discussed with the management on the determination of the purchase date.</li> <li>• Obtained and reviewed the evaluation reports of Suzuki Chang'an and Zhenjiang Demao on the purchase date, and reviewed the qualification, professional competence and independence of third-party evaluation agencies.</li> <li>• Our internal evaluation experts reviewed the methods and key assumptions used in fair value assessment.</li> <li>• Reviewed the accounting treatment of the merger by management and the adequacy of the relevant disclosure of the transaction in the notes to the financial statements.</li> </ul>

### **Auditor's Report (continued)**

Ernst & Young Hua Ming Shen Zi (2019) No. 60662431\_D01  
Chongqing Changan Automobile Company Limited

#### **Other information**

The management of the Chongqing Changan Automobile Company Limited (the "Management") is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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

#### **Management's and governance' responsibility for the financial statements**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the 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 Report (continued)**

Ernst & Young Hua Ming Shen Zi (2019) No. 60662431\_D01  
Chongqing Changan Automobile Company Limited

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the 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, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) 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.

## **Auditor's Report (continued)**

Ernst & Young Hua Ming Shen Zi (2019) No. 60662431\_D01  
Chongqing Changan Automobile Company Limited

### **Auditor's responsibilities for the audit of the financial statements (continued)**

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

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

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

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

Qiao Chun

Ernst & Young Hua Ming (LLP)

Chinese Certified Public Accountant  
(Engagement partner)

Hu Yan

Chinese Certified Public Accountant

Beijing, the People's Republic of China

19 April 2019



**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED BALANCE SHEET**  
**31 December 2018**  
**(Expressed in Renminbi Yuan)**

	<u>Notes V</u>	<u>2018</u>	<u>2017</u>
<b>Current assets</b>			
Cash	1	9,980,544,526.14	22,631,536,496.53
Notes receivable and accounts receivable	2	21,971,045,405.74	30,963,288,278.24
Prepayments	3	866,249,749.51	1,102,239,931.33
Interest receivable and other receivables	4	3,250,452,923.70	1,687,460,718.92
Inventories	5	4,917,420,457.19	4,666,183,421.80
Other current assets	6	<u>2,227,565,353.23</u>	<u>1,705,910,530.43</u>
<b>Total current assets</b>		<u>43,213,278,415.51</u>	<u>62,756,619,377.25</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	7	1,957,873,311.31	541,917,000.00
Long-term equity investments	8	13,275,170,118.83	14,098,523,896.97
Investment property	9	7,329,561.28	7,556,272.84
Fixed assets	10	22,161,054,058.31	19,044,533,667.68
Construction in progress	11	5,383,844,030.75	3,234,173,155.52
Intangible assets	12	5,018,243,552.80	4,047,945,129.67
Development expenditure	13	789,597,615.60	836,638,328.10
Goodwill	14	9,804,394.00	9,804,394.00
Long-term deferred expenses	15	17,104,601.67	13,545,589.39
Deferred tax assets	16	<u>1,655,554,438.89</u>	<u>1,533,857,811.27</u>
<b>Total non-current assets</b>		<u>50,275,575,683.44</u>	<u>43,368,495,245.44</u>
<b>TOTAL ASSETS</b>		<u>93,488,854,098.95</u>	<u>106,125,114,622.69</u>

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED BALANCE SHEET (continued)**  
**31 December 2018**  
**(Expressed in Renminbi Yuan)**

	<u>Notes V</u>	<u>2018</u>	<u>2017</u>
<b>Current liabilities</b>			
Short-term loans	18	190,000,000.00	185,000,000.00
Notes payable	19	28,724,063,539.34	39,905,752,773.96
and accounts payable			
Advances from customers	20	1,556,482,278.92	3,878,382,556.43
Payroll payable	21	1,362,995,277.56	1,640,885,322.33
Taxes payable	22	669,316,487.25	394,321,397.14
Other payables	23	3,079,749,015.81	2,599,093,153.78
Contingent liabilities	24	3,245,322,744.12	2,423,958,274.70
Other current liabilities	25	4,325,441,152.61	3,562,154,645.82
Current portion of			
non-current liabilities	26	<u>6,594,120.00</u>	<u>13,151,946.67</u>
<b>Total current liabilities</b>		<u>43,159,964,615.61</u>	<u>54,602,700,070.83</u>
<b>Non-current liabilities</b>			
Long-term loans	27	-	6,575,973.33
Special payable	28	303,590,824.69	290,607,151.02
Long term payroll payable	29	53,837,000.00	113,012,000.00
Deferred income	30	3,683,308,534.73	3,627,817,419.05
Deferred tax liabilities	16	<u>135,231,170.59</u>	<u>21,222,750.00</u>
<b>Total non-current liabilities</b>		<u>4,175,967,530.01</u>	<u>4,059,235,293.40</u>
<b>Total liabilities</b>		<u>47,335,932,145.62</u>	<u>58,661,935,364.23</u>

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED BALANCE SHEET (continued)**  
**31 December 2018**  
**(Expressed in Renminbi Yuan)**

	<u>Notes V</u>	<u>2018</u>	<u>2017</u>
<b>Owners' equity</b>			
Share capital	31	4,802,648,511.00	4,802,648,511.00
Capital reserves	32	5,057,242,440.17	5,099,405,956.94
Other Comprehensive Income	33	235,509,930.44	82,959,423.84
Special reserves	34	41,222,369.10	28,279,733.06
Surplus reserves	35	2,401,324,255.50	2,401,324,255.50
Retained earnings	36	<u>33,707,011,170.31</u>	<u>35,184,073,061.94</u>
Equity attributable to owners		<u>46,244,958,676.52</u>	<u>47,598,690,942.28</u>
Minority interests		<u>(92,036,723.19)</u>	<u>(135,511,683.82)</u>
<b>Total equity</b>		<u>46,152,921,953.33</u>	<u>47,463,179,258.46</u>
<b>TOTAL LIABILITIES</b>			
<b>AND OWNERS' EQUITY</b>		<u>93,488,854,098.95</u>	<u>106,125,114,622.69</u>

The notes form an integral part of the financial statements.

The financial statements have been signed by:

Legal Representative: \_\_\_\_\_ Principal in Charge of Accountancy: \_\_\_\_\_ Chief Accountant: \_\_\_\_\_

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED INCOME STATEMENT**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	Notes V	2018	2017
<b>Operating revenue</b>	37	<b>66,298,270,389.77</b>	<b>80,012,205,182.37</b>
Less: Operating cost	37	56,583,468,369.14	69,363,032,740.85
Tax and surcharges	38	2,305,917,984.34	3,074,023,009.42
Operating expenses	39	5,283,255,346.48	3,978,124,859.65
General and administrative expenses	40	2,782,755,531.47	2,663,645,058.45
Research and development expenses	41	2,543,265,379.12	2,616,651,435.07
Financial income	42	(427,062,035.06)	(524,973,961.02)
Interest expense		11,700,010.25	48,334,684.86
Interest income		476,922,766.94	609,804,833.96
Impairment loss on assets	43	238,554,564.69	251,517,154.60
Add: Other incomes	44	2,873,192,102.56	1,613,343,216.59
Investment income or loss	45	(71,306,776.79)	6,906,324,932.20
<i>Including: Investment income from associates and joint venture</i>		(331,883,560.67)	6,854,896,911.97
Gain on disposal of assets	46	<u>8,561,074.73</u>	<u>41,774,452.23</u>
<b>Operating profit/ (loss)</b>		<b>(201,438,349.91)</b>	<b>7,151,627,486.37</b>
Add: Non-operating income	51	916,219,224.68	104,330,128.12
Less: Non-operating expenses	52	<u>56,555,550.94</u>	<u>75,068,057.28</u>
<b>Total profit/ (loss)</b>		<b>658,225,323.83</b>	<b>7,180,889,557.21</b>
Less: Income tax expense	53	<u>(65,134,058.04)</u>	<u>(27,547,712.85)</u>
<b>Net profit</b>		<b><u>723,359,381.87</u></b>	<b><u>7,208,437,270.06</u></b>
<b>Classification by going concern</b>			
Net profit from continuing operations		723,359,381.87	7,208,437,270.06
Net profit from discontinued operations		-	-
<b>Classification by ownership attribution</b>			
Net profit attributable to owners		680,728,392.03	7,137,234,723.47
Minority interests		42,630,989.84	71,202,546.59

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED INCOME STATEMENT (continued)**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	Notes V	2018	2017
<b>Other comprehensive income, net of tax</b>		<u>152,550,506.60</u>	<u>(58,521,484.39)</u>
Total comprehensive income attributable to owners, net of tax	33	152,550,506.60	(58,521,484.39)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Change in net liability or asset from defined benefit plan		(13,214,000.00)	6,201,000.00
Other comprehensive income not to be reclassified to profit or loss under equity method		<u>(706,228.88)</u>	<u>(248,641.80)</u>
Other comprehensive income not to be reclassified to profit or loss under equity method		(13,920,228.88)	5,952,358.20
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value from available-for-sale financial asset		177,088,959.46	(75,437,500.00)
Foreign currency reserve		<u>(10,618,223.98)</u>	<u>10,963,657.41</u>
		166,470,735.48	(64,473,842.59)
Total comprehensive income attributable to minority interests, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><b>875,909,888.47</b></u>	<u><b>7,149,915,785.67</b></u>
Total comprehensive income attributable to owners		<u>833,278,898.63</u>	<u>7,078,713,239.08</u>
Total comprehensive income attributable to minority interest		<u>42,630,989.84</u>	<u>71,202,546.59</u>
<b>Earnings per share</b>	50		
Basic earnings per share		<u>0.14</u>	<u>1.49</u>
Diluted earnings per share		<u>Not Applicable</u>	<u>Not Applicable</u>

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	Equity attributable to owners						Mionrity interest	Total equity	
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings			Subtotal
At 31 December 2017	4,802,648,511.00	5,099,405,956.94	82,959,423.84	28,279,733.06	2,401,324,255.50	35,184,073,061.94	47,598,690,942.28	(135,511,683.82)	47,463,179,258.46
Changes during the year									
Total comprehensive income	-	-	152,550,506.60	-	-	680,728,392.03	833,278,898.63	42,630,989.84	875,909,888.47
Capital contributed by owners and capital decreases									
1.The amount of share-based payments recorded in owners' equity	-	(8,735,100.00)	-	-	-	-	(8,735,100.00)		(8,735,100.00)
2.Others	-	(33,428,416.77)	-	-	-	-	(33,428,416.77)	544,858.43	(32,883,558.34)
Distribution of profit									
1.Distribution to owners	-	-	-	-	-	(2,157,790,283.66)	(2,157,790,283.66)	-	(2,157,790,283.66)
Special reserves									
1.Provided	-	-	-	83,826,318.58	-	-	83,826,318.58	1,218,813.93	85,045,132.51
2.Utilized	-	-	-	(69,587,419.73)	-	-	(69,587,419.73)	(919,701.57)	(70,507,121.30)
3.Effective portion of changes in special reserves from joint venture	-	-	-	(1,296,262.81)	-	-	(1,296,262.81)	-	(1,296,262.81)
At 31 December 2018	4,802,648,511.00	5,057,242,440.17	235,509,930.44	41,222,369.10	2,401,324,255.50	33,707,011,170.31	46,244,958,676.52	(92,036,723.19)	46,152,921,953.33

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)**  
**Year ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

	Equity attributable to owners						Mionrity interest	Total equity	
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings			Subtotal
At 31 December 2016	4,802,648,511.00	5,085,301,532.55	141,480,908.23	16,349,485.65	2,401,324,255.50	31,126,707,710.94	43,573,812,403.87	(220,652,853.81)	43,353,159,550.06
Changes during the year									
Total comprehensive income	-	-	(58,521,484.39)	-	-	7,137,234,723.47	7,078,713,239.08	71,202,546.59	7,149,915,785.67
Capital contributed by owners and capital decreases									
1. The amount of share-based payments recorded in owners' equity	-	18,981,100.00	-	-	-	-	18,981,100.00	-	18,981,100.00
2.Others	-	(4,876,675.61)	-	-	-	-	(4,876,675.61)	13,612,629.45	8,735,953.84
Distribution of profit									
1.Distribution to owners	-	-	-	-	-	(3,079,869,372.47)	(3,079,869,372.47)	-	(3,079,869,372.47)
Special reserves									
1.Provided	-	-	-	63,595,469.61	-	-	63,595,469.61	1,485,155.93	65,080,625.54
2.Utilized	-	-	-	(57,200,673.85)	-	-	(57,200,673.85)	(1,159,161.98)	(58,359,835.83)
3.Effective portion of changes special reserves from joint venture	-	-	-	5,535,451.65	-	-	5,535,451.65	-	5,535,451.65
At 31 December 2017	4,802,648,511.00	5,099,405,956.94	82,959,423.84	28,279,733.06	2,401,324,255.50	35,184,073,061.94	47,598,690,942.28	(135,511,683.82)	47,463,179,258.46

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	Notes V	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sale of goods or rendering of services		76,764,633,238.29	84,929,650,617.50
Refunds of taxes		464,242,119.33	293,750,000.42
Cash received relating to other operating activities	51	<u>4,768,094,889.23</u>	<u>3,750,492,075.81</u>
<b>Subtotal of cash inflows</b>		<u>81,996,970,246.85</u>	<u>88,973,892,693.73</u>
Cash paid for goods and services		70,504,737,377.42	72,950,596,502.56
Cash paid to and on behalf of employees		6,114,219,565.04	5,705,682,329.28
Cash paid for all types of taxes		2,496,007,225.13	5,152,004,084.25
Cash paid relating to other operating activities	51	<u>6,769,481,381.70</u>	<u>6,289,080,554.47</u>
<b>Subtotal of cash outflows</b>		<u>85,884,445,549.29</u>	<u>90,097,363,470.56</u>
<b>Net cash flows from operating activities</b>	52	<u>(3,887,475,302.44)</u>	<u>(1,123,470,776.83)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from recovery of investment		-	7,069,600.00
Cash received from return on investment		1,409,353,446.15	8,727,115,553.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		42,904,511.29	25,865,729.72
Cash received relating to other investing activities	55	<u>1,036,263,749.91</u>	<u>-</u>
<b>Subtotal of cash inflows</b>		<u>2,488,521,707.35</u>	<u>8,760,050,883.48</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		6,488,329,782.76	3,308,579,224.93
Cash paid for acquisition of investments		2,034,743,750.00	1,269,583,030.48
Acquisition of net cash payments from subsidiaries and other			



business units	534,168,219.57	-
<b>Subtotal of cash outflows</b>	<u>9,057,241,752.33</u>	<u>4,578,162,255.41</u>
<b>Net cash flows from investing activities</b>	<u>(6,568,720,044.98)</u>	<u>4,181,888,628.07</u>

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED CASH FLOW STATEMENT (continued)**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	<u>Notes V</u>	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash received from investors		-	-
Cash received from borrowings		340,000,000.00	185,000,000.00
Cash received relating to other financing activities	51	<u>855,280,377.20</u>	<u>978,689,175.66</u>
<b>Sub-total of cash inflows</b>		<u>1,195,280,377.20</u>	<u>1,163,689,175.66</u>
Cash repayments of borrowings		348,133,800.00	2,168,573,600.00
Cash paid for distribution of dividends or profits and interest expenses		2,169,490,293.91	3,200,128,271.95
Cash paid relating to other financing activities	51	<u>30,344,195.00</u>	<u>369,958,242.32</u>
<b>Sub-total of cash outflows</b>		<u>2,547,968,288.91</u>	<u>5,738,660,114.27</u>
<b>Net cash flows from financing activities</b>		<u>(1,352,687,911.71)</u>	<u>(4,574,970,938.61)</u>
<b>EFFECT OF CHANGES IN EXCHANGE RATE ON CASH</b>			
		<u>5,731,783.40</u>	<u>(25,573,889.15)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(11,803,151,475.73)	(1,542,126,976.52)
Add: Opening balance of cash and cash equivalents		<u>21,451,305,090.53</u>	<u>22,993,432,067.05</u>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVLANT</b>	52	<u>9,648,153,614.80</u>	<u>21,451,305,090.53</u>

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited****BALANCE SHEET****31 December 2018****(Expressed in Renminbi Yuan)**

	<u>Notes XIV</u>	<u>2018</u>	<u>2017</u>
<b>Current assets</b>			
Cash		7,310,973,018.99	20,634,514,487.95
Notes receivable and accounts receivable	1	25,070,320,963.39	34,002,845,071.70
Prepayments		671,849,711.04	960,555,695.17
Other receivables	2	2,344,318,158.83	1,765,907,866.77
Inventories		3,851,783,233.12	4,005,921,440.85
Other current assets		<u>1,355,155,749.21</u>	<u>1,178,094,749.84</u>
<b>Total current assets</b>		<u>40,604,400,834.58</u>	<u>62,547,839,312.28</u>
<b>Non-current assets</b>			
Available-for-sale financial assets		541,182,000.00	532,007,000.00
Long-term equity investments	3	18,017,137,600.72	15,786,743,636.55
Fixed assets		16,795,537,563.35	15,582,899,632.64
Construction in progress		4,114,409,774.13	2,763,521,275.98
Intangible assets		4,054,893,372.88	3,341,218,169.73
Development expenditure		559,309,970.45	733,947,670.46
Long-term deferred expenses		12,555,353.69	12,821,802.39
Deferred tax assets		1,533,057,523.95	1,421,165,907.17
Other non-current assets		<u>250,000,000.00</u>	<u>-</u>
<b>Total non-current assets</b>		<u>45,878,083,159.17</u>	<u>40,174,325,094.92</u>
<b>TOTAL ASSETS</b>		<u>86,482,483,993.75</u>	<u>102,722,164,407.20</u>

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**BALANCE SHEET (continued)**  
**31 December 2018**  
**(Expressed in Renminbi Yuan)**

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Current liabilities</b>		
Notes payable		
and accounts payable	24,263,743,505.87	36,351,223,966.94
Advances from customers	1,208,631,011.05	3,724,183,178.58
Payroll payable	1,001,765,362.99	1,377,250,229.66
Taxes payable	604,525,457.30	320,050,382.91
Other payables	3,219,909,047.22	3,181,207,281.30
Contingent liabilities	2,372,512,543.49	2,380,971,255.26
Other current liabilities	<u>3,923,419,042.37</u>	<u>3,453,269,881.59</u>
<b>Total current liabilities</b>	<u>36,594,505,970.29</u>	<u>50,788,156,176.24</u>
<b>Non-current liabilities</b>		
Long term payable	248,240,115.29	235,256,441.62
Long term payroll payable	24,315,000.00	91,263,000.00
Deferred income	2,827,208,446.74	2,879,604,719.46
Deferred tax liabilities	<u>26,683,742.04</u>	<u>21,222,750.00</u>
<b>Total non-current liabilities</b>	<u>3,126,447,304.07</u>	<u>3,227,346,911.08</u>
<b>Total liabilities</b>	<u>39,720,953,274.36</u>	<u>54,015,503,087.32</u>
<b>Owner's equity</b>		
Share capital	4,802,648,511.00	4,802,648,511.00
Capital reserves	4,705,917,638.38	4,717,192,101.72
Other comprehensive income	149,525,803.58	132,520,410.88
Special reserves	19,835,367.61	12,013,706.73
Surplus reserves	2,401,324,255.50	2,401,324,255.50
Retained earnings	<u>34,682,279,143.32</u>	<u>36,640,962,334.05</u>
<b>Total owner's equity</b>	<u>46,761,530,719.39</u>	<u>48,706,661,319.88</u>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<u><u>86,482,483,993.75</u></u>	<u><u>102,722,164,407.20</u></u>

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**INCOME STATEMENT**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	<u>Notes XIV</u>	<u>2018</u>	<u>2017</u>
<b>Operating revenue</b>	<b>4</b>	<b><u>63,379,464,762.20</u></b>	<b><u>77,758,476,387.51</u></b>
Less: Operating cost	4	54,508,948,244.13	68,732,561,860.05
Tax and surcharges		1,897,849,791.26	2,565,747,398.92
Operating expenses		4,763,764,952.42	3,590,671,641.50
General and administrative expenses		2,154,621,063.20	2,657,767,379.36
Research and development expenses		2,468,444,658.83	1,821,994,878.30
Financial income		(449,471,788.18)	(547,613,808.85)
Interest income		-	32,461,480.19
Interest expense		464,373,610.97	598,920,267.51
Impairment loss on assets		166,593,138.09	270,436,351.89
Add: Other income		1,799,031,976.58	534,853,603.29
Investment income	5	383,123,214.36	6,908,063,504.35
Including: Investment income from associates and from joint venture		(320,199,939.11)	6,854,896,911.97
Gain on disposal of assets		15,582,497.02	24,198,022.49
<b>Operating profit</b>		<b><u>66,452,390.41</u></b>	<b><u>6,134,025,816.47</u></b>
Add: Non-operating income		64,148,620.50	54,345,488.88
Less: Non-operating expenses		<u>43,385,534.76</u>	<u>61,733,222.91</u>
<b>Total profit</b>		<b><u>87,215,476.15</u></b>	<b><u>6,126,638,082.44</u></b>
Less: Income tax expense		<u>(111,891,616.78)</u>	<u>(105,709,086.46)</u>
<b>Net profit</b>		<b><u><u>199,107,092.93</u></u></b>	<b><u><u>6,232,347,168.90</u></u></b>
<b>Classification by going concern</b>			
Net profit from continuing operations		199,107,092.93	6,232,347,168.90

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**INCOME STATEMENT**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	<u>Notes XIV</u>	<u>2018</u>	<u>2017</u>
<b>Other comprehensive income, net of tax</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Change in net liability or asset from defined benefit plan	(13,234,000.00)	5,912,000.00	
Other Comprehensive income not to be reclassified to profit or loss under equity method	<u>(706,228.88)</u>	<u>(248,641.80)</u>	
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value from available-for-sale financial asset	<u>30,945,621.58</u>	<u>(75,437,500.00)</u>	
<b>Total comprehensive income</b>	<u><b>216,112,485.63</b></u>	<u><b>6,162,573,027.10</b></u>	

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	Share capital	Capital reserves	Other omprehensive income	Special reserves	Surplus reserves	Retained earnings	Total onwer's equity
At 31 December 2017	4,802,648,511.00	4,717,192,101.72	132,520,410.88	12,013,706.73	2,401,324,255.50	36,640,962,334.05	48,706,661,319.88
Changes during the year							
Total comprehensive income	-	-	17,005,392.70	-	-	199,107,092.93	216,112,485.63
Capital contributed by owners and capital decreases							
1.The amount of share-based payments recorded in owners' equity	-	(8,735,100.00)	-	-	-	-	(8,735,100.00)
2.Others	-	(2,539,363.34)	-	-	-	-	(2,539,363.34)
Distribution of profit							
1.Distribution to owners	-	-	-	-	-	(2,157,790,283.66)	(2,157,790,283.66)
Special reserves							
1.Provided	-	-	-	58,994,940.74	-	-	58,994,940.74
2.Utilized	-	-	-	(49,877,017.05)	-	-	(49,877,017.05)
3.Effective portion of changes in special reserves from joint venture	-	-	-	(1,296,262.81)	-	-	(1,296,262.81)
At 31 December 2018	4,802,648,511.00	4,705,917,638.38	149,525,803.58	19,835,367.61	2,401,324,255.50	34,682,279,143.32	46,761,530,719.39

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)**  
**Year ended 31 December 2017**  
**(Expressed in Renminbi Yuan)**

	Share capital	Capital reserves	Other Comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owner's equity
At 31 December 2016	4,802,648,511.00	4,689,475,046.88	202,294,552.68	7,555,003.10	2,401,324,255.50	33,488,484,537.62	45,591,781,906.78
Changes during the year							
Total comprehensive income	-	-	(69,774,141.80)	-	-	6,232,347,168.90	6,162,573,027.10
Capital contributed by owners and capital decreases							
1.The amount of share-based payments recorded in owners' equity	-	18,981,100.00	-	-	-	-	18,981,100.00
2.Others	-	8,735,954.84	-	-	-	-	8,735,954.84
Distribution of profit							
1.Distribution to owners	-	-	-	-	-	(3,079,869,372.47)	(3,079,869,372.47)
Special reserves							
1.Provided	-	-	-	43,664,824.34	-	-	43,664,824.34
2.Utilized	-	-	-	(44,741,572.36)	-	-	(44,741,572.36)
3.Effective portion of changes in special reserves from joint venture	-	-	-	5,535,451.65	-	-	5,535,451.65
At 31 December 2017	4,802,648,511.00	4,717,192,101.72	132,520,410.88	12,013,706.73	2,401,324,255.50	36,640,962,334.05	48,706,661,319.88

The notes form an integral part of the financial statements.



**Chongqing Changan Automobile Company Limited**  
**CASH FLOW STATEMENT**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sale of goods or rendering of services	73,237,084,046.94	79,675,129,781.26
Cash received relating to other operating activities	<u>3,836,274,126.52</u>	<u>2,919,431,256.19</u>
<b>Subtotal of cash inflows</b>	<u>77,073,358,173.46</u>	<u>82,594,561,037.45</u>
Cash paid for goods and services	67,590,149,087.20	70,300,504,407.78
Cash paid to and on behalf of employees	4,715,386,170.77	4,379,640,973.36
Cash paid for all types of taxes	1,723,167,770.46	4,229,906,573.05
Cash paid relating to other operating activities	<u>6,515,146,136.99</u>	<u>6,383,379,710.17</u>
<b>Subtotal of cash outflows</b>	<u>80,543,849,165.42</u>	<u>85,293,431,664.36</u>
<b>Net cash flows from operating activities</b>	<u>(3,470,490,991.96)</u>	<u>(2,698,870,626.91)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from recovery of investment	2,937,256.01	7,069,600.00
Cash received from return on investment	1,422,371,071.18	8,737,204,497.46
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	60,014,623.13	106,245,076.64
Cash received relating to other investing activities	<u>124,782,800.00</u>	<u>166,000,000.00</u>
<b>Subtotal of cash inflows</b>	<u>1,610,105,750.32</u>	<u>9,016,519,174.10</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	5,973,170,360.48	2,916,256,030.54
Cash paid for acquisition of investments	3,132,195,583.18	1,269,180,419.98
Cash paid relating to other investing activities	<u>200,000,000.00</u>	<u>100,000,000.00</u>
<b>Subtotal of cash outflows</b>	<u>9,305,365,943.66</u>	<u>4,285,436,450.52</u>
<b>Net cash flows from investing activities</b>	<u>(7,695,260,193.34)</u>	<u>4,731,082,723.58</u>

The notes form an integral part of the financial statements.

**Chongqing Changan Automobile Company Limited**  
**CASH FLOW STATEMENT (continued)**  
**Year ended 31 December 2018**  
**(Expressed in Renminbi Yuan)**

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash receipts relating to other financing activities	<u>461,856,503.42</u>	<u>978,689,175.66</u>
<b>Sub-total of cash inflows</b>	<u>461,856,503.42</u>	<u>978,689,175.66</u>
Repayment of debts	-	1,980,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	2,157,790,283.66	3,184,699,226.42
Cash paid relating to other financing activities	<u>-</u>	<u>110,146.05</u>
<b>Sub-total of cash outflows</b>	<u>2,157,790,283.66</u>	<u>5,164,809,372.47</u>
<b>Net cash flows from financing activities</b>	<u>(1,695,933,780.24)</u>	<u>(4,186,120,196.81)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(12,861,684,965.54)	(2,153,908,100.14)
Add: Cash and cash equivalents at beginning of year	<u>20,172,657,984.53</u>	<u>22,326,566,084.67</u>
<b>CASH AND CASH EQUIVLANT AT END OF YEAR</b>	<u>7,310,973,018.99</u>	<u>20,172,657,984.53</u>

The notes form an integral part of the financial statements.

## I CORPORATE INFORMATION

Chongqing Changan Automobile Company Limited (hereafter referred to as the “Company”) was established by China Changan Automobile Group (hereafter referred to as the “Changan Group”) as the individual originator on 31 October 1996. The company was set up using the group’s net asset relating to the operation of mini cars and engine, the shares it owned in Chongqing Changan Suzuki company limited (equal to 506,190,000 shares of the Company) and the fund raised from the issuance of 250,000,000 foreign capital stock (B shares), with total share capital of RMB756,190,000.

With the approval of China Securities Regulatory Commission, the company initially floated on share market on 19 May 1997 by issuing 120,000,000 common shares (A share) to the public. The offering increased the total share capital to RMB 876,190,000.

On 26 June 1998, the Company issued 4 shares for each 10 shares to existing shareholders of the original 876,190,000 shares. The issuance was made from capital reserve and increased the total share capital to RMB 1,226,666,000.

On 26 May 2004, the Company offered 2 bonus shares for each 10 shares held by existing shareholders, which increased the total share capital from RMB 1,226,666,000 to RMB 1,471,999,200.

On 26 August 2004, with the approval of China Securities Regulatory Commission, the Company offered 148,850,000 common shares (A share) to the market, which increased the total share capital to RMB 1,620,849,200.

In December 2005, China South Industries Group Corporation (hereafter referred to as the “South Group”), the ultimate parent company, used the common share (850,399,200 shares) owned by its subsidiary, Changan Group, as part of the investment to establish China South Industries Motor Company (hereafter referred to as “South Industries Motor”). The share occupied 52.466% of the Company’s total share capital. Therefore, South industries Motor became the parent company of the Company. On 30 March 2006, the transfer of share was registered by Shenzhen branch of China Securities Depository and Clearing Corporation limited.

In May 2006, South Industries Motor issued 3.2 bonus shares for each 10 shares to the shareholders at the implementation date of reformation of non-tradable shares for their non-tradable shares according to the “Reply of the problems related to the reformation of non-tradable shares of Chongqing Changan Automobile Co., Ltd.” (2006[442] Guo Zi Chan Quan) issued by the State-owned Assets Supervision and Administration Commission of State Council and the related shareholder’s meeting. After the reformation of non-tradable shares, South Industries Motor occupied 45.548% of equity through 738,255,200 common shares.

On 15 May 2007, the Company issued 2 bonus shares for each 10 shares to existing shareholders, which increased the total share capital from RMB 1,620,849,200 to RMB 1,945,019,040.

On 30 May 2008, the Company issued 2 shares for each 10 shares owned by existing shareholders. The issuance was made from capital reserve and increased the total share capital to RMB 2,334,022,848.

On 3 March 2009, the secondary temporary shareholder meeting was held. The board resolution about ‘the reacquisition of foreign capital stock listed in China’ was approved in the meeting. For the buyback period ended on 3 March 2010, the company repurchased 8,365,233 shares in total, equal to 0.3584% of total capital.

On 1 July 2009, with the approval of State Administration for Industry and Commercial, South industries Motor, the parent company changed its name to China Changan Automobile Industry (Group) Co., Ltd. (hereafter referred to as the “China Changan”).

With the approval of China Securities Regulatory Commission on 14 January 2011, the Company issued 360,166,022 common shares (A share), which increased the total share capital to RMB 2,685,823,637. After the completion of the issuance, China Changan holds 1,163,787,489 shares of the Company’s common stock, and the held equity interest decreased to 43.33%.

On 18 May 2011, the Company issued 4 bonus shares for each 10 shares and issued 4 shares to 10 shares from capital reserve to existing shareholders. After this issuance, the total share capital has been increased to RMB

4,834,482,546.

On 21 December 2011, the first temporary shareholder meeting was held. The board resolution about ‘the reacquisition of foreign capital stock listed in China’ was approved in the meeting. For the buyback period ended on 20 March 2012, the company repurchased 171,596,438 shares in total, equal to 3.55% of total capital. On 30 March 2012, the company cancelled the share and the share capital decreased to RMB 4,662,886,108.

During 2013 and 2014, China Changan, the parent company of the Company, continuously sold 181,260,000 and 89,962,264 shares in total in secondary market. As at 31 December 2014, China Changan holds 1,823,595,216 shares of the Company’s ordinary shares, with shares proportion decreasing to 39.11%.

With the approval of China Securities Regulatory Commission on 14 September 2016, the Company issued 139,762,403 non-public common shares (A share) to China Changan Automobile Industry (Group) Co., Ltd., which caused the total share capital increased to RMB 4,802,648,511. After the completion of the issuance, China Changan holds 1,963,357,619 shares of the Company’s common stock, with shares proportion increasing to 40.88%.

On June 15, 2018, with the approval of the state-owned assets supervision and administration commission of the state council, China Changan, the controlling shareholder of the company, transfers the 1,035,312,673 a-share shares held by the company to the ultimate holding company of the company, South Group and equipment group co., ltd. free of charge.

On December 31, 2018, the controlling shareholder of the company, China Changan and its wholly-owned subsidiary, Zhonghui futong (Hong Kong) investment co., LTD., together held 1,082,165,183 ordinary shares of the company, with an equity ratio of 22.53%. The ultimate controlling company of the company is China South Industries Group Co., Ltd.

The Group’s main business activities are: the manufacture and sales of automobiles, automobile engine series products and accessory parts.

According to the Articles of Association, the financial statements, which has been approved by the board of directors on 19 April 2019, was submitted to general meeting of shareholders for approval.

The scope of consolidation in the consolidated financial statement is determined based on control. There has been no change of the consolidation scope of 2018.

## II BASIS OF PREPERATION

### 1. Basis of preparation

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises-Basic Standard and the specific standards issued and modified subsequently, and the implementation guidance, interpretations and other relevant provisions issued subsequently by the MOF (correctly referred to as “Accounting Standards for Business Enterprises”).

The financial statements are presented on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, the corresponding provisions should be made accordingly.

## III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

According to the actual production and operation characteristics, the group formulated the specific accounting policies and accounting estimates, mainly reflected in provision of accounts receivables (note 3 (10)), inventory valuation (Note 3 (11)), depreciation of fixed assets, intangible assets amortization (Note 3 (14) (17)), condition of capitalization of research and development expense (Note 3 (18)) and revenue recognition and measurement (Note 3 (24)).

## 1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully, the financial position of the Company as at 31 December 2018 and the financial results and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

## 2. Accounting year

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

## 3. Functional currency

The Group's functional and reporting currency is the Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is Yuan. Each entity in the Group determines its own functional currency in accordance with the operating circumstances. At the end of the reporting period, the foreign currency financial statements are translated into the reporting currency of the Company of RMB.

## 4. Business combination

Business combinations are classified into business combinations involving entities under common control and business combinations involving entities not under common control.

### *Business combination involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party which, on the combination date, obtains control of another entity participating in the combination is the acquiring party, while that other entity participating in the combination is a party being acquired. Combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities that are obtained by the acquiring party in a business combination involving entities under common control shall be measured at their carrying amounts at the combination date as recorded by the party being acquired. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

### *Business combination involving entities not under common control*

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

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is initially recognised and measured at cost, being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree over the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree is lower than the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the fair value of the consideration transferred (or the fair value of the equity securities issued), together with the fair value of the Group's previously held equity interest in the acquiree. If after that reassessment, the aggregate of the fair value

of the consideration transferred (or the fair value of the equity securities issued) and the Group's previously held equity interest in the acquiree is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

If a business combination not under the same control is realized step by step through multiple transactions, the equity of the purchased party held before the purchase date shall be re-measured according to the fair value of the equity on the purchase date, and the difference between the fair value and the book value shall be included in the calculation. Current profit and loss; if the equity of the purchased party held before the purchase date involves other comprehensive income under the equity method, it shall be accounted for on the same basis as the investee directly disposes the relevant assets or liabilities, except for net profit or loss, other comprehensive income. Changes in other shareholders' equity other than the profit distribution are transferred to the current profit and loss of the purchase date.

## 5. Consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company).

In the preparation of the consolidated financial statements, the financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the current loss belong to minorities of the subsidiary exceeds the beginning equity of the subsidiary belong to minorities, the exceeded part will still deduct the equity belong to minorities.

With respect to subsidiaries acquired through business combinations involving entities not under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements, from the day that the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer should adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

With respect to subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements from the beginning of the period in which the combination occurs.

If the changes of relevant facts and circumstances will result in the changes of one or more control elements, then the Group should reassess whether it has taken control of the investee.

## 6 Joint venture arrangement classification and joint operation

Joint venture arrangements are classified into joint operation and joint venture. Joint operation refers to those joint venture arrangements, relevant assets and liabilities of which are enjoyed and assumed by the joint venturers. Joint ventures refer to those joint venture arrangements, only the right to net assets of which is enjoyed by the joint venturers.

Any joint venturer shall recognize the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises: assets it solely holds and its share of jointly-held assets based on its percentage; liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage; incomes from sale of output enjoyed by it from the joint operation; incomes from sale of output from the joint operation based on its percentage; and separate costs and costs for the joint operation based on its percentage.

## 7. Cash and cash equivalents

Cash comprises cash on hand and bank deposits which can be used for payment at any time; Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 8. Foreign currency translation

The Group translates the amount of foreign currency transactions occurred into functional currency.

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount at the spot exchange rate on the transaction dates. Foreign currency monetary items are translated using the spot exchange rate quoted by the People's Bank of China at the balance sheet date. The exchange gains or losses arising from occurrence of transactions and exchange of currencies, except for those relating to foreign currency borrowings specifically for construction and acquisition of fixed assets capitalized, are dealt with in the profit and loss accounts. Non-monetary foreign currency items measured at historical cost remain to be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency should not be changed. Non-monetary foreign currency items measured at fair value should be translated at the spot exchange rate prevailing on the date when the fair values are determined. The exchange difference thus resulted should be charged to the current income or other comprehensive income account of the current period.

When preparing consolidated financial statements, the financial statements of the subsidiaries presented in foreign currencies are translated into Renminbi as follows: asset and liability accounts are translated into Renminbi at exchange rates ruling at the balance sheet date; shareholders' equity accounts other than retained profits are translated into Renminbi at the applicable exchange rates ruling at the transaction dates; income and expense in income statement are translated into Renminbi at spot exchange rates on transaction occurrence; total difference between translated assets and translated liabilities and shareholders' equity is separately listed as "foreign currency exchange differences" below retained profits. The translation difference arising from the settlement of overseas subsidiaries is charged to the current liquidation profit and loss in proportion to the settlement ratio of the assets concerned.

Foreign currency cash flows and the cash flows of foreign subsidiaries should be translated using the average exchange rate prevailing on the transaction month during which the cash flows occur. The amount of the effect on the cash arising from the change in the exchange rate should be separately presented as an adjustment item in the cash flow statement.

## 9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Recognition and derecognition

The Group recognizes a financial asset or a financial liability, when the Group becomes a party to the contractual provision of the instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets), be written off from the account and balance sheet, when the following conditions are met:

- (1) the rights to receive cash flows from the asset have expired;
- (2) the Group transferred the rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor, with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the difference thus resulted is recognized in profit or loss for the current period.

When buy or sell financial instruments under a normal way, financial instruments are recognized or derecognized according to the transaction date accounting. A normal way to buy or sell financial instruments refers to, according to the contract terms, receive or deliver financial instruments within the period as required by legal regulation or generally accepted guidelines. Transaction date refers to the date when the Group committed to buy or sell

financial instruments.

#### Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, and the derivatives designated as effective hedging instrument. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: the financial asset is acquired for the purpose of selling it in a short term; the financial asset is a part of a group of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this group for the purpose of short-term profits; the financial asset is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial assets are recognized in profit or loss for the current period. Dividend or interest income related to financial assets at fair value through profit or loss is recognized in profit or loss for the current period.

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as the above financial assets. After initial recognition, available-for-sale financial assets are measured at fair value. The premium/discount is amortized using effective interest method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized in other comprehensive income as a component of capital reserve, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss previously recognized in capital reserve is removed from capital reserve and recognized in profit or loss for the current period. Interests and dividends relating to an available-for-sale financial asset are recognized in profit or loss for the current period.

The equity investment instruments, for which there is no quoted price in active market and whose fair value cannot be reliably measured, shall be measured at cost.

#### Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into the following categories: financial liabilities at fair value through profit or loss, other financial liabilities, and the derivatives designated as effective hedging instrument. For financial liabilities at fair value through profit or loss, relevant transaction costs are



directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions: the financial liability is assumed for the purpose of repurchasing it in a short term; the financial liability is a part of a group of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this group for the purpose of short-term profits; the financial liability is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price form an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial liabilities are recognized in profit or loss for the current period.

*Other financial liabilities*

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses the carrying amount of a financial asset, at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Group makes provision for the impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

*Financial assets carried at amortized cost*

When the financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of the estimated future cash flow (excluding future credit losses that have not been incurred). The amount of reduction is recognized as an impairment loss in the income statement. Present value of estimated future cash flow is discounted at the financial asset's original effective interest rate and includes the value of any related collateral.

If a financial asset is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Group can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on a financial asset carried at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Impairment of financial assets (continued)

*Available-for-sale financial assets*

When there is objective evidence that the asset is impaired, the cumulative loss from declines in fair value that had been recognized directly in capital reserve are removed from equity and recognized in the income statement. The amount of the cumulative loss that is removed from capital reserves and recognized in the income statement (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

**Impairment of financial assets** In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

*Financial assets carried at cost*

If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset are provided as a provision and recognized in the current income statement. The impairment loss recognized cannot be reversed.

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset; and if the Group retains substantially all the risks and rewards of the financial asset, the Group does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case: (i) if the Group has not retained control, it derecognizes the financial asset and recognize separately as assets or liabilities any rights and obligations created not retained in the transfer; (ii) if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

**10. Accounts receivable**

- (1) Accounts receivable which is individually significant and analyzed individually for provision:

Criterion for individually significant items	Accounts receivable balance greater than RMB15 million due from non-related parties
Method for provision	A provision of the difference between recoverable amount and book value is recognized based on individually analysis

- (2) Accounts receivable analyzed by credit risk characteristics group for provision:

Criterion for group	
Group 1	Accounts receivable due from non-related parties other than individually significant items or insignificantly but analyzed individually for provision
Group 2	Accounts receivable due from related parties
Method for the provision of group	
Group 1	Making provision according to aging analysis
Group 2	A provision of the difference between recoverable amount and book value is recognized based on individually analysis.

Group 1, the provision analyzed according to aging analysis:

Aging	Accounts receivable Provision percentage (%)	Other receivables Provision percentage (%)
Within 1 year		
Within 6 months	0	0
6 to 12 months	5	5
1 to 2 years	10	10
2 to 3 years	30	30
3 to 4 years	50	50
4 to 5 years	80	80
Above 5 years	100	100

(3) Accounts receivable which is individually insignificant but analyzed individually for provision

Criterion for individually analysis for provision	There is objective evidence that the accounts receivable due from non-related parties is impaired and the future recoverable possibility is little.
Method for provision	A provision of the difference between recoverable amount and book value is recognized individually.

## 11. Inventories

Inventory includes raw materials, goods in transit, work in progress, finished goods, consigned processing materials, low-value consumables and spare parts.

Inventory is initially carried at the actual cost. Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Weighted average method is assigned to the determination of actual costs of inventories. One-off writing off method is adopted in amortization of low-value consumables.

The Group applies a perpetual counting method of inventory.

At the balance sheet date, the inventory is stated at the lower of cost and net realizable value. If the cost is higher than the net realizable value, provision for the inventory should be made through profit or loss. If factors that resulted in the provision for the inventory have disappeared and made the net realizable value higher than their book value, the amount of the write-down should be reversed, to the extent of the amount of the provision for the inventory, and the reversed amount should be recognized in the income statement for the current period.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The impairment provision should be made on a basis of each item of inventories according to the difference between cost and net realizable value. For large numbers of inventories at relatively low unit prices, the provision for loss on decline in value of inventories should be made by category.

## 12. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

The long-term investments are initially recorded at costs on acquisition. Long-term investments acquired from business combination under common control shall be initially measured at the carrying value of the held interest of the party being acquired; The difference between the initial measured amounts and the book value of consideration, adjust the capital reserves (if the capital reserve is insufficient to be offset, retained earnings should be adjusted); Long-term investments acquired from business combination not under common control shall be

initially measured at the cost (or, the sum of the cost and the carrying value of the previously held equity interest in the acquire for the business combination achieved by stages), which include the fair value of the consideration paid, the liabilities beard and the fair value of issued equity instrument; the other comprehensive income produced from the investment before the acquisition should be transferred into the current year investment income on disposal.

Long-term investments acquired not from business combination are initially measured at 1)the consideration together with the cost necessary incurred; 2) the fair value of the equity instruments; and 3) the consideration agreed in the investment agreement by the investors, otherwise the agreed consideration were not fair

The Company adopted cost method to account for long-term investments in the subsidiaries in the separate financial statements of the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Under cost method, the long-term equity investment is valued at the cost of the initial investment. The cost of long-term equity investment should be adjusted in case of additional investment or disinvestments. When cash dividends or profits are declared by the invested enterprise is recognized as investment income in current period.

The equity method is applied to account for long-term equity investments, when the Group has jointly control, or significant influence on the investee enterprise. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers). Significant influence is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.

Under equity method, the Group recognizes its share of post-acquisition equity in the investee enterprise for the current period as a gain or loss on investment, and also increases or decreases the carrying amount of the investment. When recognizing its share in the net profit or loss of the investee entities, the Group should, based on the fair values of the identifiable assets of the investee entity when the investment is acquired, in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with joint ventures and associates, attributable to the investing entity according to the share ratio (but losses arising from internal transactions that belong to losses on the impairment of assets, should be recognized in full), recognize the net profit of the investee entity after making appropriate adjustments. The book value of the investment is reduced to the extent that the Group's share of the profit or cash dividend declared to be distributed by the investee enterprise. However, the share of net loss is only recognized to the extent that the book value of the investment is reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group shall adjust the carrying amount of the long-term equity investment for other changes in owners' equity of the investee enterprise (other than net profits or losses), and include the corresponding adjustments in equity, which should be realized through profit or loss in subsequent settlement of the respective long-term investment.

On settlement of a long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in the income statement for the current period. As to other comprehensive income recognized based on measurement of the original equity investment by employing the equity method, accounting treatment shall be made on the same basis as would be required if the invested entity had directly disposed of the assets or liabilities related thereto when measurement by employing the equity method is terminated. As to any change in owners' equity of the invested entity other than net profit or loss, other comprehensive income and profit distribution, the investing party shall be transferred to the income statement for the current period. If the remaining equities still be measured under the equity method, accumulative change previously recorded in other comprehensive income shall be transferred to current profit or loss, in measurement on the same basis as the invested entity had directly disposed of the assets or liabilities related thereto. The income or loss recorded in the equity directly should been transferred to the current income statement on settlement of the equity investment on the disposal proportion.

### 13. Investment property

Investment property are properties held to earn rentals or for capital appreciation, or both, including rented land use right, land use right which is held and prepared for transfer after appreciation, and rented building.

The initial measurement of the investment property shall be measured at its actual cost. The follow-up expenses pertinent to an investment property shall be included in the cost of the investment property, if the economic

benefits pertinent to this real estate are likely to flow into the enterprise, and, the cost of the investment property can be reliably measured. Otherwise, they should be included in the current profits and losses upon occurrence.

The group adopts the cost method to make follow-up measurement to the investment property. The buildings are depreciated under straight-line method.

#### 14. Fixed assets

A fixed asset probably shall be recognized only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the book value of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in the income statement in the period during which they are incurred.

Fixed assets are initially measured at actual cost on acquisition. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and other surcharges.

Fixed assets are depreciated on straight-line basis. The estimated useful lives, estimated residual values and annual depreciation rates for each category of fixed assets are as follows:

Category	Deprecation period	Residual rate (%)	Yearly deprecation rate (%)
Buildings	20 to 35 years	3%	2.77%-4.85%
Machinery (Note)	5 to 20 years	3%	4.85%-19.40%
Vehicles	4 to 10 years	3%	9.70%-24.25%
Others	3 to 21 years	3%	4.62%-32.33%

Note: the molds in machinery should be depreciated in units-of-production method.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year and makes adjustments if necessary.

#### 15. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalized before the construction reaches the condition for intended use and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

#### 16. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized, otherwise the borrowing costs are expensed in the period during which they are incurred. A qualifying asset is an asset (an item of property, plant and equipment and inventory etc.) that necessarily takes a substantial period of time to get ready for its intended use of sale.

The capitalization of borrowing costs is as part of the cost of a qualifying asset shall commence when:

- 1) expenditure for the asset is being incurred;
- 2) borrowing costs are being incurred; and
- 3) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization of borrowing costs shall be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale have been done. And subsequent borrowing costs are recognized in the income statement.

During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined as follows:

- 1) where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds;
- 2) where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the construction or manufacture of assets that are qualified for capitalization, if abnormal discontinuance, other than procedures necessary for their reaching the expected useful conditions, happens, and the duration of the discontinuance is over three months, the capitalization of the borrowing costs is suspended. Borrowing costs incurred during the discontinuance are recognized as expense and charged to the income statement of the current period, till the construction or manufacture of the assets resumes.

## 17. Intangible assets

An intangible asset probably shall be recognized only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition, if the fair value can be reliably measured.

The useful life of the intangible assets shall be assessed according to the estimated beneficial period expected to generate economic benefits. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follow:

Land use right	43 to 50 years
Software	2 years
Trademark	10 years
Non-patent technology	5 years

Land use rights that are purchased or acquired through the payment of land use fees are accounted for as intangible assets. With respect to self-developed properties, the corresponding land use right and buildings should be recorded as intangible and fixed assets separately. As to the purchased properties, if the reasonable allocation of outlays cannot be made between land and buildings, all assets purchased will be recorded as fixed assets. The cost of a finite useful life intangible asset is amortized using the straight-line method during the estimated useful life. For an intangible asset with a finite useful life, the Group reviews the estimated useful life and amortization method at least at the end of each year and adjusts if necessary.

The Group should test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount annually, whenever there is an indication that the intangible asset may be impaired. An intangible asset with an indefinite useful life shall not be amortized.

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there are indicators that the intangible asset has finite useful life, the accounting treatment would be in accordance with the intangible asset with finite useful life.

## 18. Research and development expenditures

The Group classified the internal research and development expenditures as follows: research expenditures and development cost.

The expenditures in research stage are charged to the current income on occurrence.

The expenditures in development stage are capitalized that should meet all the conditions of (a) it is technically feasible to finish intangible assets for use or sale; (b) it is intended to finish and use or sell the intangible assets; (c) the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; (d) it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and (e) the development expenditures of the intangible assets can be reliably measured. Expenses incurred that don't meet the above requirements unanimously should be expensed in the income statement of the reporting period.

The Group discriminates between research and development stage with the condition that the project research has been determined, in which the relevant research complete all the fractionalization of products measurements and final product scheme under final approval of management. The expenditures incurred before project-determination stage is charged to the current income, otherwise it is recorded as development cost.

## 19. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventory, deferred income taxes, and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment tests. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at the end of every year, irrespective of whether there is any indication that the asset may be impaired. An intangible asset which is not ready for its intended use is tested for impairment at least at the end of every year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash flows generated by the asset group are independent of the cash flows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment of asset is provided for and the impairment loss is recognized in the income statement for the current period.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated, on a reasonable basis, to related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or related sets of asset groups is a group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

When an impairment test is conducted on an asset group or a set of asset groups that contains goodwill, if there is any indication of impairment, the Group firstly tests the asset group or the set of asset groups excluding the

amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and then recognize impairment loss if any. Thereafter, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is firstly eliminated by and amortized to the book value of the goodwill included in the asset group or set of asset groups, and then eliminated by the book value of other assets according to the proportion of the book values of assets other than the goodwill in the asset group or set of asset groups.

Once the above impairment loss is recognized, it cannot be reversed in subsequent periods.

## 20. Long-term deferred expenses

The long-term deferred expenses represent the payment for the improvement on buildings and other expenses, which have been paid and should be deferred in the following years. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

## 21. Employee benefits

Employee benefits refer to all kinds of remunerations or compensation made by enterprises to their employees in exchange for services provided by the employees or termination of labor relation. Employee compensation includes short-term compensation and post-employment benefits. The benefits offered by enterprises to the spouse, children, the dependents of the employee, the family member of deceased employee and other beneficiaries are also employee compensation.

### Short-term employee salaries

During the accounting period of employee rendering service, the actual employees salaries and are charged to the statement of profit or loss as they become payable in balance sheet.

### Post-employment benefits (Defined contribution plans)

The employees of the Group participate in pension insurance, which is managed by local government and the relevant expenditure, is recognized, when incurred, in the costs of relevant assets or the profit and loss for the current period.

### Post-employment benefits (Defined benefit plan)

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of: the date of the plan amendment or curtailment; and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under administrative expenses in the consolidated statement of profit or loss by function: •service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;net interest expense or income.



**Termination benefits**

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

**22. Provisions**

An obligation related to a contingency shall be recognised by the Group as a provision when all of the following conditions are satisfied, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control:

- 1) the obligation is a present obligation of the Group;
- 2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- 3) a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are initially measured according to the current best estimate for the expenditure necessary for the performance of relevant present obligations, with comprehensive consideration given to factors such as the risks, uncertainty and time value of money relating to contingencies. The book value of the contingent liabilities should be reviewed at each balance sheet date. If there is objective evidence showing that the book value cannot reflect the present best estimate, the book value should be adjusted according to the best estimate.

**23. Share-based payments**

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payment" refers to a transaction in which an enterprise grants shares or other equity instruments as a consideration in return for services.

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant. The fair value is determined using Black-Scholes model (Note 10).

Within the vesting period or before the prescribed performance conditons are met, the relevant costs or expenses and capital reserves shall be determined and increased based on the best estimate of the number of vested equity instruments on each balance sheet date.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the

previous paragraph.

## 24. Revenue

Revenue is recognized only when an inflow of economic benefits is probable, the amount of which can be reliably measured, and all of the following conditions are qualified.

### Revenue from the sale of goods

The Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold; and the amount of revenue can be measured reliably. The proceeds earned from sales of goods are determined based on the amount received or receivable as stipulated in the contract or agreement, otherwise the amount is not fair; If the amount received or receivable as stipulated in the contract or agreement is collected in a defer method, it includes the financing elements and should be determined according to the fair value of the amount received or receivable as stipulated in the contract or agreement.

### Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method, or otherwise, the revenue is recognized to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow into the Group; the stage of completion of the transaction can be measured reliably; and the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving the rendering of services by using the proportion of services performed to date to the total services to be performed. The total amount of revenue earned from rendering service are determined based on the amount received or receivable as stipulated in the contract or agreement, otherwise the amount is not fair.

### Interest income

It should be measured based on the length of time for which the Group's cash is used by others and the applicable effective interest rate.

### Royalty income

Royalty income is recognized according to the agreed time and method by both parties in related contracts.

### Rental income

Rental income from operating leases is recognized by the lesser in the income statement on a straight-line basis over the lease term. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

## 25. Government grants

A government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Monetary grants are accounted for at received or receivable amount. Non-monetary grants are accounted for at fair value. If there is no reliable fair value available, the grants are accounted for a nominal amount.

A government grant which is specified by the government documents to be used to purchase and construct the long-term assets shall be recognized as the government grant related to assets. A government grant which is not specified by the government documents shall be judged based on the basic conditions to obtain the government grant. The one whose basic condition was to purchase and construct the long-term assets shall be recognized as the government grant related to assets.

The Group uses the gross method to account for government grants.

Government grants related to income to be used as compensation for future expenses or losses shall be recognized as deferred income and shall be charged to the current profit or loss or be used to write down the relevant loss, during the recognition of the relevant cost expenses or losses; or used as compensation for relevant expenses or losses already incurred by enterprises shall be directly charged to the profit and loss account in the current period or used to write down the relevant cost.

The government grants related to assets shall be used to write down the book value of the relevant assets or be recognized as deferred income. The government grants related to assets, recognized as deferred income, shall be charged to the profit and loss reasonably and systematically in stages over the useful lives of the relevant assets. The government grants measured at nominal amount shall be directly charged to the current profit and loss. The remaining book value of the government grants related to assets should be charged to the profit and loss account in the current period when the relative assets sold, transferred, disposed or damaged.

## 26. Income taxes

Income tax comprises current and deferred tax. Income tax is recognized as an income or an expense and include in the income statement for the current period, except to the extent that the tax arises from a business combination or if it relates to a transaction or event which is recognized directly in equity.

Current income tax liabilities or assets for the current and prior periods, are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognized as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognized for all taxable temporary differences, except:

- (1) to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination and at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled enterprises, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- (1) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the book value of deferred tax assets. If it is probable that sufficient taxable income cannot be generated to use the tax benefits of deferred tax assets, the book value of deferred tax assets should be reduced. When it is probable that sufficient taxable income can be generated,

the amount of such reduction should be reversed. When it is probable that sufficient taxable income can be generated, the amount of such reduction should be reversed.

## 27. Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

### The Group recording the operating lease as a lessee

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to the income statement for the current period. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

### The Group recording the operating lease as a lessor

Rental income from operating leases is recognized by the lesser in the income statement on a straight-line basis over the lease term. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

## 28. Profit distribution

The cash dividend of the Group is recognized as liabilities after the approval of general meeting of stockholders.

## 29. Safety fund

The safety fund extracted by the Group shall be recognized as the cost of the related products or income statement, while be recognized as special reserve. When using safety fund, it shall be distinguished whether it will form fixed assets or not. The expenditure shall write down the special reserve; the capital expenditure shall be recognized as fixed assets when meet the expected conditions for use, and write down the special reserve while recognizing accumulated depreciation with the same amount.

## 30. Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of

unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 31. Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts and disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have significant effect on the financial statements:

##### *Operating leases - as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

#### Uncertainty of accounting estimates

The crucial assumptions of significant accounting estimates in future and other crucial sources of estimated uncertainty, which may result in the significant adjustments to the book value of the subsequent accounting period, are as the following:

##### *Impairment of available-for-sale*

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognized in the income statement

##### *Impairment of non-current assets other than financial assets (goodwill excluded)*

The Group assesses at each reporting date whether there is an indication that non-current assets other than financial assets may be impaired. If there is any sign of possible assets impairment, the assets concerned should be subject to impairment test. When the carrying amount of an asset or the relevant assets group exceeds its recoverable amount which is the higher one of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, the asset is considered impaired. The fair value minus the disposal expenses is determined by reference to the recent market transactions price or observed market price less any directly attributable expenditure for disposing. When making an estimate of the present value of the future cash flow of an asset, the Group should estimate the future cash flows of the asset or the relevant assets group, with the appropriate discount rate selected to reflect the present value of the future cash flows.

##### *Bad debt provisions*

Provisions are made under the allowance method. For each individually significant receivable, the impairment test should be conducted individually. Where there is evidence that indicates impairment, the loss should be

recognized with the respective provision accrued, equaling to the difference between the present value of the future cash flows and the book value of receivables. For other receivables concerned, management should accrue the general provisions, along with the receivables individually tested while no impairment incurred, taking in account the collectability.

#### *Inventory impairment based on the net realizable value*

According to accounting policy, inventories shall be measured at the lower of cost and the net realizable value. Provision for inventories is recognized in the income statement when the cost is higher than the net realizable value and when the inventories are obsolete and slow-moving. The Group will reassess whether a single inventory is obsolete, slow-moving or whether the net realizable value is lower than the inventories' cost at end of each year.

#### *Development expenditures*

*When determining the capitalization amount, management should make assumptions such as the expected cash flows of the assets related, the applicable discount rate and expected benefit period.*

#### *Deferred tax assets*

The Group should recognize the deferred income tax assets arising from all the existing unutilized tax deficits and deductible temporary differences to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary differences. Enormous accounting judgments, as well as the tax planning are compulsory for management to estimate the time and amount of prospective taxable profits and thus determine the appropriate amount of the deferred tax assets concerned.

#### *Warranty*

The Group provides warranties on automobile and undertakes to repair or replace items that fail to perform satisfactorily based on certain pre-determined conditions. Factors that influence estimation of related warranty claim include: 1) renewal of laws and regulations; 2) quality promotion of Group products; 3) change of parts and labour cost. In general, the Group records warranty based on selling volume and estimated compensatory unit warranty cost, deduction multi-agreed compensation from suppliers. As at balance sheet day, the Group launches retrospective analysis on warranty carrying amount in consideration of accrual warranty payment during relative warranty period, and recent trends of product renovation and replacement, and further adjustment if necessary. Any increase or decrease in the provision would affect profit or loss in future years.

#### *Depreciation and amortization*

The Group's management determines the estimated useful lives and residual value of fixed assets and intangible assets. This estimate is based on the historical experience of actual useful lives of fixed assets and intangible assets of similar nature and functions. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated.

## **32. Changes in accounting policies and estimates**

### Changes in accounting policies

#### *Changes in presentation of financial statements*

To meet the requirements of the Notice on Revising and Issuing Format of 2018 Annual Financial Statements for General Business Enterprises (Cai Kuai [2018] No.15), in the balance sheet, the amounts previously presented in "notes receivable" and "accounts receivable" separately shall be presented in the new item "notes receivable and accounts receivable"; the amounts previously presented in "interest receivable" and "dividends receivable" shall be presented in "other receivables"; the amounts previously presented in "fixed assets pending for disposal" shall be presented in "fixed assets"; the amounts previously presented in "construction materials" shall be presented in "construction in progress"; the amounts previously presented in "notes payable" and "accounts payable" separately shall be presented in "notes payable and accounts payable"; and the amounts previously presented in "grants payables" shall be presented in "long-term payables". In the income statement, the new item "research and development expenses" is added to present the expensed expenditures incurred during the research and development process, and the new items of "interest expenses" and "interest income" are added under "finance expenses". The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the net profit and equity in the consolidated and company financial statements.

#### Changes in the item to be presented for cash flows of government grants related to assets

According to the MOF's Interpretation of Related Issues on Format of 2018 Annual Financial Statements for General Business Enterprises, when preparing the statement of cash flows, the cash flows originally classified as cash flows from [investing] and [financing] activities are classified as cash flows from operating activities. The Group adjusted the comparative amounts retrospectively. These changes in accounting policies reduced the net cash flows from [investing/financing] activities in the consolidated and company statements of cash flows and increased the net cash flows from operating activities by the same amount, but had no effects on the net increase in cash and cash equivalents.

The cumulative effect of retrospective adjustments caused by the above changes in accounting policies are stated as follows:

	31 December 2017	
Consolidated balance sheet	Before	After
Notes receivable	29,156,481,085.20	-
Accounts receivable	1,806,807,193.04	-
Notes receivable and accounts Receivable	-	30,963,288,278.24
Interest receivable	42,184,263.88	-
Other receivables	1,645,276,455.04	1,687,460,718.92
Fixed assets disposal	4,716.98	-
Fixed assets	19,044,528,950.70	19,044,533,667.68
Notes payable	18,002,926,579.81	-
Accounts payable	21,902,826,194.15	-
Notes receivable and accounts receivable	-	39,905,752,773.96
Dividend payables	79,742.80	-
Other payables	2,599,013,410.98	2,599,093,153.78
Special payable	290,607,151.02	-
Long-term prepaid expenses	-	290,607,151.02

	2017	
Consolidated profit sheet	Before	After
General and administrative expenses	5,280,296,493.52	2,663,645,058.45
Research and development expenses	-	2,616,651,435.07

	2017	
Consolidated cash flow	Before	After
Cash received relating to other operating activities	3,504,386,075.81	3,750,492,075.81
Cash received relating to other investing activities	246,106,000.00	-

## IV TAXES

### 1. The major categories of taxes and surcharges

Categories of taxes and surcharges	Basis of tax	Tax rate
Value added tax ("VAT")	Levy on the taxable sales and rendering of services, deducted the deductible input VAT.	5%, 6% , 10%(11%)or 16%(17%)
Consumption tax	Taxable sales	1%,3% or 5%
City maintenance and construction tax	The turnover taxes paid	5% or 7%
Educational surcharge	The turnover taxes paid	3%
Local educational surcharge	The turnover taxes paid	2%
Corporate income tax	Taxable income	15% or 25%

### 2. Tax benefits

In accordance to Circular for Further Implementation of Tax Incentives In the Development of Western Regions (Cai Shui [2011] No. 58) collectively issued by the ministry of Finance, the Customs General Administration and the National Taxation Bureau of PRC, from 1 January 2011 to 31 December 2020, enterprises located in the Western Region and engaged in encouraged business would be entitled to a preferential CIT rate of 15%. For the year ended 2017, the Company, Changan Special Sales and Chongqing Changan Automobile Supporting are qualified to the requirement and acquired permission of the preferential tax rate of 15% from Chongqing Jiangbei National Tax Bureau (refer to Jiang Fa Gai Ti[2015] No. 135).

In accordance to Circular of the Administrative Measures for the Certification of New and High Technology Enterprises (Guo Ke Fa Huo [2016] No. 32) and Circular of the Working Guidance on the Recognition of Hi-tech Enterprises (Guo Ke Fa Huo [2016] No. 195), the subsidiary of Hefei Changan Automobile Co., Ltd. obtained the certificate of new and high technology enterprise on 21 October 2016 and is subjected to the preferential tax rate of 15% from 2016 to 2018.

In accordance to Circular of the Administrative Measures for the Certification of New and High Technology Enterprises (Guo Ke Fa Huo [2016] No. 32) and Circular of the Working Guidance on the Recognition of Hi-tech Enterprises (Guo Ke Fa Huo [2016] No. 195), the subsidiaries of Hebei Changan Automobile Co., Ltd. and Hebei Baoding Changan Bus Co., Ltd. obtained the certificate of new and high technology enterprise on 21 July 2017 and on 27 October 2017, and are subjected to the preferential tax rate of 15% from 2017 to 2019.



## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash

Item	2018	2017
Cash	14,374.84	33,089.31
Cash at bank	9,648,139,239.96	21,451,272,001.22
Other cash	332,390,911.34	1,180,231,406.00
Total	9,980,544,526.14	22,631,536,496.53

As at 31 December 2018, the book value of restricted cash and cash equivalents is RMB332,390,911.34 (As at 31 December 2017: RMB1,180,231,406.00), which was mainly restricted for the issuance of acceptance bill.

As at 31 December 2017, the cash at bank oversea is equivalent to RMB329,881,255.11 (As at 31 December 2017: RMB82,961,261.21).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Notice deposits are made for periods of 7 days, and short-term deposits are made for periods of 3 months to 12 months, depending on the cash requirements of the Group, and earn interest at respective deposit rates.

### 2. Notes receivable and accounts receivable

	2018	2017
Notes receivable	20,561,625,805.24	29,156,481,085.20
Accounts receivable	1,409,419,600.50	1,806,807,193.04
Total	21,971,045,405.74	30,963,288,278.24

Notes receivable

#### (1) Classification of notes receivable

Type	2018	2017
Commercial acceptance bill	6,687,321,419.20	9,142,240,884.70
Bank acceptance bill	13,874,304,386.04	20,014,240,200.50
Total	20,561,625,805.24	29,156,481,085.20

#### (2) Pledged notes receivable

Type	2018	2017
Commercial acceptance bill	384,462,570.00	-
Bank acceptance bill	85,160,000.00	287,427,970.00
Total	469,622,570.00	287,427,970.00

As at 31 December 2018 and 2017, notes receivable with above carrying amount were pledged to issue notes payable.

(3) Endorsed or discounted but unexpired notes receivable as at the end of reporting period are as follow:

	2018		2017	
	Derecognition	Un-derecognition	Derecognition	Un-derecognition
Commercial acceptance bill	147,853,740.00	-	70,962,210.00	-
Bank acceptance bill	1,498,687,956.97	-	1,198,514,460.00	-
Total	1,646,541,696.97	-	1,269,476,670.00	-

(4) As at 31 December 2018, notes transferred to accounts receivable due to the non-acceptance was RMB29,079,401.00. (As at 31 December 2017: Nil)

#### Accounts receivable

(1) Aging analysis of the accounts receivable as at 31 December 2018 is as follows:

Aging	2018	2017
Within 1 year	1,147,795,158.16	1,375,775,524.93
1 to 2 years	96,258,167.82	320,269,522.88
2 to 3 years	112,117,946.39	106,193,915.65
Over 3 years	143,862,648.03	40,598,751.89
Total	1,500,033,920.40	1,842,837,715.35
Provision	(90,614,319.90)	(36,030,522.31)
	1,409,419,600.50	1,806,807,193.04

The movements in provision for impairment of accounts receivable are as follows:

	Beginning balance	Addition		Deduction		Ending balance
		Provision	Other	Reversal	Write-off	
2018	36,030,522.31	13,490,022.81	42,008,512.00	832,031.73	82,705.49	90,614,319.90
2017	30,946,126.28	8,587,659.49	-	3,058,543.46	444,720.00	36,030,522.31

(2) Analysis of accounts receivable by category as at 31 December 2018 is as follows:

Item	2018				2017			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	858,892,602.36	57.26	44,226,423.35	5.15	734,064,982.48	39.83	-	-
Accounts receivable analyzed as groups for provision								
Group 1. Accounts receivable analyzed for provision according to aging analysis	427,323,980.23	28.48	29,225,702.47	6.84	811,522,470.21	44.04	22,765,588.74	2.81
Group 2. Accounts receivable from related parties	185,492,616.70	12.37	-	-	283,985,329.09	15.41	-	-
Group subtotal	612,816,596.93	40.85	29,225,702.47	4.77	1,095,507,799.30	59.45	22,765,588.74	2.08
Individually insignificant items but analyzed individually for	28,324,721.11	1.89	17,162,194.08	60.59	13,264,933.57	0.72	13,264,933.57	100

provision								
<b>Total</b>	1,500,033,920.40	100	90,614,319.90	6.04	1,842,837,715.35	100	36,030,522.31	1.96

In groups, accounts receivable were analyzed for provision by aging:

Aging	2018			2017		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	355,306,650.92	83.15	-	753,965,095.69	92.91	-
6 to 12 months	1,374,930.80	0.32	68,746.54	18,262,202.43	2.25	913,110.11
Within 1 year subtotal	356,681,581.72	83.47	68,746.54	772,227,298.12	95.16	913,110.11
1 to 2 years	34,680,938.03	8.12	3,468,093.80	12,198,268.67	1.50	1,219,826.87
2 to 3 years	11,214,542.66	2.62	3,364,362.80	1,451,653.80	0.18	435,496.14
3 to 4 years	1,106,688.03	0.26	553,344.02	10,368,508.00	1.28	5,184,254.00
4 to 5 years	9,345,372.38	2.19	7,476,297.90	1,319,200.00	0.16	1,055,360.00
Over 5 years	14,294,857.41	3.34	14,294,857.41	13,957,541.62	1.72	13,957,541.62
<b>Total</b>	427,323,980.23	100	29,225,702.47	811,522,470.21	100	22,765,588.74

In groups, accounts receivable was analyzed for provision by other methods:

Group	2018		2017	
	Balance	Provision	Balance	Provision
Accounts receivable from related parties	185,492,616.70	-	283,985,329.09	-

As at 31 December 2018 and 2017, there are no individually significant items analyzed individually for provision.

- (3) In 2018, provision for accounts receivable amounted to RMB13,490,022.81 has been accrued (2017: RMB8,587,659.49). Provision for accounts receivable amounted to RMB832,031.73 has been reversed (2017: RMB3,058,543.46). Due to the acquisition of Changan Suzuki, the provision for bad debts increased by RMB 42,008,512.00 (Note VI, changes in the scope of consolidation)
- (4) As at 31 December 2018, Provision for accounts receivable amounted to RMB82,705.49 has been write-off (2017: RMB444,720.00).
- (5) As at 31 December 2018, accounts receivable from Top 5 clients amounted to RMB564,688,036.12, accounted for 37.65% of the total accounts receivable (2017: RMB553,166,995.66, accounted for 30.02% of the total amount).
- (6) There was no accounts receivable derecognized due to transfer of financial assets during 2018 (2017: Nil).

### 3. Prepayments

(1) Aging analysis of the prepayments is as follows:

Aging	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	781,698,728.24	90.25	1,099,772,284.11	99.78
1 to 2 years	77,209,604.94	8.91	447,067.45	0.04
2 to 3 years	5,320,836.56	0.61	1,485,647.87	0.13
Over 3 years	2,020,579.77	0.23	534,931.90	0.05
Total	866,249,749.51	100	1,102,239,931.33	100

(2) As at 31 December 2018, prepayments to Top 5 suppliers amounted to RMB692,025,641.94, which accounted for 79.89% of the total prepayments (2017: RMB993,006,069.80, which accounted for 90.09% of the total amount ).

### 4. Other receivables

Item	2018	2017
Interest Receivable	17,432,805.54	42,184,263.88
Other Receivables	3,233,020,118.16	1,645,276,455.04
Total	3,250,452,923.70	1,687,460,718.92

#### Interest Receivables

As of December 31, 2018, the Group's interest receivable for time deposits was RMB 17,432,805.54 (December 31, 2017: RMB 42,184,263.88)

#### Other receivables

(1) Aging analysis of other receivables as at 31 December 2018 is as follows:

	2018	2017
Within 1 year	1,959,280,906.55	1,414,935,792.12
1 to 2 years	1,185,294,003.76	212,077,835.97
2 to 3 years	73,740,285.90	6,624,999.32
Over 3 years	22,553,085.53	15,794,423.31
Total	3,240,868,281.74	1,649,433,050.72
Provision	(7,848,163.58)	(4,156,595.68)
	3,233,020,118.16	1,645,276,455.04

Movements of provisions for other receivables are as follows:

	Beginning balance	Addition		Deduction		Ending balance
		Provision	Other addition	Reversal	Write-off	
2018	4,156,595.68	576,587.36	4,348,209.00	1,176,673.66	56,554.80	7,848,163.58
2017	4,120,282.27	1,231,570.84	-	1,109,854.82	85,402.61	4,156,595.68

(2) Analysis of other receivables by category as at 31 December 2017 is as follows:

Item	2018				2017			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	2,780,889,774.62	85.80	-	-	1,404,077,945.42	85.12	-	-
Other receivables analyzed as groups for provision								
Group 1. Other receivables analyzed for provision according to aging analysis	323,279,832.19	9.98	1,212,982.16	0.38	201,199,672.08	12.20	1,177,852.02	0.59
Group 2. Other receivables from related parties	126,128,653.39	3.89	-	-	41,176,689.56	2.50	-	-
Group subtotal	449,408,485.58	13.87	1,212,982.16	0.27	242,376,361.64	14.70	1,177,852.02	0.49
individually insignificant items but analyzed individually for provision	10,570,021.54	0.33	6,635,181.42	62.77	2,978,743.66	0.18	2,978,743.66	100
<b>Total</b>	<b>3,240,868,281.74</b>	<b>100</b>	<b>7,848,163.58</b>	<b>0.24</b>	<b>1,649,433,050.72</b>	<b>100</b>	<b>4,156,595.68</b>	<b>0.25</b>

In groups, other receivables were analyzed for provision by aging:

Aging	2018			2017		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	311,733,721.34	96.42	-	194,289,589.40	96.57	-
6 to 12 months	5,807,829.40	1.80	290,391.47	5,512,392.58	2.74	275,619.62
Within 1 year subtotal	317,541,550.74	98.22	290,391.47	199,801,981.98	99.31	275,619.62
1 to 2 years	5,113,633.10	1.58	511,363.31	405,884.15	0.20	40,588.42
2 to 3 years	253,452.00	0.08	76,035.60	48,000.00	0.02	14,400.00
3 to 4 years	34,672.34	0.01	17,336.17	193,123.94	0.10	96,561.97
4 to 5 years	93,342.00	0.03	74,673.60	-	-	-
Over 5 years	243,182.01	0.08	243,182.01	750,682.01	0.37	750,682.01
<b>Total</b>	<b>323,279,832.19</b>	<b>100</b>	<b>1,212,982.16</b>	<b>201,199,672.08</b>	<b>100</b>	<b>1,177,852.02</b>

As at 31 December 2018, there are no individually significant items analyzed individually for provision (2017: Nil).

- (3) For the year ended 31 December 2018, provision for other receivables amounted to RMB576,587.36 have been accrued (2017: RMB1,231,570.84). Provision for other receivables amounted to RMB1,176,673.66 has been reversed (2017: RMB1,109,854.82). Due to the acquisition of Changan Suzuki, the provision for bad debts increased by RMB 4,348,209.00 (Note VI, changes in scope of consolidation)
- (4) For the year ended 31 December 2018, provision for impairment of other receivables amounted to RMB56,554.80 has been written off (2017: RMB85,402.61).
- (5) An analysis of the other receivables by nature is as follows:

Nature	2018	2017
Energy-saving and new energy subsidy	2,847,788,412.50	1,356,575,528.00
Petty Cash	85,243,135.73	93,960,780.74
Security Deposit	16,370,802.38	12,526,804.36
Export rebates	11,523,570.20	19,865,767.18
Others	272,094,197.35	162,347,574.76
Total	3,233,020,118.16	1,645,276,455.04

(6) As at 31 December 2018, top five debtors of other receivables are as follows:

Debtors	Amount	Nature	Aging	Proportion of total other receivables (%)	Provision
First	1,667,483,759.60	New energy subsidy	Within four years	51.45	-
Second	538,567,705.00	New energy subsidy	Within four years	16.62	-
Third	414,492,285.00	New energy subsidy	Within three years	12.79	-
Fourth	124,312,677.94	Commission processing	Within one year	3.84	-
Fifth	107,479,260.00	New energy subsidy	Within one year	3.32	-
Total	2,852,335,687.54			88.02	-

As at 31 December 2017, top five debtors of other receivables are as follows:

Debtors	Amount	Nature	Aging	Proportion of total other receivables (%)	Provision
First	1,080,007,000.00	Energy-saving and new energy subsidy	Within three years	65.48	-
Second	230,157,128.00	New energy subsidy	Within three years	13.95	-
Third	40,784,896.53	Disposal of assets	two to three year	2.47	-
Fourth	25,358,400.00	New energy subsidy	one to two year	1.54	-
Fifth	21,053,000.00	New energy subsidy	Within one year	1.28	-
Total	1,397,360,424.53			84.72	-

(7) For the year ended 2018, there is no accounts receivable derecognized due to transfer of financial assets. (2017: Nil).

## 5. Inventories

(1) Classification of inventories

Item	2018			2017		
	Balance	Provision	Net value	Balance	Provision	Net value
Raw materials	2,029,706,541.33	181,897,353.27	1,847,809,188.06	461,911,233.10	33,713,007.05	428,198,226.05

Material in transit	318,420,244.84	-	318,420,244.84	511,912,371.36	-	511,912,371.36
Work in progress	1,413,892,484.38	35,473,526.73	1,378,418,957.65	633,181,546.29	32,329,369.55	600,852,176.74
Finish goods	1,292,509,122.51	76,519,657.33	1,215,989,465.18	3,154,147,791.47	103,902,330.06	3,050,245,461.41
Consigned processing material	110,310,364.86	-	110,310,364.86	26,530,300.45	-	26,530,300.45
Consumables	46,472,236.60	-	46,472,236.60	48,444,885.79	-	48,444,885.79
Total	5,211,310,994.52	293,890,537.33	4,917,420,457.19	4,836,128,128.46	169,944,706.66	4,666,183,421.80

## (2) Provision for inventories

2018

Type	Beginning balance	Additions		Deduction	Ending balance
		Provision	Other	Reversal Or Written off	
Raw materials	33,713,007.05	163,124,568.33	161,591,998.30	176,532,220.41	181,897,353.27
Work in progress	32,329,369.55	6,303,861.08	1,985,609.60	5,145,313.50	35,473,526.73
Finish goods	103,902,330.06	68,184,792.87	17,456,727.63	113,024,193.23	76,519,657.33
Total	169,944,706.66	237,613,222.28	181,034,335.53	294,701,727.14	293,890,537.33

2017

Type	Beginning balance	Provision	Deduction	Ending balance
			Reversal Or Written off	
Raw materials	57,482,949.30	17,808,606.07	41,578,548.32	33,713,007.05
Work in progress	53,155,331.21	7,166,686.01	27,992,647.67	32,329,369.55
Finish goods	91,631,171.89	76,579,038.73	64,307,880.56	103,902,330.06
Total	202,269,452.40	101,554,330.81	133,879,076.55	169,944,706.66

Note for the inventory

## (3) Note for inventory provision

The Group assesses whether the cost of inventory is higher than the net realizable value and makes provision of the difference. Net realizable value is the estimated by selling price in the ordinary course of business deduct estimated costs in further production to sell and estimated necessary distribution expense and tax expense. The reversal of inventory provisions is due to price rebound of previous impaired inventories by net realizable value test, while written off of inventory provisions are due to selling off of previous impaired inventories in current year. Other additions in the year were due to the acquisition of Changan Suzuki (Note 6) Changes in the scope of consolidation.

**6. Other current assets**

Item	2018	2017
Input VAT to be deducted	2,227,386,063.11	1,699,621,114.17
Others	179,290.12	6,289,416.26

Total	2,227,565,353.23	1,705,910,530.43
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## 7. Available-for-sale financial assets

Item	2018			2017		
	Book value	Provision	Net value	Book value	Provision	Net value
Available-for-sale equity instrument						
Measured at fair value	1,557,441,311.31	27,120,000.00	1,530,321,311.31	191,485,000.00	27,120,000.00	164,365,000.00
Measured at historical cost	429,361,274.00	1,809,274.00	427,552,000.00	379,361,274.00	1,809,274.00	377,552,000.00
Total	1,986,802,585.31	28,929,274.00	1,957,873,311.31	570,846,274.00	28,929,274.00	541,917,000.00

Available-for-sale financial assets measured at fair value:

As at 31 December 2018, the available-for-sale equity securities instrument measured at fair value is 35.50 million ordinary shares of Southwest Securities Co., Ltd. (31 December 2017: 35.50 million ordinary shares of Southwest Securities Co., Ltd.), and 23 million restricted shares of Contemporary Amperex Technology Co., Ltd. (31 December 2017: Nil).

Item	2018	2017
Cost of equity instrument	1,050,000,821.00	50,000,000.00
Fair value	1,530,321,311.31	164,365,000.00
Accumulated amount of change in fair value recorded in other comprehensive income	349,824,952.31	141,485,000.00
Provision	27,120,000.00	27,120,000.00



## 7. Available-for-sale financial assets (continued)

Available-for-sale financial assets measured at historical cost:

2018

Item	Book value				Provision				Shareholding Ratio (%)	Cash dividend in current year
	Beginning balance	Addition	Disposal	Ending balance	Beginning balance	Addition	Disposal	Ending balance		
China South Industry Group Finance Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-	-	-	3.83	48,909,006.75
Chongqing Ante trading Co., Ltd	3,000,000.00	-	-	3,000,000.00	-	-	-	-	10.00	-
Sichuan Glass Co., Ltd.	1,809,274.00	-	-	1,809,274.00	1,809,274.00	-	-	1,809,274.00	0.64	-
Zhong Fa Lian Investment Co., Ltd.	21,000,000.00	-	-	21,000,000.00	-	-	-	-	10.00	-
CAERI(Beijing) automobile Lightweight Technology Research Institution Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	-	6.89	-
Guoqi Automobile Power Cell Research Co., Ltd.	40,000,000.00	-	-	40,000,000.00	-	-	-	-	7.41	449,438.20
United Prosperity Investment (ShenZhen) Co., Ltd	30,552,000.00	-	-	30,552,000.00	-	-	-	-	5.00	-
Corun Hybrid Power Technology Co. Ltd	200,000,000.00	-	-	200,000,000.00	-	-	-	-	9.24	-
Guoqi (Beijing) Intelligent Network Association Automotive Research Institute Co., Ltd.	-	50,000,000.00	-	50,000,000.00	-	-	-	-	5.56	-
Total	379,361,274.00	50,000,000.00	-	429,361,274.00	1,809,274.00	-	-	1,809,274.00		49,358,444.95

2017

Item	Book value				Provision				Shareholding Ratio (%)	Cash dividend in current year
	Beginning balance	Addition	Disposal	Ending balance	Beginning balance	Addition	Disposal	Ending balance		
China South Industry Group Finance Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-	-	-	3.83	46,814,239.43
Chongqing Ante trading Co., Ltd	3,000,000.00	-	-	3,000,000.00	-	-	-	-	10.00	-
Sichuan Glass Co., Ltd.	1,809,274.00	-	-	1,809,274.00	-	1,809,274.00	-	1,809,274.00	0.64	-
Zhong Fa Lian Investment Co., Ltd.	21,000,000.00	-	-	21,000,000.00	-	-	-	-	10.00	-
CAERI(Beijing) automobile Lightweight Technology Research Institution Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	-	6.89	-
Guoqi Automobile Power Cell Research Co., Ltd.	40,000,000.00	-	-	40,000,000.00	-	-	-	-	7.41	-
United Prosperity Investment (ShenZhen) Co., Ltd	30,552,000.00	-	-	30,552,000.00	-	-	-	-	5.00	-
Corun Hybrid Power Technology Co. Ltd	-	200,000,000.00	-	200,000,000.00	-	-	-	-	9.24	-
Total	179,361,274.00	200,000,000.00	-	379,361,274.00	-	1,809,274.00	-	1,809,274.00	-	46,814,239.43

The impairment provision for available-for-sale financial assets is as follows:

2018

Provision for available-for-sale financial assets	Beginning balance	Addition	Disposal	Ending balance
Available-for-sale financial assets measured at fair value	27,120,000.00	-	-	27,120,000.00
Available-for-sale financial assets measured at historical cost	1,809,274.00	-	-	1,809,274.00
Total	28,929,274.00	-	-	28,929,274.00

2017

Provision for available-for-sale financial assets	Beginning balance	Addition	Disposal	Ending balance
Available-for-sale financial assets measured at fair value	27,120,000.00	-	-	27,120,000.00
Available-for-sale financial assets measured at historical cost	-	1,809,274.00	-	1,809,274.00
Total	27,120,000.00	1,809,274.00	-	28,929,274.00

## 8. Long-term equity investments

2018

Investee	Beginning balance	Addition	Investment income under equity method	Other comprehensive income	Other equity variation	Cash dividends declared	Other Deduction	Provision	Book value ending balance	Provision ending balance
<b>Joint Venture</b>										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,190,705,710.43	-	(595,756,652.13)	-	-	-	(594,949,058.30)	-	-	-
Jiangling Holding Co., Ltd.	2,907,749,943.37	-	(409,453,173.08)	(706,228.88)	(3,835,625.88)	-	-	-	2,493,754,915.53	-
Changan Ford Automobile Co., Ltd.	4,125,426,104.20	-	(415,641,597.09)	-	-	-	-	-	3,709,784,507.11	-
Changan Mazda Automobile Co., Ltd.	2,439,429,811.02	-	1,263,196,852.39	-	-	(1,230,000,000.00)	-	-	2,472,626,663.41	-
Changan Ford Mazda Engine Co., Ltd.	903,838,395.08	-	38,465,362.88	-	-	(114,500,000.00)	-	-	827,803,757.96	-
Changan PSA Automobiles Co., Ltd.	93,561,126.76	1,800,000,000.00	(437,042,058.02)	-	-	-	-	-	1,456,519,068.74	-
Changan Weilai New Energy Automobile Technology Co., Ltd.	-	49,000,000.00	(4,934,486.09)	-	-	-	-	-	44,065,513.91	-
<b>Subtotal</b>	11,660,711,090.86	1,849,000,000.00	(561,165,751.14)	(706,228.88)	(3,835,625.88)	(1,344,500,000.00)	(594,949,058.30)	-	11,004,554,426.66	-
<b>Associates</b>										
Chongqing Changan Kuayue Automobile Co., Ltd.	101,399,892.43	-	28,908,342.54	-	-	(13,720,000.00)	-	-	116,588,234.97	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd. (note1)	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an crescent taxi Co., Ltd. (note1)	-	-	-	-	-	-	-	-	-	-
Changan Automobile Financing Co., Ltd.	1,817,669,991.73	-	212,947,165.68	-	-	-	-	-	2,030,617,157.41	-
Zhenjiang Demao Hairun equity investment fund partnership (limited partnership)(note2)	518,742,921.95	-	(239,867.54)	77,231,613.62	-	-	(595,734,668.03)	-	-	-
Hainan Anxin Information Technology Co., Ltd.	-	6,000,000.00	(463,444.79)	-	-	-	-	-	5,536,555.21	-
Nanjing Chelai Travel Technology Co., Ltd.	-	2,000,000.00	(186,383.86)	-	-	-	-	-	1,813,616.14	-
Hunan Guoxin Semiconductor Technology Co., Ltd.	-	25,000,000.00	-	-	-	-	-	-	25,000,000.00	-
Beijing Wutong Chelian Technology Co., Ltd.	-	98,000,000.00	(12,143,147.43)	-	-	-	-	-	85,856,852.57	-
Anhe (Chongqing) Equity Investment Fund Management Co., Ltd.	-	2,500,000.00	-	-	-	-	-	-	2,500,000.00	-
Hangzhou Chelizi Intelligent Technology Co., Ltd.	-	2,243,750.00	459,525.87	-	-	-	-	-	2,703,275.87	-
<b>Subtotal</b>	2,437,812,806.11	135,743,750.00	229,282,190.47	77,231,613.62	-	(13,720,000.00)	(595,734,668.03)	-	2,270,615,692.17	-
<b>Total</b>	14,098,523,896.97	1,984,743,750.00	(331,883,560.67)	76,525,384.74	(3,835,625.88)	(1,358,220,000.00)	(1,190,683,726.33)	-	13,275,170,118.83	-

## 8. Long-term equity investments(continued)

Note1: As at 31 December 2018, the Group is not responsible for extra loss from Chongqing Changan Kuayue Automobile Sales Co., Ltd. and Beijing Fang'an crescent taxi Co., Ltd. Therefore, when excess losses of these two associates occurred, the Group just reduced its correspondent long-term equity investment to zero, and did not recognize contingent liabilities accordingly.

Note2: In 2018, Chongqing Changan Suzuki Automobile Co., Ltd. and Zhenjiang Demao Hairun Equity Investment Fund Partnership (Limited Partnership) were changed to be subsidiaries of the Company. For details, please refer to Note VI. Changes in Consolidation Scope.

2017

Investee	Beginning balance	Addition	Deduction	Investment income under equity method	Other comprehensive income	Other equity variation	Cash dividends declared	Provision	Book value ending balance	Provision ending balance
<b>Joint Venture</b>										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,230,836,876.85	-	-	(42,413,558.40)	-	2,282,391.98	-	-	1,190,705,710.43	-
Jiangling Holding Co., Ltd.	2,991,207,303.06	-	-	(86,461,777.56)	(248,641.80)	3,253,059.67	-	-	2,907,749,943.37	-
Changan Ford Automobile Co., Ltd.	5,663,808,819.68	-	-	6,039,117,284.52	-	-	(7,577,500,000.00)	-	4,125,426,104.20	-
Changan Mazda Automobile Co., Ltd.	2,146,340,500.42	-	-	1,268,089,310.60	-	-	(975,000,000.00)	-	2,439,429,811.02	-
Changan Ford Mazda Engine Co., Ltd.	908,715,700.67	-	-	119,122,694.41	-	-	(124,000,000.00)	-	903,838,395.08	-
Changan PSA Automobiles Co., Ltd.	647,839,655.26	-	-	(554,278,528.50)	-	-	-	-	93,561,126.76	-
<b>Subtotal</b>	<b>13,588,748,855.94</b>	<b>-</b>	<b>-</b>	<b>6,743,175,425.07</b>	<b>(248,641.80)</b>	<b>5,535,451.65</b>	<b>(8,676,500,000.00)</b>	<b>-</b>	<b>11,660,711,090.86</b>	<b>-</b>
<b>Associates</b>										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd. (note1)	7,556,448.42	-	(6,005,819.20)	(1,550,629.22)	-	-	-	-	-	-
Chongqing Changan Kuayue Automobile Co., Ltd.	83,406,464.16	-	-	17,993,428.27	-	-	-	-	101,399,892.43	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd. (note2)	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an crescent taxi Co., Ltd. (note2)	-	-	-	-	-	-	-	-	-	-
Changan Automobile Financing Co.,Ltd	1,063,655,241.51	650,000,000.00	-	95,278,795.38	-	8,735,954.84	-	-	1,817,669,991.73	-
Zhenjiang Demao Hairun equity investment fund partnership (limited partnership)	-	518,743,029.48	-	(107.53)	-	-	-	-	518,742,921.95	-
<b>Subtotal</b>	<b>1,154,618,154.09</b>	<b>1,168,743,029.48</b>	<b>(6,005,819.20)</b>	<b>111,721,486.90</b>	<b>-</b>	<b>8,735,954.84</b>	<b>-</b>	<b>-</b>	<b>2,437,812,806.11</b>	<b>-</b>
<b>Total</b>	<b>14,743,367,010.03</b>	<b>1,168,743,029.48</b>	<b>(6,005,819.20)</b>	<b>6,854,896,911.97</b>	<b>(248,641.80)</b>	<b>14,271,406.49</b>	<b>(8,676,500,000.00)</b>	<b>-</b>	<b>14,098,523,896.97</b>	<b>-</b>

## 9. Investment property

Cost Model

2017

Item	Buildings	
	2018	2017
Original cost		
Beginning and Ending	10,050,100.00	10,050,100.00
Accumulated depreciation and amortization		
Beginning	2,493,827.16	2,267,115.60
Accrual	226,711.56	226,711.56
Ending	2,720,538.72	2,493,827.16
Impairment Provision		
Beginning and Ending	-	-
Carrying amount		
Ending	7,329,561.28	7,556,272.84
Beginning	7,556,272.84	7,782,984.40

The investment property is rented to third parties in the form of operating lease.

As at 31 December 2018, there is no investment property without property certificate (As at 31 December 2017: Nil).

## 10. Fixed assets

	2018	2017
Fixed assets	22,161,054,058.31	19,044,528,950.70
fixed assets disposal	-	4,716.98
Total	22,161,054,058.31	19,044,533,667.68

### (1) Details of fixed assets

2018

Item	Buildings	Machinery	Vehicles	Other Equipments	Total
Original cost					
Beginning	7,588,350,429.43	17,780,317,915.84	758,168,041.39	4,965,243,303.05	31,092,079,689.71
Purchase	23,926,779.57	23,571,882.60	3,099,101.17	26,846,795.56	77,444,558.90
Transfer from Construction in progress	1,327,900,008.98	756,278,671.99	432,279,275.46	1,379,046,064.13	3,895,504,020.56
Other addition	954,716,283.23	3,602,516,085.77	24,428,654.75	1,329,694,549.68	5,911,355,573.43
Disposal	5,313,985.87	235,304,285.38	4,751,373.21	56,765,383.96	302,135,028.42
Ending	9,889,579,515.34	21,927,380,270.82	1,213,223,699.56	7,644,065,328.46	40,674,248,814.18
Accumulated depreciation					

Beginning	1,585,639,930.24	7,183,157,682.85	207,356,765.94	2,190,616,451.00	11,166,770,830.03
Accrual	293,956,868.75	1,410,740,403.02	181,011,982.63	448,572,044.96	2,334,281,299.36
Other addition	269,696,084.63	2,650,379,521.25	20,023,995.95	1,165,493,091.83	4,105,592,693.66
Disposal	2,086,226.30	218,149,664.89	2,872,163.13	30,936,659.24	254,044,713.56
Ending	2,147,206,657.32	11,026,127,942.23	405,520,581.39	3,773,744,928.55	17,352,600,109.49
Impairment provision					
Beginning	83,371,676.72	673,609,726.30	223,852.23	123,574,653.73	880,779,908.98
Accrual	400,000.00	87,862,065.28	36,048,119.83	17,301,545.17	141,611,730.28
Other addition	708,576.48	149,779,328.80	-	6,351,188.48	156,839,093.76
Disposal	2,028,003.69	15,333,552.42	-	1,274,530.53	18,636,086.64
Ending	82,452,249.51	895,917,567.96	36,271,972.06	145,952,856.85	1,160,594,646.38
Carrying amount					
Ending	7,659,920,608.51	10,005,334,760.63	771,431,146.11	3,724,367,543.06	22,161,054,058.31
Beginning	5,919,338,822.47	9,923,550,506.69	550,587,423.22	2,651,052,198.32	19,044,528,950.70

2017

Item	Buildings	Machinery	Vehicles	Other Equipments	Total
Original cost					
Beginning	6,585,025,213.48	14,656,950,077.02	635,870,396.01	4,254,426,806.07	26,132,272,492.58
Purchase	93,109,589.36	229,213,269.80	18,636,091.12	53,700,062.46	394,659,012.74
Transfer from Construction in progress	914,913,063.52	3,335,754,582.56	112,909,603.35	876,084,376.68	5,239,661,626.11
Disposal	4,697,436.93	441,600,013.54	9,248,049.09	218,967,942.16	674,513,441.72
Ending	7,588,350,429.43	17,780,317,915.84	758,168,041.39	4,965,243,303.05	31,092,079,689.71
Accumulated depreciation					
Beginning	1,333,083,905.82	6,198,699,998.91	93,947,322.89	2,017,878,519.69	9,643,609,747.31
Accrual	254,351,666.72	1,209,909,941.02	120,844,400.33	329,677,458.08	1,914,783,466.15
Disposal	1,795,642.30	225,452,257.08	7,434,957.28	156,939,526.77	391,622,383.43
Ending	1,585,639,930.24	7,183,157,682.85	207,356,765.94	2,190,616,451.00	11,166,770,830.03
Impairment provision					
Beginning	84,183,751.00	793,157,069.89	268,506.89	130,568,903.50	1,008,178,231.28
Accrual	-	64,328,680.40	-	15,651,081.91	79,979,762.31
Disposal	812,074.28	183,876,023.99	44,654.66	22,645,331.68	207,378,084.61
Ending	83,371,676.72	673,609,726.30	223,852.23	123,574,653.73	880,779,908.98
Carrying amount					
Ending	5,919,338,822.47	9,923,550,506.69	550,587,423.22	2,651,052,198.32	19,044,528,950.70
Beginning	5,167,757,556.66	7,665,093,008.22	541,654,566.23	2,105,979,382.88	15,480,484,513.99

(2) Fixed assets that are temporarily unused

2018

Item	Original cost	Accumulated depreciation	Impairment provision	Carrying amount
Buildings	224,485,202.11	125,177,360.10	77,423,503.00	21,884,339.01
Machinery	1,976,159,790.51	1,347,119,942.38	615,716,084.44	13,323,763.69
Vehicles	1,879,595.78	1,578,167.36	275,067.08	26,361.34

Other Equipments	434,967,988.89	312,070,125.63	119,315,817.56	3,582,045.70
Total	2,637,492,577.29	1,785,945,595.47	812,730,472.08	38,816,509.74

2017

Item	Original cost	Accumulated depreciation	Impairment provision	Carrying amount
Buildings	150,631,017.32	76,892,209.89	52,199,841.54	21,538,965.89
Machinery	1,826,830,449.60	1,259,936,903.19	555,048,275.37	11,845,271.04
Vehicles	110,256.41	32,307.39	77,949.02	-
Other Equipments	155,250,949.58	100,552,513.98	54,387,445.40	310,990.20
Total	2,132,822,672.91	1,437,413,934.45	661,713,511.33	33,695,227.13

(3) The book value of fixed assets which are rented out under operating leases is as follow:

Item	2018	2017
Machinery	1,908,531.51	10,288,642.35

(4) Fixed assets without property certificate as at 31 December 2018 are as follow:

Item	Carrying amount	Reason for incomplete certificate of title
Painting plant	419,331,763.92	In process
Assemble plant	322,045,403.28	In process
Welding workshop	225,139,093.22	In process
Yu Zui Auto City	181,989,820.09	In process
H plant Phase IV	152,185,927.80	In process
Stamping Workshop	113,216,645.84	In process
Other facilities	70,383,604.89	In process
S Engine plant	63,312,939.19	In process
Second foundry plant	45,000,481.79	In process
Other plant	39,454,029.99	In process
EA Casting workshop Phase I	36,396,378.71	In process
Second plant and public building	35,794,778.68	In process
Office building	10,512,738.16	In process
Engine workshop	9,603,986.86	In process
Staff cafeteria	8,139,861.57	In process
Technology center workshop	7,047,659.65	In process
Buildings in testing projects of Dianjiang	4,795,691.00	In process

## 11. Construction in progress

### (1) Details of construction in progress

Item	2018			2017		
	Balance	Provision	Carrying amount	Balance	Provision	Carrying amount
Mini-bus production equipment	815,889,070.57	-	815,889,070.57	997,340,616.73	-	997,340,616.73
Yuzui motor city project	51,962,876.25	-	51,962,876.25	247,220,662.88	-	247,220,662.88
Car production equipment	181,137,313.03	-	181,137,313.03	165,767,240.81	-	165,767,240.81
Engine plant	1,458,726,257.58	-	1,458,726,257.58	341,191,269.61	-	341,191,269.61
Vehicle research institution	854,570,879.08	-	854,570,879.08	401,869,572.35	-	401,869,572.35
Vehicle moulds	420,284,566.37	-	420,284,566.37	365,419,879.40	-	365,419,879.40
Light vehicle technical transformation project of Baoding Changan bus	83,207,252.58	-	83,207,252.58	28,393,497.74	-	28,393,497.74
Plant for vehicle test project	6,643,182.68	-	6,643,182.68	6,052,888.00	-	6,052,888.00
Beijing vehicle construction project	98,585,664.59	-	98,585,664.59	163,600,842.58	-	163,600,842.58
Engine Base of Nanjing	499,150.94	-	499,150.94	3,201,929.85	-	3,201,929.85
Yuzui Refitting factory	12,276,085.40	-	12,276,085.40	30,880,135.49	-	30,880,135.49
Car production Project Of Hefei Changan	872,832,482.14	-	872,832,482.14	156,409,567.96	-	156,409,567.96
Others	576,544,644.42	49,315,394.88	527,229,249.54	326,825,052.12	-	326,825,052.12
Total	5,433,159,425.63	49,315,394.88	5,383,844,030.75	3,234,173,155.52	-	3,234,173,155.52



## (2) Significant movements of construction in progress in 2018

Project	Budget (RMB0,000)	Beginning balance	Addition	Transfer to fixed assets	The project investments' proportion of budget	Progress of construction	Source of funds	Ending balance
Mini-bus production equipment	523,977.00	997,340,616.73	822,003,529.66	1,003,455,075.82	67%	67%	Raised	815,889,070.57
Yuzui motor city project	564,027.00	247,220,662.88	284,256,842.83	479,514,629.46	78%	78%	Raised	51,962,876.25
Car production equipment	735,202.00	165,767,240.81	525,824,999.59	510,454,927.37	28%	28%	Raised	181,137,313.03
Engine plant	827,789.00	341,191,269.61	1,350,482,008.58	232,947,020.61	92%	92%	Raised	1,458,726,257.58
Vehicle research institution	226,830.00	401,869,572.35	637,783,509.21	185,082,202.48	86%	86%	raised	854,570,879.08
Vehicle moulds	225,550.00	365,419,879.40	365,375,476.56	310,510,789.59	92%	92%	raised	420,284,566.37
Light vehicle technical transformation project of Baoding Changan Bus	92,867.00	28,393,497.74	99,638,888.18	44,825,133.34	57%	57%	raised	83,207,252.58
Plant for vehicle test project	157,122.00	6,052,888.00	738,615.94	148,321.26	85%	85%	raised	6,643,182.68
Beijing vehicle construction project	513,262.53	163,600,842.58	177,445,536.24	242,460,714.23	72%	72%	raised	98,585,664.59
Engine Base of Nanjing	19,699.00	3,201,929.85	29,209.40	2,731,988.31	37%	37%	raised	499,150.94
Yuzui Refitting factory	29,977.00	30,880,135.49	649,930.99	19,253,981.08	27%	27%	raised	12,276,085.40
Car production project of Hefei Changan	412,108.00	156,409,567.96	920,575,058.27	204,152,144.09	48%	48%	raised	872,832,482.14
Changan Suzuki Factory Reconstruction Project		-	31,744,997.89	-	-	-	raised	31,744,997.89
Others		326,825,052.12	828,626,292.45	659,967,092.92	-	-	raised	495,484,251.65
Total		3,234,173,155.52	6,045,174,895.79	3,895,504,020.56				5,383,844,030.75

Note: The original value of construction in progress increased by RMB81,060,392.77 was due to the acquisition of Changan Suzuki this year, and the impairment provision for construction in progress increased by RMB49,315,394.88 (Note VI, changes in scope of consolidation).

## (2) Significant movements of construction in progress in 2017:

Project	Budget (RMB0,000)	Beginning balance	Addition	Transfer to fixed assets	The project investments' proportion of budget	Progress of construction	Source of funds	Ending balance
Mini-bus production equipment	469,453.00	332,011,471.05	904,259,078.63	238,929,932.95	58%	58%	Raised	997,340,616.73
Yuzui motor city project	550,852.00	1,670,075,876.73	921,385,775.94	2,344,240,989.79	75%	75%	Raised and issued	247,220,662.88
Car production equipment	720,457.00	68,289,153.08	557,341,566.08	459,863,478.35	21%	21%	Raised	165,767,240.81
Engine plant	819,089.00	749,552,604.51	694,207,595.61	1,102,568,930.51	77%	77%	Raised and issued	341,191,269.61
Vehicle research institution	213,052.00	119,918,357.19	353,047,362.80	71,096,147.64	62%	62%	Raised	401,869,572.35
Vehicle moulds	180,742.00	446,423,242.75	196,116,894.76	277,120,258.11	95%	95%	Raised	365,419,879.40
Plant for vehicle test project	157,122.00	16,109,878.08	22,263,068.71	32,320,058.79	85%	85%	Raised	6,052,888.00
Yubei Factory	56,223.00	107,961,718.09	47,568,382.24	155,384,927.15	28%	28%	Raised	145,173.18
Beijing vehicle construction project	524,466.53	47,364,971.59	213,262,827.72	97,026,956.73	67%	67%	Raised	163,600,842.58
Light vehicle technical transformation project of Baoding Changan Bus	80,403.00	39,361,192.09	55,351,921.20	66,319,615.55	54%	54%	Raised	28,393,497.74
Engine Base of Nanjing	19,699.00	809,483.55	4,100,655.47	1,708,209.17	37%	37%	Raised	3,201,929.85
Yuzui Refitting factory	29,977.00	29,200,422.80	5,775,934.52	4,096,221.83	27%	27%	Raised	30,880,135.49
Car production project of Hefei Changan	389,601.00	2,414,375.90	164,546,124.65	10,550,932.59	27%	27%	Raised	156,409,567.96
Others		192,211,083.37	512,903,762.52	378,434,966.95				326,679,878.94
Total		3,821,703,830.78	4,652,130,950.85	5,239,661,626.11				3,234,173,155.52

## 12. Intangible assets

Details of intangible assets

2018

Item	Land use rights	Software use rights	Trademark use rights	Non-patent technology	Total
Original cost					
Beginning	2,384,260,724.00	440,803,454.31	211,784,400.00	4,120,145,819.00	7,156,994,397.31
Purchase	-	123,109,392.52	-	-	123,109,392.52
Internal research and development	-	-	-	1,297,212,770.58	1,297,212,770.58
Other additions	368,821,666.28	68,505,763.43	-	211,578,548.29	648,905,978.00
Ending	2,753,082,390.28	632,418,610.26	211,784,400.00	5,628,937,137.87	9,226,222,538.41
Accumulated amortization					
Beginning	280,991,802.54	396,959,100.18	153,453,466.62	2,054,012,177.29	2,885,416,546.63
Accrual	49,968,327.29	56,772,368.14	17,500,000.00	641,523,542.56	765,764,237.99
Other additions	72,494,154.20	56,771,593.55	-	198,187,446.75	327,453,194.50
Ending	403,454,284.03	510,503,061.87	170,953,466.62	2,893,723,166.60	3,978,633,979.12
Impairment provision					
Beginning	-	21,319,804.81	-	202,312,916.20	223,632,721.01
Accrual	-	-	-	3,414,167.12	3,414,167.12
Other additions	2,298,118.36	-	-	-	2,298,118.36
Ending	2,298,118.36	21,319,804.81	-	205,727,083.32	229,345,006.49
Carrying amount					
Ending	2,347,329,987.89	100,595,743.58	40,830,933.38	2,529,486,887.95	5,018,243,552.80
Beginning	2,103,268,921.46	22,524,549.32	58,330,933.38	1,863,820,725.51	4,047,945,129.67

2017

Item	Land use rights	Software use rights	Trademark use rights	Non-patent technology	Total
Original cost					
Beginning	2,355,850,569.93	400,653,507.92	211,784,400.00	2,857,526,071.81	5,825,814,549.66
Purchase	28,410,154.07	40,149,946.39	-	838,679.23	69,398,779.69
Internal research and development	-	-	-	1,261,781,067.96	1,261,781,067.96
Ending	2,384,260,724.00	440,803,454.31	211,784,400.00	4,120,145,819.00	7,156,994,397.31
Accumulated amortization					
Beginning	232,965,494.61	364,220,086.22	135,950,586.62	1,504,959,094.21	2,238,095,261.66
Accrual	48,026,307.93	32,739,013.96	17,502,880.00	549,053,083.08	647,321,284.97
Ending	280,991,802.54	396,959,100.18	153,453,466.62	2,054,012,177.29	2,885,416,546.63
Impairment provision					
Beginning	-	21,319,804.81	-	121,448,808.16	142,768,612.97

Accrual	-	-	-	80,864,108.04	80,864,108.04
Ending	-	21,319,804.81	-	202,312,916.20	223,632,721.01
Carrying amount					
Ending	2,103,268,921.46	22,524,549.32	58,330,933.38	1,863,820,725.51	4,047,945,129.67
Beginning	2,122,885,075.32	15,113,616.89	75,833,813.38	1,231,118,169.44	3,444,950,675.03

Other additions were due to the acquisition of Changan Suzuki this year (Note 6, Changes in the scope of consolidation).

As at 31 December 2018, the intangible assets from internal research and development account for 50.41% of total intangible assets (as at 31 December 2017: 46.04%).

As at 31 December 2018, there is no land use right with no certificate (As at 31 December 2016: Nil).

### 13. Development expenditure

2018

Item	Beginning balance	Addition	Deduction		Ending balance
		Internal research and development	Recognized as intangible assets	Charged to income Statement of the current year	
Automobile Development	836,638,328.10	1,279,944,707.42	1,297,212,770.58	29,772,649.34	789,597,615.60

2017

Item	Beginning balance	Addition	Deduction		Ending balance
		Internal research and development	Recognized as intangible assets	Charged to income Statement of the current year	
Automobile Development	1,111,176,453.49	1,014,802,796.47	1,261,781,067.96	27,559,853.90	836,638,328.10

### 14. Goodwill

2018 and 2017

Investee	Beginning balance	Addition	Deduction	Ending balance
		Business combination under common control	Disposal	
Hebei Changan Automobile Co., Ltd.	9,804,394.00	-	-	9,804,394.00
Nanjing Changan Automobile Co., Ltd.	-	-	-	-
Total	9,804,394.00	-	-	9,804,394.00

Movement of provision for goodwill is as follow:

2018 and 2017

Investee	Beginning	Addition	Deduction	Ending balance
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	balance	Accrual	Disposal	
Nanjing Changan Automobile Co., Ltd.	73,465,335.00	-	-	73,465,335.00

Due to the accumulated losses of Nanjing Changan Automobile Co., Ltd., provision for related goodwill has been fully accrued amounted to RMB73,465,335.00.

## 15. Long-term deferred expenses

2018

Item	Beginning balance	Addition	Amortization	Ending balance
Long-term deferred expenses	13,545,589.39	7,475,597.77	3,916,585.49	17,104,601.67

During the year, the long-term deferred expenses increased by RMB 4,118,573.15 due to the acquisition of Changan Suzuki. (Note 6, Changes in the scope of consolidation)

2017

Item	Beginning balance	Addition	Amortization	Ending balance
Long-term deferred expenses	13,448,409.63	662,532.39	565,352.63	13,545,589.39

## 16. Deferred tax assets and liabilities

Item	2018		2017	
Deferred tax assets:	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets provision	1,192,875,928.31	178,931,389.28	1,125,450,484.06	168,817,572.61
Accrued expenses and contingent liabilities	5,755,288,762.17	863,293,314.33	5,127,444,400.38	769,116,660.06
Unpaid tech development expense and advertisement expense	477,578,425.86	71,636,763.88	519,329,094.71	77,899,364.21
Deferred income	3,116,680,509.64	467,502,076.45	3,195,940,607.31	479,391,091.10
Unpaid salary and bonus and others	494,605,966.69	74,190,894.95	257,554,155.44	38,633,123.29
Total	11,037,029,592.67	1,655,554,438.89	10,225,718,741.90	1,533,857,811.27

Item	2018		2017	
Deferred tax liabilities:	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Available-for-sale financial assets on the changes in fair value recorded in capital	507,440,490.31	76,116,073.54	141,485,000.00	21,222,750.00

reserve				
Fair value adjustment of business combination not under common control	394,100,647.03	59,115,097.05	-	-
Total	901,541,137.34	135,231,170.59	141,485,000.00	21,222,750.00

Unrecognized deductible temporary differences and tax losses of unrecognized are as follows:

Item	2018	2017
The deductible temporary difference	2,438,545,953.61	908,825,383.95
The deductible tax loss	4,871,204,656.42	2,128,637,423.38
Total	7,309,750,610.03	3,037,462,807.33

Note: Due to the uncertainty of whether there will be enough taxable profit in future to utilize the above deductible loss, no deferred tax assets have been recognized accordingly.

Maturity period for unrecognized deductible tax losses:

Year	2018	2017
2018	-	149,359,690.13
2019	659,281,850.63	699,253,694.79
2020	348,563,349.93	292,774,189.16
2021	103,219,695.88	104,062,642.15
2022	898,588,459.22	883,187,207.15
2023	2,861,551,300.76	-
Total	4,871,204,656.42	2,128,637,423.38

## 17. Provision for the impairment of assets

2018

Item	Beginning	Addition		Deduction		Ending
		provision	Other addition	Reversal	Write-off	
I. Bad debt provision	40,187,117.99	14,066,610.17	46,356,721.00	2,008,705.39	139,260.29	98,462,483.48
II. Provision for inventory	169,944,706.66	237,613,222.28	181,034,335.53	156,142,459.77	138,559,267.37	293,890,537.33
III. Provision for fixed assets	880,779,908.98	141,611,730.28	156,839,093.76	-	18,636,086.64	1,160,594,646.38
IV. Provision for construction in progress	-	-	49,315,394.88	-	-	49,315,394.88
V. Provision for intangible assets	223,632,721.01	3,414,167.12	2,298,118.36	-	-	229,345,006.49
VI. Provision for goodwill	73,465,335.00	-	-	-	-	73,465,335.00
VII. Provision for available-for-sale financial assets	28,929,274.00	-	-	-	-	28,929,274.00
Total	1,416,939,063.64	396,705,729.85	435,843,663.53	158,151,165.16	157,334,614.30	1,934,002,677.56

Note: Accrued provision for inventory is mainly due to the cost of some types of vehicles and engines is lower than the net realizable value.

Accrued provision for fixed assets is mainly due to the abandoned factory and impairment of machinery and moulds for the discontinued productions this year.

Accrued provision for intangible assets is mainly due to the impairment of the non-patent technology for the discontinued productions.

Accrued provision for available-for-sales assets is due to the impairment of the Sichuan Glass Co., Ltd., which went bankrupt.

Other increases were due to the acquisition of Changan Suzuki this year (Note 6, Changes in the scope of consolidation).

2017

Item	Beginning	Addition	Deduction		Ending
			Reversal	Write-off	
I. Bad debt provision	35,066,408.55	9,819,230.33	4,168,398.28	530,122.61	40,187,117.99
II. Provision for inventory	202,269,452.40	101,554,330.81	18,341,152.61	115,537,923.94	169,944,706.66
III. Provision for fixed assets	1,008,178,231.28	79,979,762.31	-	207,378,084.61	880,779,908.98
IV. Provision for intangible assets	142,768,612.97	80,864,108.04	-	-	223,632,721.01
V. Provision for goodwill	73,465,335.00	-	-	-	73,465,335.00
VI. Provision for available-for-sale financial assets	27,120,000.00	1,809,274.00	-	-	28,929,274.00
Total	1,488,868,040.20	274,026,705.49	22,509,550.89	323,446,131.16	1,416,939,063.64

## 18. Short-term loans

Classification of short-term loans:

Item	2018	2017
Mortgage loans	40,000,000.00	175,000,000.00
guaranteed loan	-	10,000,000.00
Credit loans	150,000,000.00	-
Total	190,000,000.00	185,000,000.00

As at 31 December 2018, the interest rates of the above loans were 4.35%-5.20% (as at 31 December 2017: 4.35%-5.22%).

As at 31 December 2018, there is no overdue short-term loan (as at 31 December 2017: Nil).

For the year ended 31 December 2018, the Group obtained short-term loan of RMB40,000,000.00 from China South Industry Group Finance Co., Ltd. The credit was secured by the land use rights amounted to RMB18,499,267.20.

For the year ended 31 December 2017, the Group obtained short-term loan of RMB175,000,000.00 from China South Industry Group Finance Co., Ltd. The credit was secured by the land use rights amounted to RMB45,862,242.27.

## 19. Notes payable and Accounts payable

	2018	2017
Notes payable	14,807,862,262.39	18,002,926,579.81
Accounts payable	13,916,201,276.95	21,902,826,194.15
Total	28,724,063,539.34	39,905,752,773.96

Notes payable

Item	2018	2017
Commercial acceptance bill	2,946,482,019.96	1,585,249,372.80
Bank acceptance bill	11,861,380,242.43	16,417,677,207.01
Total	14,807,862,262.39	18,002,926,579.81

As at 31 December 2018, there is no overdue unpaid notes payable (as at 31 December 2017: Nil)

#### Accounts payable

As at 31 December 2018, there is no significant accounts payable aged over one year (as at 31 December 2017: Nil).

## 20. Advances from customers

### (1) Advances from customers

Item	2018	2017
Advances from customers	1,556,482,278.92	3,878,382,556.43

(2) As at 31 December 2018, advances from customers of RMB216,726,918.21 aged over one year is mainly credit guarantee charged to dealers (as at 31 December 2017: RMB182,862,326.57).

## 21. Payroll payable

### 2018

Item	Beginning	Addition	Deduction	Ending
Short term salary benefits	1,567,656,287.03	5,281,251,280.32	5,577,445,725.00	1,271,461,842.35
Defined contribution plans	68,156,035.30	566,571,969.66	550,317,569.75	84,410,435.21
Early retirement benefits	5,073,000.00	10,387,769.63	8,337,769.63	7,123,000.00
Total	1,640,885,322.33	5,858,211,019.61	6,136,101,064.38	1,362,995,277.56

### 2017

Item	Beginning	Addition	Deduction	Ending
Short term salary benefits	1,778,345,189.08	5,013,582,936.94	5,224,271,838.99	1,567,656,287.03
Defined contribution plans	59,207,286.15	515,800,516.74	506,851,767.59	68,156,035.30
Early retirement benefits	2,395,000.00	5,609,000.00	2,931,000.00	5,073,000.00
Total	1,839,947,475.23	5,534,992,453.68	5,734,054,606.58	1,640,885,322.33

#### Short term salary benefits:

### 2018

Item	Beginning	Addition	Deduction	Ending
Salary, bonus,	1,207,501,206.86	4,488,234,330.21	4,618,287,959.38	1,077,447,577.69



allowance and subsidy				
Employee benefit	207,402,348.95	88,951,550.95	250,742,309.29	45,611,590.61
Social insurance	(174,158.92)	307,202,837.90	303,649,309.32	3,379,369.66
Medical insurance	559,230.30	272,234,008.27	272,260,383.69	532,854.88
Industrial injury insurance	(3,096,589.29)	32,563,345.54	28,029,010.20	1,437,746.05
Maternity insurance	2,363,200.07	2,405,484.09	3,359,915.43	1,408,768.73
Housing accumulation fund	59,222,161.27	258,334,142.47	308,133,626.16	9,422,677.58
Labor fund and employee education fund	93,704,728.87	138,528,418.79	96,632,520.85	135,600,626.81
Total	1,567,656,287.03	5,281,251,280.32	5,577,445,725.00	1,271,461,842.35

2017

Item	Beginning	Addition	Deduction	Ending
Salary, bonus, allowance and subsidy	1,422,437,552.40	4,027,904,589.37	4,242,840,934.91	1,207,501,206.86
Employee benefit	199,134,921.94	324,516,943.52	316,249,516.51	207,402,348.95
Social insurance	911,790.47	272,656,058.22	273,742,007.61	(174,158.92)
Medical insurance	80,386.21	234,753,565.07	234,274,720.98	559,230.30
Industrial injury insurance	(514,009.35)	25,238,863.73	27,821,443.67	(3,096,589.29)
Maternity insurance	1,345,413.61	12,663,629.42	11,645,842.96	2,363,200.07
Housing accumulation fund	82,224,632.32	272,664,886.79	295,667,357.84	59,222,161.27
Labor fund and employee education fund	73,636,291.95	115,840,459.04	95,772,022.12	93,704,728.87
Total	1,778,345,189.08	5,013,582,936.94	5,224,271,838.99	1,567,656,287.03

## 21. Payroll payable (continued)

Defined contribution plans:

2018

Item	Beginning	Addition	Deduction	Ending
Basic retirement security	60,088,662.53	551,646,640.84	535,218,133.47	76,517,169.90
Unemployment insurance	8,067,372.77	14,925,328.82	15,099,436.28	7,893,265.31
Total	68,156,035.30	566,571,969.66	550,317,569.75	84,410,435.21

2017

Item	Beginning	Addition	Deduction	Ending
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Basic retirement security	51,342,643.25	501,577,268.72	492,831,249.44	60,088,662.53
Unemployment insurance	7,864,642.90	14,223,248.02	14,020,518.15	8,067,372.77
<b>Total</b>	<b>59,207,286.15</b>	<b>515,800,516.74</b>	<b>506,851,767.59</b>	<b>68,156,035.30</b>

The salary, bonus, allowance and subsidy, employee benefits and other social insurances mentioned above are paid in time according to related laws and regulations and sets of the Group.

## 22. Taxes payable

Item	2018	2017
Value-added tax	9,641,450.47	20,724,979.91
Consumption tax	658,869,177.63	315,331,520.62
Corporate income tax	(19,968,952.37)	(5,866,525.85)
Individual Income tax	655,007.28	3,496,728.45
City maintenance and construction tax and Education surcharge	9,333,772.54	48,364,770.61
Others	10,786,031.70	12,269,923.40
<b>Total</b>	<b>669,316,487.25</b>	<b>394,321,397.14</b>

## 23. Other payables

	2018	2017
Dividend payable	79,742.80	79,742.80
Other payables	3,079,669,273.01	2,599,013,410.98
<b>合计</b>	<b>3,079,749,015.81</b>	<b>2,599,093,153.78</b>

### Dividend payable

Item	2018	2017
Dividend payable – Hebei Changan minority interests	79,742.80	79,742.80

### Other payables

Item	2018	2017
Deposits of dealer and supplier	133,434,563.54	64,938,552.00
Maintenance fees	205,714,188.51	166,703,421.92
Advertisement fees	750,771,372.18	345,922,021.86
Warehousing and transport fees	123,222,758.15	169,100,711.73
Integrated service charges and miscellaneous expenses	110,960,485.47	140,284,047.51
Project funds	1,271,262,272.32	1,499,489,207.73
Others	484,303,632.84	212,575,448.23
<b>Total</b>	<b>3,079,669,273.01</b>	<b>2,599,013,410.98</b>

**24. Contingent liabilities**

2018

Item	Beginning	Addition	Deduction	Ending
Warranty	2,423,958,274.70	712,598,648.92	525,776,105.50	2,610,780,818.12
Supplier compensation	-	634,541,926.00	-	634,541,926.00
Total	2,423,958,274.70	1,347,140,574.92	525,776,105.50	3,245,322,744.12

2017

Item	Beginning	Addition	Deduction	Ending
Warranty	2,010,153,951.87	941,896,851.28	528,092,528.45	2,423,958,274.70

Note: Warranty is the estimated repair expenses for the sold vehicles within warranty period.

**25. Other current liabilities**

Item	2018	2017
Accrued utilities	36,910,207.22	59,634,137.49
Accrued transportation fee	537,462,389.91	540,328,536.56
Accrued labor service fee	37,723,105.48	55,133,842.44
Accrued technology royalty	128,055,835.93	164,331,878.15
Accrued commercial discount payable	2,883,344,577.38	1,928,754,888.23
Accrued market development expense	443,397,362.38	578,090,324.55
Accrued lease fee	98,306,892.29	96,417,863.95
Accrued consulting fee	43,982,256.70	45,510,193.20
Others	116,258,525.32	93,952,981.25
Total	4,325,441,152.61	3,562,154,645.82

**26. Current portion of non-current liabilities**

Item	2018	2017
Long-term loan within 1 year(NoteV.27)	6,594,120.00	13,151,946.67

**27. Long-term Loan**

Item	2018	2017
Credit loan	6,594,120.00	19,727,920.00
Deduction: Loan within 1 year	(6,594,120.00)	(13,151,946.67)
Total	-	6,575,973.33

As at 31 December 2018, the interest rates of the above loans were 3.044% (as at 31 December 2017: 3.044%).

As at 31 December 2018, there is no overdue long-term loans (as at 31 December 2017: Nil).

**28. Long-term payables**

	2018	2017
Special payables	303,590,824.69	290,607,151.02

Special payables:

2018

Item	Beginning	Addition	Deduction	Ending
New vehicle product	7,808,326.58	22,360,900.00	9,484,306.29	20,684,920.29
Changan automobile E class Gasoline engine cylinder block, cylinder head production line project	67,480,246.95	-	44,495,551.31	22,984,695.64
Land relocation compensation	55,350,709.40	-	-	55,350,709.40
Development and industrialization of C206 pure electric cars	14,582,280.58	-	11,136,000.00	3,446,280.58
Intelligent manufacturing project	45,455,157.40	79,908,937.74	20,580,469.16	104,783,625.98
Lightweight design of automobile structure	63,564,705.20	1,300,829.00	11,974,695.49	52,890,838.71
Others	36,365,724.91	28,760,473.84	21,676,444.66	43,449,754.09
合计	290,607,151.02	132,331,140.58	119,347,466.91	303,590,824.69

2017

Item	Beginning	Addition	Deduction	Ending
New vehicle product	5,821,883.01	6,820,000.00	4,833,556.43	7,808,326.58
Changan automobile E class Gasoline engine cylinder block, cylinder head production line project	60,347,217.64	8,190,000.00	1,056,970.69	67,480,246.95
Land relocation compensation	55,350,709.40	-	-	55,350,709.40
Development and industrialization of C206 pure electric cars	(32,666,228.71)	120,000,000.00	72,751,490.71	14,582,280.58
Intelligent manufacturing project	61,526,291.76	1,683,000.00	17,754,134.36	45,455,157.40
Lightweight design of automobile structure	30,075,234.45	54,150,000.00	20,660,529.25	63,564,705.20
Others	37,042,433.25	16,930,780.00	17,607,488.34	36,365,724.91
合计	217,497,540.80	207,773,780.00	134,664,169.78	290,607,151.02

**29. Long-term payroll payable**

Item	2018	2017
Net obligation of defined benefit plan	33,534,000.00	100,782,000.00
Early retirement	20,303,000.00	12,230,000.00
Total	53,837,000.00	113,012,000.00

In addition to basic retirement security and unemployment insurance, which are managed by local government, the Group offers different kinds of overall pension and annual compensation to some retired employees until their death. The group provides subsidies to former military personnel who participated in specific wars and offers large medical treatment insurance for all retired personnel. The group also offered early-retired salary, social insurances and housing accumulation fund with different standards until their formal retirement (Male: Age 60; Female: Age 50 or 55). These amounts of social insurances and housing accumulation fund are based on cost base and statutory proportion.

The present value of the defined benefits plans is valued by expected cumulative welfare units determination, which was ensured by Aon Hewitt China at 31 December 2018.

As at balance sheet day, key actuarial assumptions are as follows:

	2018	2017
Discount rate		
Retirement Staff	3.25%	4.1%-4.2%
Early retirement staff	3.00%	3.8%-3.9%
Retirement age		
Male	60	60
Female	50/55	50/55
Increase rate of key benefits		
Retired employees	0.0%-6.0%	0.0%-6.0%
Early retired employees	0.0%-4.0%	0.0%-4.0%

The future mortality rate is based on China experience life table of life insurance (2010-2013) "CL (2010-2013)", the table is a public statistic in PRC.

The sensitive analyses of key assumption are as follows:

2018

	Increase %	Increase/(Decrease) in the obligation of defined benefits plan	Decrease %	Increase/(Decrease) in the obligation of defined benefits plan
Discount rate	0.5%	(1,907,000.00)	0.5%	2,061,000.00
Increase rate of key benefits	0.5%	2,101,000.00	0.5%	(1,922,000.00)
Mortality rate	5%	(476,000.00)	5%	501,000.00

2017

	Increase %	Increase/(Decrease) in the obligation of defined benefits plan	Decrease %	Increase/(Decrease) in the obligation of defined benefits plan
Discount rate	0.5%	(6,270,000.00)	0.5%	6,672,000.00
Increase rate of key benefits	0.5%	6,615,000.00	0.5%	(6,281,000.00)
Mortality rate	5%	(1,955,000.00)	5%	1,839,000.00

The sensitive analysis above is based on the deduction to reasonable change of key assumption as at the balance sheet date. Sensitive analysis is resulted from fluctuation of main assumptions with other assumptions unchanged. As all assumptions are not isolated from each other, sensitive analysis shall not represent actual result of obligation of defined benefits plan.

The related costs of the defined benefit plan charged to income statement are as follows :

	2018	2017
Service costs- current period	(79,656,000.00)	41,000.00
Net interest	4,110,000.00	3,266,000.00
Post employment benefits, net	(75,546,000.00)	3,307,000.00
Recorded in general administrative expenses	(75,546,000.00)	3,307,000.00

Movement of present value of defined benefits plan is as follows:

	Defined Benefit Plan Obligation	
	2018	2017
Beginning balance	100,782,000.00	96,591,000.00
Charged to income Statement of the current period		
Service costs- current period	(79,656,000.00)	41,000.00
Interest expense, net	4,110,000.00	3,266,000.00
Actuarial losses charged to other comprehensive income	13,214,000.00	6,201,000.00
Benefits Payment	(4,916,000.00)	(5,317,000.00)
Ending balance	33,534,000.00	100,782,000.00

### 30. Deferred income

2018

Item	Beginning	Addition	Deduction	Ending
Government grants related to assets	2,825,085,486.08	258,126,338.83	211,279,599.54	2,871,932,225.37
Government grants related to gains	754,048,245.36	302,298,761.19	382,592,006.71	673,754,999.84
Others	48,683,687.61	142,238,902.00	53,301,280.09	137,621,309.52
Total	3,627,817,419.05	702,664,002.02	647,172,886.34	3,683,308,534.73

2017

Item	Beginning	Addition	Deduction	Ending
Government grants related to assets	2,762,931,782.46	246,106,000.00	183,952,296.38	2,825,085,486.08
Government grants related to gains	-	900,000,000.00	145,951,754.64	754,048,245.36
Others	22,953,843.91	25,729,843.70	-	48,683,687.61
Total	2,785,885,626.37	1,171,835,843.70	329,904,051.02	3,627,817,419.05

As at 31 December 2018, details of liabilities related to government grants are as follows:

Item	Beginning	Addition	Recorded to non-operating income	Ending	Relates to asset/gain
Funds for Beijing Changan project	1,202,042,715.17	-	35,654,140.96	1,166,388,574.21	Relates to asset
Subsidies for the automobile comprehensive testing ground project	487,903,583.27	-	28,199,166.67	459,704,416.60	Relates to asset
Subsidies for the construction of Hefei new plants	328,769,680.06	44,876,000.00	46,757,429.50	326,888,250.56	Relates to asset
Funds for Yuzui motor city project	238,714,285.60	-	5,683,673.52	233,030,612.08	Relates to asset
New energy subsidy	27,738,250.00	134,157,000.00	28,986,933.47	132,908,316.53	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	135,160,610.02	-	6,820,018.48	128,340,591.54	Relates to asset
Engine production restructure program	100,000,000.00	-	9,022,556.49	90,977,443.51	Relates to asset

Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	92,654,027.88	-	15,965,833.29	76,688,194.59	Relates to asset
Changan automobile E class Gasoline engine cylinder block, cylinder head production line project	-	45,344,600.00	-	45,344,600.00	Relates to asset
Expansion of production capacity project	42,133,118.34	-	4,686,606.83	37,446,511.51	Relates to asset
Funds for H series engine	37,333,333.40	-	5,333,333.32	32,000,000.08	Relates to asset
Changan service platform project of Whole industry chain	25,000,000.00	-	2,343,750.00	22,656,250.00	Relates to asset
Funds for technology innovation	16,150,000.00	-	-	16,150,000.00	Relates to asset
Funds for expansion of production capacity of auto mold	16,258,666.64	-	580,666.68	15,677,999.96	Relates to asset
Subsidies for the construction of Hebei new plant	14,485,000.00	-	2,740,000.00	11,745,000.00	Relates to asset
Premium rebate from Dingzhou local bureau of finance	10,464,785.71	-	218,016.36	10,246,769.35	Relates to asset
Others	50,277,429.99	33,748,738.83	18,287,473.97	65,738,694.85	Relates to asset
Subtotal	2,825,085,486.08	258,126,338.83	211,279,599.54	2,871,932,225.37	
Subsidy of Nanjing new energy research and development	600,000,000.00	-	-	600,000,000.00	Relates to gains
Research and development fund subsidy of Hefei Changan	154,048,245.36	300,000,000.00	382,592,006.71	71,456,238.65	Relates to gains
New energy power system research and development subsidy	-	2,298,761.19	-	2,298,761.19	Relates to gains
Subtotal	754,048,245.36	302,298,761.19	382,592,006.71	673,754,999.84	
Total	3,579,133,731.44	560,425,100.02	593,871,606.25	3,545,687,225.21	

As at 31 December 2017, details of liability related to government grants are as follows :

Item	Beginning	Addition	Recorded to non-operating income	Ending	Relates to asset/ gain
Funds for Beijing Changan project	1,082,156,856.13	155,540,000.00	35,654,140.96	1,202,042,715.17	Relates to asset
Subsidies for the automobile comprehensive testing ground project	516,102,750.02	-	28,199,166.75	487,903,583.27	Relates to asset
Subsidies for the construction of Hefei new plants	375,527,109.56	-	46,757,429.50	328,769,680.06	Relates to asset
Funds for Yuzui motor city project	244,397,959.12	-	5,683,673.52	238,714,285.60	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	141,980,628.51	-	6,820,018.49	135,160,610.02	Relates to asset
Engine production restructure program	100,000,000.00	-	-	100,000,000.00	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	108,619,861.17	-	15,965,833.29	92,654,027.88	Relates to asset
Expansion of production capacity project	46,819,725.17	-	4,686,606.83	42,133,118.34	Relates to asset
Funds for H series engine	42,666,666.72	-	5,333,333.32	37,333,333.40	Relates to asset
New energy subsidy	-	40,845,000.00	13,106,750.00	27,738,250.00	Relates to asset
Changan service platform project of Whole industry chain	-	25,000,000.00	-	25,000,000.00	Relates to asset
Funds for expansion of production capacity of auto mold	16,839,333.32	-	580,666.68	16,258,666.64	Relates to asset
Funds for technology innovation	16,150,000.00	-	-	16,150,000.00	Relates to asset
Subsidies for the construction of Hebei new plant	17,220,000.00	-	2,735,000.00	14,485,000.00	Relates to asset
Premium rebate from Dingzhou local bureau of finance	10,682,802.07	-	218,016.36	10,464,785.71	Relates to asset
New industrialization subsidy funds	16,282,876.64	-	7,245,839.60	9,037,037.04	Relates to asset
Others	27,485,214.03	24,721,000.00	10,965,821.08	41,240,392.95	Relates to asset
Subtotal	2,762,931,782.46	246,106,000.00	183,952,296.38	2,825,085,486.08	
Subsidy of Nanjing new energy research and development	-	600,000,000.00	-	600,000,000.00	Relates to gains
Research and development fund subsidy of Hefei Changan	-	300,000,000.00	145,951,754.64	154,048,245.36	Relates to gains
Subtotal	-	900,000,000.00	145,951,754.64	754,048,245.36	
Total	2,762,931,782.46	1,146,106,000.00	329,904,051.02	3,579,133,731.44	

### 31. Share capital

2018

			movement					
		31 December 2017	Issuance of shares	Stock dividend	Transfer of reserve to common shares	Others	Sub-total	31 December 2018
<b>I.</b>	<b>Restricted shares</b>							
1	Shares held by state-owned legal persons	139,762,403	-	-	-	-	-	139,762,403
2	Shares held by domestic natural person	18,900	-	-	-	-	-	18,900
	Total of restricted shares	139,781,303	-	-	-	-	-	139,781,303
<b>II.</b>	<b>Unrestricted shares</b>							
1	RMB ordinary shares	3,760,881,066	-	-	-	-	-	3,760,881,066
2	Foreign-funded shares listed domestically	901,986,142	-	-	-	-	-	901,986,142
	Total of unrestricted shares	4,662,867,208	-	-	-	-	-	4,662,867,208
<b>III.</b>	<b>Total shares</b>	4,802,648,511	-	-	-	-	-	4,802,648,511



2017

			Movement					
		31 December 2016	Issuance of shares	Stock dividend	Transfer of reserve to common shares	Others	Sub-total	31 December 2017
<b>I.</b>	<b>Restricted shares</b>							
1	Shares held by state-owned legal persons	139,762,403	-	-	-	-	-	139,762,403
2	Shares held by domestic natural person	18,900	-	-	-	-	-	18,900
	Total of restricted shares	139,781,303	-	-	-	-	-	139,781,303
<b>II.</b>	<b>Unrestricted shares</b>							
1	RMB ordinary shares	3,760,881,066	-	-	-	-	-	3,760,881,066
2	Foreign-funded shares listed domestically	901,986,142	-	-	-	-	-	901,986,142
	Total of unrestricted shares	4,662,867,208						4,662,867,208
<b>III.</b>	<b>Total shares</b>	4,802,648,511						4,802,648,511

**32. Capital reserves**

2018

Item	Beginning	Addition	Deduction	Ending
Share premium	4,969,218,884.37	-	30,889,053.43	4,938,329,830.94
Share-based payment	32,697,000.00	11,014,600.00	19,749,700.00	23,961,900.00
Capital reserve transferred arising from the old standards	44,496,899.00	-	-	44,496,899.00
Restricted capital reserve of equity investments	17,015,985.20	-	-	17,015,985.20
Others(Note)	35,977,188.37	-	2,539,363.34	33,437,825.03
Total	5,099,405,956.94	11,014,600.00	53,178,116.77	5,057,242,440.17

2017

Item	Beginning	Addition	Deduction	Ending
Share premium	4,969,218,884.37	-	-	4,969,218,884.37
Share-based payment	13,715,900.00	18,981,100.00	-	32,697,000.00
Capital reserve transferred arising from the old standards	44,496,899.00	-	-	44,496,899.00
Restricted capital reserve of equity investments	17,015,985.20	-	-	17,015,985.20
Others(Note)	40,853,863.98	8,735,954.84	13,612,630.45	35,977,188.37
Total	5,085,301,532.55	27,717,054.84	13,612,630.45	5,099,405,956.94

Note1: The change in the share premium of 2018 is the acquisition of 35% of the minority shareholder of Chongqing Changan New Energy Automobile Co., Ltd., a subsidiary of the Company, which is included in RMB 30,889,053.43.

Note2: The decrease in other capital reserve in 2018 is the change in the capital reserve of the joint venture Jiangling Holdings Co., Ltd., which is included in RMB 2,539,363.34.

### 33. Other comprehensive income

Accumulated other comprehensive income in balance sheet attributable to parent company is as follows:

	1 January 2017	Movement	31 December 2017	Movement	31 December 2018
Change in net liability or assets from defined benefit plan	8,188,000.00	6,201,000.00	14,389,000.00	(13,214,000.00)	1,175,000.00
Comprehensive income which can not be reclassified into profit and loss under equity method	(1,133,197.32)	(248,641.80)	(1,381,839.12)	(706,228.88)	(2,088,068.00)
Fair value change generated from available for sale financial assets	195,699,749.99	(75,437,500.00)	120,262,249.99	177,088,959.46	297,351,209.45
Foreign currency translation difference	(61,273,644.44)	10,963,657.41	(50,309,987.03)	(10,618,223.98)	(60,928,211.01)
<b>Total</b>	<b>141,480,908.23</b>	<b>(58,521,484.39)</b>	<b>82,959,423.84</b>	<b>152,550,506.60</b>	<b>235,509,930.44</b>

Current occurrence amount of other comprehensive income in income statement attributable to parent company:

2018

	Amount before tax	Deduct: amounts transferred to income statement which were recognized in other comprehensive income in prior period	Deduct: Income tax	Amount attributable to owners	Amount attributable to minority interests
Other comprehensive income not to be reclassified to profit or loss in subsequent period					
Change in net liability or assets from defined benefit plan	(13,214,000.00)	-	-	(13,214,000.00)	-
Comprehensive income which can not be reclassified into profit and loss under equity method	(706,228.88)	-	-	(706,228.88)	-
<b>Subtotal</b>	<b>(13,920,228.88)</b>	<b>-</b>	<b>-</b>	<b>(13,920,228.88)</b>	<b>-</b>
Other comprehensive income will be reclassified to profit or loss in subsequent period					
Fair value change of available for sale financial assets	208,339,952.31	-	31,250,992.85	177,088,959.46	-
Foreign currency translation difference	(10,618,223.98)	-	-	(10,618,223.98)	-
<b>Subtotal</b>	<b>197,721,728.33</b>	<b>-</b>	<b>31,250,992.85</b>	<b>166,470,735.48</b>	<b>-</b>
<b>Total</b>	<b>183,801,499.45</b>	<b>-</b>	<b>31,250,992.85</b>	<b>152,550,506.60</b>	<b>-</b>

2017

	Amount before tax	Deduct: amounts transferred to income statement which were recognized in other comprehensive income in prior period	Deduct: Income tax	Amount attributable to owners	Amount attributable to minority interests
Other comprehensive income not to be reclassified to profit or loss in subsequent period					
Change in net liability or assets from defined benefit plan	6,201,000.00	-	-	6,201,000.00	-
Comprehensive income which can not be reclassified into profit and loss under equity method	(248,641.80)	-	-	(248,641.80)	-
<b>Subtotal</b>	<b>5,952,358.20</b>	<b>-</b>	<b>-</b>	<b>5,952,358.20</b>	<b>-</b>

Other comprehensive income will be reclassified to profit or loss in subsequent period					
Fair value change of available for sale financial assets	(88,750,000.00)	-	(13,312,500.00)	(75,437,500.00)	-
Foreign currency translation difference	10,963,657.41	-	-	10,963,657.41	-
Subtotal	(77,786,342.59)	-	(13,312,500.00)	(64,473,842.59)	-
Total	(71,833,984.39)	-	(13,312,500.00)	(58,521,484.39)	-

### 34. Special reserves

2018

Item	Beginning	Addition	Deduction	Ending
Safety fund	28,279,733.06	83,826,318.58	70,883,682.54	41,222,369.10

2017

Item	Beginning	Addition	Deduction	Ending
Safety fund	16,349,485.65	69,130,921.26	57,200,673.85	28,279,733.06

The Group accrued safety fund according to the circular of <the Guidance of Safety Fund Accrual and Usage> (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the State Administration of work safety on 14 February 2012.

### 35. Surplus reserves

2018

Item	Beginning	Addition	Deduction	Ending
Statutory surplus	2,401,324,255.50	-	-	2,401,324,255.50

2017

Item	Beginning	Addition	Deduction	Ending
Statutory surplus	2,401,324,255.50	-	-	2,401,324,255.50

The Company appropriated statutory surplus reserves based on profit after tax. When statutory surplus reserves account for 50% of paid-in capital, no further surplus reserve will be appropriated.

### 36. Retained earnings

Item	2018	2017
Retained earnings at beginning of the year	35,184,073,061.94	31,126,707,710.94
Add: Profits attributable to parent company for the current year	680,728,392.03	7,137,234,723.47
Less: Appropriation to statutory surplus reserves	-	-
Less: Ordinary share dividend of cash	2,157,790,283.66	(3,079,869,372.47)
Retained earnings at the end of year	33,707,011,170.31	35,184,073,061.94

According to the resolution of the 49th meeting of the seventh session of the Board of Directors, the profit distribution plan of 2018 is as follows: on the base of the existing share capital of 4,802,648,511 shares, the Group

will issue cash dividends of RMB0.18 per 10 shares, RMB 86,447,673.20 in total (tax included). This profit distribution plan should be approved by the annual general meeting.

### 37. Operating revenue and cost

#### (1) Operating revenue and cost

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Main business	64,490,487,252.71	55,116,734,739.05	78,501,538,830.04	68,427,473,075.45
Other business	1,807,783,137.06	1,466,733,630.09	1,510,666,352.33	935,559,665.40
Total	66,298,270,389.77	56,583,468,369.14	80,012,205,182.37	69,363,032,740.85

#### (2) Operating revenue listed as follows:

Item	2018	2017
Sale of goods	66,276,054,153.09	79,980,063,484.58
Outsourcing processing	22,216,236.68	32,141,697.79
Total	66,298,270,389.77	80,012,205,182.37

### 38. Tax and surcharges

Item	2018	2017
Consumption tax	1,887,596,418.76	2,408,112,724.61
City maintenance and construction tax	121,084,067.02	264,492,830.21
Educational surcharge	107,471,391.03	201,515,531.59
Others	189,766,107.53	199,901,923.01
Total	2,305,917,984.34	3,074,023,009.42

### 39. Operating expenses

Item	2018	2017
Payroll and welfare	326,700,194.59	306,321,124.09
Promotion, advertising fee and Sales service fee	2,981,253,072.70	1,252,184,595.24
Transportation expenses	1,728,743,073.33	2,093,762,247.10
Travelling expenses	82,924,351.46	87,609,625.71
Package expenses	18,172,933.96	22,441,698.92
Consulting fee	20,414,125.10	66,038,123.17
Training fee	58,950,405.11	77,532,792.04
Others	66,097,190.23	72,234,653.38
Total	5,283,255,346.48	3,978,124,859.65

### 40. General and administrative expenses

Item	2018	2017
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Payroll and welfare	1,230,385,974.33	1,211,108,800.21
Administrative expenses	378,467,226.08	237,923,264.06
Depreciation and amortization	885,825,775.24	747,392,544.90
Miscellaneous service charges	53,961,042.11	178,864,213.05
Traffic expenses	65,664,475.92	68,944,235.42
Travelling expenses	54,238,378.61	44,956,439.22
Others	114,212,659.18	174,455,561.59
Total	2,782,755,531.47	2,663,645,058.45

#### 41. Research and development expenses

Item	2018	2017
Payroll and welfare	1,432,753,634.55	1,543,773,391.52
Material fee	241,258,297.80	153,279,883.54
Subcontract fee	201,398,428.01	294,019,866.67
Survey and traffic expenses	128,375,837.23	105,647,858.39
Test fee	146,093,293.23	186,021,484.40
Depreciation and amortization	179,382,713.42	131,473,043.75
Others	214,003,174.88	202,435,906.80
Total	2,543,265,379.12	2,616,651,435.07

#### 42. Financial income

Item	2018	2017
Interest income	476,922,766.94	609,804,833.96
Less: Foreign exchange gain or loss	14,802,579.62	7,812,127.89
Interest expense	11,700,010.25	48,334,684.86
Others	23,358,142.01	28,684,060.19
Total	427,062,035.06	524,973,961.02

#### 43. Impairment loss on assets

Item	2018	2017
I. Bad debt loss	12,057,904.78	5,650,832.05
II. Impairment of inventory	81,470,762.51	83,213,178.20
III. Impairment of fixed assets	141,611,730.28	79,979,762.31
IV. Impairment of intangible assets	3,414,167.12	80,864,108.04
V. Impairment of available-for-sale financial assets	-	1,809,274.00
Total	238,554,564.69	251,517,154.60

#### 44. Other income

Item	2018	2017	Amount recognized in 2018
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			as non-recurring profit and loss
Other income	2,873,192,102.56	1,613,343,216.59	2,873,192,102.56

Government grants recognized as current income are as follows:

Item	2018	2017	Relates to asset/gain
Subsidies for the construction of Hefei new plants	46,757,429.50	46,757,429.50	Relates to asset
Funds for Beijing Changan project	35,654,140.96	35,654,140.96	Relates to asset
New energy subsidy	28,986,933.47	13,106,750.00	Relates to asset
Comprehensive testing field program	28,199,166.67	28,199,166.75	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	15,965,833.29	15,965,833.29	Relates to asset
Engine capacity structure adjustment project	9,022,556.49	-	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	6,820,018.48	6,820,018.49	Relates to asset
Funds for Yuzui motor city project	5,683,673.52	5,683,673.52	Relates to asset
Funds for H series engine	5,333,333.32	5,333,333.32	Relates to asset
Expansion of production capacity project	4,686,606.83	4,686,606.83	Relates to asset
Subsidies for the construction of Hebei new plant	2,740,000.00	2,735,000.00	Relates to asset
Fund for Changan Automobile Industry Chain Service Platform Project	2,343,750.00	-	Relates to asset
Finance fund for Automobile mold expansion technology project	580,666.68	580,666.68	Relates to asset
Premium rebate from Dingzhou local bureau of finance	218,016.36	218,016.36	Relates to asset
Others	18,287,473.97	18,211,660.68	Relates to asset
Subtotal	211,279,599.54	183,952,296.38	
Hefei Changan R & D funding subsidies	382,592,006.71	325,951,754.63	Relates to gain
Energy saving subsidies	11,080,000.00	43,889,509.96	Relates to gain
Subsidies and rewards for career training	32,571,452.85	28,645,153.77	Relates to gain
Nanjing Changan R & D funding subsidies	151,000,000.00	500,000,000.00	Relates to gain
Enterprise development fund	478,596,700.00	131,864,400.00	Relates to gain
New product subsidy	150,000,000.00	128,049,000.00	Relates to gain
Government grants for technology research expenses	1,426,333,900.00	208,010,700.00	Relates to gain
Others	29,738,443.46	62,980,401.85	Relates to gain
Subtotal	2,661,912,503.02	1,429,390,920.21	Relates to gain
Total	2,873,192,102.56	1,613,343,216.59	

#### 45. Investment income

Item	2018	2017	Amount recognized in 2018 as non-recurring profit and loss
Long-term equity investment income under equity method	(331,883,560.67)	6,854,896,911.97	-
Investment income generated by disposition of long-term equity investment	-	1,063,780.80	-
Gains generated by business combinations not under common	209,443,337.73	-	209,443,337.73

control(note)			
Investment income during holding period from available-for-sale financial assets	51,133,446.15	50,364,239.43	-
Total	(71,306,776.79)	6,906,324,932.20	209,443,337.73

Note: Gains generated by business combinations not under common control, please refer to Note VI. Changes in Consolidation Scope.

#### 46. Gain on disposal of assets

Item	2018	2017	Amount recognized in 2018 as non-recurring profit and loss
Gain on disposal of fixed-assets (losses"-“)	8,561,074.73	(42,423,660.98)	8,561,074.73
Gain on disposal of Intangible assets	-	84,198,113.21	-
Total	8,561,074.73	41,774,452.23	8,561,074.73

#### 47. Non-operating income

Item	2018	2017	Amount recognized in 2018 as non-recurring profit and loss
Gains generated by business combinations not under common control	811,377,936.28	-	811,377,936.28
Fines, penalties and others	104,841,288.40	104,330,128.12	104,841,288.40
Total	916,219,224.68	104,330,128.12	916,219,224.68

#### 48. Non-operating expenses

Item	2018	2017	Amount recognized in 2017 as non-recurring profit and loss
Donation	27,582,524.12	31,310,130.00	27,582,524.12
Vehicle premium	5,098,810.00	214,986.42	5,098,810.00
Fines and penalties	3,860,473.32	9,370,376.77	3,860,473.32
Others	20,013,743.50	34,172,564.09	20,013,743.50
Total	56,555,550.94	75,068,057.28	56,555,550.94

#### 49. Income tax expense

Item	2018	2017
Current income tax expense	59,356,673.11	58,702,819.44
Deferred income tax expense	(124,490,731.15)	(86,250,532.29)
Total	(65,134,058.04)	(27,547,712.85)



The relationship between income tax expense and profit before tax is as follows:

Item	2018	2017
<b>Profit before tax</b>	658,225,323.83	7,180,889,557.21
Tax at the applicable tax rate	98,733,798.57	1,077,133,433.58
Impact of different tax rates of subsidiaries	(21,467,247.81)	404,092,024.03
Adjustments to current income tax of previous period	(4,629,283.01)	(13,742,364.78)
Profit or loss attributable to joint ventures and associates	66,960,893.21	(1,370,979,382.39)
Non-taxable income	(163,680,879.95)	(15,239,846.00)
Non-deductible tax expense	3,836,286.40	15,026,313.78
Usage previous deductible losses	(19,645,340.05)	(123,846,927.16)
Unrecognized deductible temporary differences and deductible losses	317,040,456.24	154,597,285.95
Additional deduction arising from research and development expense	(342,288,741.64)	(154,588,249.86)
Tax expense under actual tax rate of the Group	(65,134,058.04)	(27,547,712.85)

## 50. Earnings per share (“EPS”)

The basic EPS is calculated by dividing the net profit of the current period attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares. In accordance with the specific terms and clauses of the issuance contract, the number of newly issued ordinary shares shall be calculated and determined as of the date of receiving the consideration (generally the date of issuance).

The Company has no dilutive potential ordinary shares.

	2018	2017
Earnings		
Net profit attributable to ordinary shareholders	680,728,392.03	7,137,234,723.47
Shares		
Weighted average ordinary shares	4,802,648,511.00	4,802,648,511.00

Note: In 2018, no change in the number of ordinary shares or potential common shares has occurred. Therefore, the total share capital is 4,802,648,511 shares. The EPS for reporting period is calculated based on this number of shares.

From the balance sheet day and to the approval date of reporting, there is no event that may causes changes in ordinary shares or potential ordinary shares.

## 51. Notes to cash flow statement

(1) Items of cash received relating to other operating activities are as follows:

Item	2018	2017
Interest income	476,922,766.94	586,938,708.97
Government grants related to operating activities	2,972,076,736.91	2,637,318,945.57

Others	1,319,095,385.38	526,234,421.27
Total	4,768,094,889.23	3,750,492,075.81

(2) Items of cash paid relating to other operating activities are as follows:

Item	2018	2017
Selling expense	4,309,012,845.31	4,204,915,189.82
Administrative expense	666,543,781.90	814,466,183.05
Research and development expenses	689,870,733.35	788,125,116.26
Others	1,104,054,021.14	481,574,065.34
Total	6,769,481,381.70	6,289,080,554.47

(3) Items of cash received relating to other investing activities are as follows:

Item	2018	2017
Net cash received from business combinations	1,036,263,749.91	-

(4) Items of cash received relating to other financing activities are as follows:

Item	2018	2017
Withdraw for deposit of bill	855,280,377.20	978,689,175.66

(5) Items of cash paid relating to other financing activities are as follows:

Item	2018	2017
Payment for deposit of bill	-	369,848,096.27
Acquisition of minority shareholders' equity	30,344,195.00	-
Others	-	110,146.05
Total	30,344,195.00	369,958,242.32

## 52. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Supplementary information	2018	2017
<b>1. Cash flows from operating activities calculated by adjusting the net profit</b>		
Net profit	723,359,381.87	7,208,437,270.06
Add: impairment provision for assets	238,554,564.69	251,517,154.60
Depreciation of fixed assets	2,334,281,299.36	1,914,783,466.15
Depreciation and amortization of investment property	226,711.56	226,711.56
Amortization of intangible assets	765,764,237.99	647,321,284.97
Amortization of long-term deferred	3,916,585.49	565,352.63

expense		
Amortization of deferred income	52,824,676.85	(83,798,051.02)
Disposal loss on fixed assets, intangible assets and others long-term assets	(8,561,074.73)	(41,774,452.23)
Financial expense	11,700,010.25	48,334,684.86
Investment income	71,306,776.79	(6,906,324,932.20)
Increase in deferred tax assets	(121,696,627.62)	(86,250,532.29)
Decrease(Increase) in inventory	162,147,313.89	2,554,710,222.61
Deferred income tax liabilities increased	(2,794,103.52)	-
Increase in operating receivables	7,012,744,770.54	(2,178,353,076.04)
Increase in operating payables	(14,321,540,062.30)	(4,478,567,770.20)
Others	(809,709,763.55)	25,701,889.71
Net cash flows from operating activities	(3,887,475,302.44)	(1,123,470,776.83)
<b>2. Movement of cash and cash equivalents</b>		
Ending balance of cash	9,648,153,614.80	21,451,305,090.53
Less: beginning balance of cash	21,451,305,090.53	22,993,432,067.05
Increase in cash and cash equivalents	(11,803,151,475.73)	(1,542,126,976.52)

(2) The major non-cash investing and financing activities:

Item	2018	2017
Endorsed bank acceptance received by sales and providing service	3,032,518,773.00	4,385,282,036.50

(3) Cash and cash equivalents

Item	2018	2017
<b>I. Cash</b>		
Including: Cash on hand	14,374.84	33,089.31
Bank deposits that can be readily used	9,648,139,239.96	21,451,272,001.22
<b>II. Cash equivalents</b>	-	-
<b>III. Ending balance of cash and cash equivalents</b>	9,648,153,614.80	21,451,305,090.53

Note: The restricted cash and cash equivalents of the Group are not included in the cash and cash equivalents.

### 53. The assets with ownership or right restricted

Item	2018	2017	Notes
Cash and cash equivalents	332,390,911.34	1,180,231,406.00	Note 1
Notes receivable and Accounts receivable	469,622,570.00	287,427,970.00	Note 2
Intangible assets	18,499,267.20	45,862,242.27	Note 3

Note 1: As at 31 December 2018, the Group has restricted cash at banks for the issuance of bank acceptance bill.

Note 2: As at 31 December 2018, notes receivable with a book value of RMB469,622,570.00 (31 December 2017: RMB287,427,970.00) has been pledged to issue bank acceptance bills.

Note 3: As at 31 December 2018, land use right with book value of RMB18,499,267.20 has been pledged to obtain RMB40,000,000.00 short-term loan from China South Industry Group Finance Co., Ltd. The amortization of the land use right in 2018 is RMB418,851.36.

## 54. Foreign Monetary Item

Item	2018			2017		
	Original Currency	Exchange Rate	Translated to RMB	Original Currency	Exchange Rate	Translated to RMB
Cash						
USD	8,751,966.06	6.8632	60,066,493.46	4,420,601.04	6.5342	28,885,091.32
GBP	2,373,542.00	8.6762	20,593,325.10	5,214,513.52	8.7792	45,779,257.09
EUR	4,048,438.85	7.8023	31,587,134.44	873,368.30	7.8023	6,814,281.49
JPY	64,912,028.43	0.0619	4,018,054.56	99,652,227.00	0.0579	5,769,863.94
SUR	239,651,676.87	0.0990	23,725,516.01	148,035,845.87	0.1135	16,802,068.51
BRL	553,990.20	1.8287	1,013,081.88	534,493.53	1.9650	1,050,279.79
Accounts receivable						
USD	14,372,769.49	6.8632	98,643,191.56	42,208,456.93	6.5342	275,798,499.27
GBP	-	8.6762	-	7,044,658.64	8.7792	61,846,467.13
EUR	-	7.8023	-	6,354,896.12	7.8023	49,582,806.00
Other receivables						
USD	2,876,923.86	6.8632	19,744,903.84	193,596.84	6.5342	1,265,000.47
JPY	16,387,327.63	0.0619	1,014,375.58	16,317,989.00	0.0579	944,811.56
EUR	3,514,473.56	7.8023	27,420,977.06	2,840,750.58	7.8023	22,164,388.25
SUR	1,243,071.00	8.6762	10,785,132.61	-	-	-
BRL	14,146.87	1.8287	25,870.38	-	-	-
Accounts Payable						
USD	868,583.12	6.8632	5,961,259.67	31,190,199.07	6.5342	203,802,998.76
JPY	20,635,052.40	0.0619	1,277,309.74	22,631,013.00	0.0579	1,310,335.65
EUR	2,451,927.12	7.8023	19,130,670.97	1,628,974.37	7.8023	12,709,746.73
GBP	965,218.00	8.6762	8,374,424.41	3,087,973.61	8.7792	27,109,937.92
Other Payables						
USD	777,462.07	6.8632	5,335,877.68	40,116.00	6.5342	262,125.97
EUR	-	7.8023	-	40,966.63	7.8023	319,633.94
GBP	1,760,110.00	8.6762	15,271,066.38	145,431.19	8.7792	1,276,769.50

## VI Business combinations not under common control in the current period

### Acquisition of 50% equity interest in Changan Suzuki

The company originally held a 50% stake in Chongqing Changan Suzuki Automobile Co., Ltd. (hereinafter referred to as "Changan Suzuki"), which can be jointly controlled and accounted for using the equity method. According to the agreement reached between the Company and Changan Suzuki's foreign shareholder, Japan Suzuki Co., Ltd. in 2018, the company acquired 50% of its shares in Changan Suzuki in cash of RMB1, and the purchase date was determined to be November 2018. 1st. After the completion of the acquisition, the company holds a 100% equity interest in Changan Suzuki.

(1) The recognition of the combination cost and goodwill is as follows:

currency: RMB

	Changan Suzuki
The fair value of the identifiable net assets of Changan Suzuki obtained	1,534,967,578.99
Less: acquisition consideration	1.00
The fair value of the original 50% equity of Changan Suzuki on the purchase date prior to the purchase date	767,483,789.49
The merger cost is less than the fair value of the identifiable net assets acquired (operating income)	767,483,788.50

(2) The re-measurement of 50% equity of Changan Suzuki originally held by the Company at fair value is as follows

currency: RMB

	Changan Suzuki
Book value of the original 50% equity interest in Changan Suzuki before the purchase date	594,949,058.30
The fair value of the original 50% equity of Changan Suzuki on the purchase date prior to the purchase date	767,483,789.49
The gain from re-measurement is recognized as investment income	172,534,731.19

### Acquisition of 50% equity interest in Changan Suzuki(continued)

(3) The fair value and book value of Changan Suzuki's identifiable assets and liabilities at the date of purchase are as follows:

currency: RMB

	Fair value on consolidated date	Book value on consolidated date
Assets:		
Current assets	1,036,263,750.91	1,036,263,750.91
Notes receivable and accounts Receivable	535,228,159.28	535,228,159.28
Other receivables	3,592,183.18	3,592,183.18
Prepayments	55,061,469.01	55,061,469.01
Inventories	494,855,111.78	453,950,664.34
Other current assets	9,246,498.92	9,246,498.92
Fixed assets	1,648,923,786.01	1,472,003,200.28
Construction in progress	31,706,835.38	8,799,566.27
Intangible assets	319,154,665.14	162,246,628.12

Long-term prepaid expenses	4,118,573.15	4,140,728.63
Total assets	4,138,151,032.76	3,740,532,848.94
Liabilities:		
Notes payable and accounts payable	902,711,773.50	902,711,773.50
Receipts in advance	79,840,143.45	79,840,143.45
Employee benefits payable	154,353,926.99	154,353,926.99
Taxes and surcharges payable	9,736,342.00	9,736,342.00
Other payables	490,347,322.71	490,347,322.71
Long-term payables	58,390,577.00	58,390,577.00
Provisions	843,227,728.71	843,227,728.71
Deferred income	2,666,438.83	17,776,258.87
Other non-current liabilities	-	30,452,416.72
Deferred tax liabilities	61,909,200.58	-
Total liabilities	2,603,183,453.77	2,586,836,489.95
Net assets	1,534,967,578.99	1,153,696,358.99

Acquisition of 50% equity interest in Changan Suzuki(continued)

(4) The operating results and cash flows of Changan Suzuki from the date of purchase to the end of the year are as follows:

	Between November 1 and December 31, 2018
Operating income	301,710,895.07
Net profit	5,786,113.17
Net cash flow	(31,706,679.89)

Acquisition of 51% shares of Zhenjiang Demao

The company used to hold 49% of the equity of Zhenjiang Demao hairun equity investment fund partnership (limited partnership)(hereinafter referred to as "Zhenjiang Demao"), which can have a significant impact on its operation and shall be calculated according to the equity method. According to the agreement reached between the company and Zhenjiang Demao's other shareholder Suzhou Jin sheng shuo zhang investment center (limited partnership) in 2018, the company has obtained 51% of its shareholding with cash of RMB 534,187,376.88, and the purchase date is set as September 3, 2018. After the completion of the acquisition, the company holds a total of Zhenjiang Demao 100% equity.

(1) The recognition of the combined cost and goodwill is as follows:

currency: RMB

	<u>Zhenjiang Demao</u>
The fair value of the identifiable net assets of Zhenjiang Demao obtained	1,133,493,185.61
Less: acquisition consideration	534,187,376.88
The fair value of the original 49% equity of Zhenjiang Demao on the purchase date prior to the purchase date	555,411,660.95
The merger cost is less than the fair value of the identifiable net assets acquired (operating income)	43,894,147.78

Acquisition of 51% shares of Zhenjiang Demao(continued)

(2) The re-measurement of 49% equity of Zhenjiang Demao originally held by the Company at fair value is as follows:

currency: RMB

	Zhenjiang Demao
Book value of the original 49% equity interest in Zhenjiang Demao before the purchase date	595,734,668.03
Before the purchase date, the fair value of the 49% equity interest in Zhenjiang Demao on the purchase date	555,411,660.95
The difference arising from the re-measurement is recognized as investment loss	(40,323,007.08)
Changes in the fair value of available-for-sale financial assets that were originally included in other comprehensive income are transferred to investment income	77,231,613.62
Investment income (net)	36,908,606.54

(3) The fair value and book value of Zhenjiang Demao's identifiable assets and liabilities at the date of purchase are as follows:

currency: RMB

	Fair value on consolidated date	Book value on consolidated date
Assets:		
Current assets	19,157.31	19,157.31
Available-for-sale financial assets	1,157,616,359.00	1,157,616,359.00
Total assets	1,157,635,516.31	1,157,635,516.31
Liabilities:		
Other payables	500,000.00	500,000.00
Deferred tax liabilities	23,642,330.70	-
Total liabilities	24,142,330.70	500,000.00
Net assets	1,133,493,185.61	1,157,135,516.31

(4) The operating results and cash flows of Zhenjiang Demao from the date of purchase to the end of the year have no significant impact on the Group's consolidated financial statements.

## VII Shares in other entities

### 1. Shares in subsidiaries

The subsidiaries of the Company are as follows :

Company name	Main operating place	Registered place	Nature of business	Registered capital (0,000)	Total proportion of shareholders (%)	
					direct	indirect
I. The subsidiary formed by establish or investment						
Hebei Changan Automobile Co., Ltd. (note 1)	Dingzhou	Dingzhou	Manufacturing	46,469	94.22	-
Chongqing Changan International Automobile Sales Co., Ltd.(note 2)	Chongqing	Chongqing	sales	1,376	100.00	-
Chongqing Changan Connected Car Technology Co., Ltd.	Chongqing	Chongqing	lease	8,850	100.00	-
Chongqing Changan Special Automobile Co., Ltd (note 3)	Chongqing	Chongqing	sales	500	50.00	-
Chongqing Changan Automobile Supporting Service Co., Ltd.	Chongqing	Chongqing	sales	3,000	99.00	1.00
Chongqing Changan New Energy Automobile Co. Ltd.	Chongqing	Chongqing	R&D	2,900	100.00	-
Chongqing Changan Europe Design Academy Co., Ltd.	Turin, Italy	Turin, Italy	R&D	EUR1,738.36	100.00	-
Changan United Kingdom R&D Center Co., Ltd.	Nottingham, United Kingdom	Nottingham, United Kingdom	R&D	GBP2,482	100.00	-
Beijing Changan R&D Center Co., Ltd.	Beijing	Beijing	R&D	100	100.00	-
Changan Japan Designing Center Co.,Ltd.	Yokohama, Japan	Yokohama, Japan	R&D	JPY2,000	100.00	-
Changan United States R&D Center Co., Ltd.	Troy, United states	Detriot, United states	R&D	USD154	100.00	-
Changan Automobile Russia Co., Ltd.	Moscow, Russia	Moscow, Russia	Sales	USD20	100.00	-
Changan Brazil Holdings Limited	St. Paul, Brazil	St. Paul, Brazil	Sales	BRL100	100.00	-
Shenzhen Changan New energy automobile service Co., Ltd.	Shenzhen	Shenzhen	Sales	5,000	100.00	-
Hangzhou Changan Yixing Technology Co., Ltd.	Hangzhou	Hangzhou	Lease	500	100.00	-
Hefei Changan Yixing Technology Co., Ltd.	Hefei	Hefei	Lease	500	100.00	-
Nanjing Changan Connected Car Technology Co., Ltd.	Nanjing	Nanjing	Lease	500	100.00	-
Beijing Changan Connected Car Technology Co., Ltd.	Beijing	Beijing	Lease	500	100.00	-
Haikou Changan Connected Car Technology Co., Ltd.	Haikou	Haikou	Lease	500	100.00	-
Changan Connected Car (Shanghai)Technology Co., Ltd	Shanghai	Shanghai	Lease	500	100.00	-
Tianjin Changan Connected Car Technology Co., Ltd.	Tianjin	Tianjin	Lease	500	100.00	-
Nanjing Changan New Energy Automobile Sales & Service Co., Ltd.	Nanjing	Nanjing	Sales	5,000	100.00	-
Fuzhou Fuqing Changan New Eneerx Automobile Sales Co.,	Fuzhou	Fuzhou	Sales	200	100.00	-



Ltd.						
1. Shares in subsidiaries (continued)						
Company name	Main operating place	Registered place	Nature of business	Registered capital (0,000)	Total proportion of shareholders (%)	
					direct	indirect
I. The subsidiary formed by establish or investment						
Xiamen Changan New Energy Automobile Sales & Service Co., Ltd.	Xiamen	Xiamen	Sales	200	100.00	-
Guangzhou Changan New Energy Automobile Sales & Service Co., Ltd.	Guangzhou	Guangzhou	Sales	400	100.00	-
Chongqing Changan New Energy Automobile Technology Co., Ltd.	Chongqing	Chongqing	Sales	9,900	100.00	-
II. The subsidiary formed by business combination not under common control						
Nanjing Changan Automobile Co., Ltd.(note1)	Nanjing	Nanjing	Manufacturing	60,181	84.73	-
Chongqing Changan Suzuki Automobile Co., Ltd.	Chongqing	Chongqing	Manufacturing	133,764	100.00	-
Zhenjiang Demao Hairun Equity Investment Fund Partnership (Limited Partnership)	Zhenjiang	Zhenjiang	finance	150,001	100.00	-
III. The subsidiary formed by business combination under common control						
Hebei Baoding Changan Bus Co., Ltd.	Dingzhou	Dingzhou	Manufacturing	3,000	100.00	-
Hefei Changan Automobile Co.,Ltd.	Hefei	Hefei	Manufacturing	77,500	100.00	-

Note 1: The Company's voting rights for Nanjing Changan Automobile Co., Ltd. and Hebei Changan Automobile Co., Ltd. are 93.79% and 95.70% respectively. The reason for the inconsistent ratio of shareholding ratio to voting rights is that some minority shareholders entrust the company to exercise voting rights.

Note 2: On May 17, 2018, the Company acquired a 35% equity interest in Chongqing Changan New Energy Automobile Co., Ltd. from the company controlled by the same ultimate holding company, Southern Industrial Asset Management Co., Ltd. After the completion of the acquisition, the company's shareholding ratio was changed from 65% to 100%.

Note 3: The remaining shareholders of Chongqing Changan Special Purpose Vehicle Co., Ltd. signed the "Consensus Action People Agreement" with the company, and they all agreed to vote according to the voting intention of the company. Therefore, the company can control it, so it will be included in the consolidated financial The scope of the report.

Note 4: Shenzhen Changan New Energy Automobile Service Co., Ltd. was renamed Changan Automobile Investment (Shenzhen) Co., Ltd. in 2018.

As at 31 December 2018, the Group has no subsidiaries with important minority interests.

## 2. Shares in joint ventures and associates

Company name	Main operating place	Registered place	Nature of business	Registered capital (0,000)	Total proportion of shareholders (%)		Accounting treatment
					direct	indirect	
I. Joint ventures							
Jiangling Holding Co., Ltd.	Nanchang	Nanchang	Manufacture and sale of automobiles, and components	200,000	50.00	-	Equity
Changan Ford Automobile Co., Ltd.	Chongqing	Chongqing	Manufacture and sale of automobiles, and components	USD24,100	50.00	-	Equity
Changan Mazda Automobile Co., Ltd.	Nanjing	Nanjing	Manufacture and sale of automobiles, and components	USD11,097	50.00	-	Equity
Changan Ford Mazda Engine Co., Ltd.(Note)	Nanjing	Nanjing	Manufacture and sale of automobiles, and components	USD20,996	50.00	-	Equity
Changan PSA Automobiles Co., Ltd.	Shenzhen	Shenzhen	Manufacture and sale of automobiles, and components	760,000	50.00	-	Equity
Changan Weilai New Energy Automobile Technology Co., Ltd.	Nanjing	Nanjing	Manufacture and sale of automobiles, and components	9,800	50.00	-	Equity
II. Associates							
Chongqing Changan Kuayue Automobile Co., Ltd.	Chongqing	Chongqing	Develop, product and sale of automobile and components; import and export goods.	6,533	34.30	-	Equity
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	Chongqing	Chongqing	Sale of Changan Kuayue's automobile and agricultural cars and components. Technical advisory services for automobile	300	34.30	-	Equity
Beijing Fang'an crescent taxi Co., Ltd.	Beijing	Beijing	Regional taxi operation	2,897.96	20.70	-	Equity
Changan Automobile Finacing Co., Ltd.	Chongqing	Chongqing	Provide car loan; provide vehicle loans and operating equipment loans to car dealers, including the construction loans of exhibition hall, spare parts loans and maintenance equipment loans, etc.	476,843.10	28.66	-	Equity
Hainan Anxinxing Information Technology Co., Ltd.	Chengmai	Chengmai	Software and hardware technology development, technical consulting, auto parts sales	3,000	30.00	-	Equity
Nanjing Chelai Travel Technology Co., Ltd.	Nanjing	Nanjing	Car sales, leasing, software technology development, technical services	10,000	10.00	-	Equity
Hunan Guoxin Semiconductor Technology Co., Ltd.	Zhuzhou	Zhuzhou	Technology development consulting, technical services, technology transfer in the field of power semiconductors	50,000	25.00	-	Equity
Beijing Wutong Chelian Technology Co., Ltd.	Beijing	Beijing	Technology development, technical consulting, technical services, technology transfer	20,000	-	49.00	Equity
Anhe (Chongqing) Equity Investment Fund Management Co., Ltd.	Chongqing	Chongqing	Equity investment management	1,000	-	25.00	Equity
Hangzhou Chelizi Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou	Car travel service	630	-	20.00	Equity

Note1: Changan Ford Mazda Engine Co., Ltd. was renamed Changan Mazda Engine Co., Ltd. in January 2019 and remains a joint venture of the company.

Changan Ford Automobile Co., Ltd. is the important joint venture to the Group and makes great influence in the share of profit and loss in joint venture and associates, the Group adopts equity method to deal with the investment to it.

The table below shows the financial status of Changan Ford Automobile Co., Ltd., and all the information has been adjusted to eliminate the difference of the accounting policies.

	2018	2017
Current assets	13,008,234,449.00	18,809,741,660.00
Of which: cash and cash equivalent	2,276,585,106.00	8,711,501,769.00
Non-current assets	29,167,707,557.00	26,516,644,244.00
Total assets	42,175,942,006.00	45,326,385,904.00
Current liabilities	29,971,079,402.00	34,485,401,852.00
Non-current liabilities	4,587,988,735.00	2,402,328,204.00
Total liabilities	34,559,068,137.00	36,887,730,056.00
Minority interests	78,302,490.00	66,800,070.00
Equity attributable to owners	7,538,571,379.00	8,371,855,778.00
Net asset owned according to share proportion	3,769,285,689.50	4,185,927,889.00
Adjustment	(59,501,182.39)	(60,501,784.80)
Book value of investment	3,709,784,507.11	4,125,426,104.20
Operating revenue	49,754,282,303.00	106,027,523,250.00
Financial expenses- interest income	65,983,748.00	175,167,770.00
Financial expenses- interest expense	243,439,266.00	9,284,431.00
Income tax expense	(185,229,789.00)	2,480,443,915.00
Net profit	(792,490,479.00)	12,171,169,510.00
Net profit attributable to owners	(803,992,899.00)	12,159,242,595.00
Net profit owned according to share proportion	(401,996,449.50)	6,079,621,297.50
Adjustment	(13,645,147.59)	(40,504,012.98)
Book value of investment income	(415,641,597.09)	6,039,117,284.52
Dividend	-	7,577,500,000.00

The table below shows the financial status of the less important joint ventures and associates:

	2018	2017
Joint venture		
Total book value of the	7,294,769,919.55	7,535,284,986.66

investment		
Total amount calculated by shareholding proportion		
Net profit	(145,524,154.05)	704,058,140.55
Other comprehensive income	(706,228.88)	(248,641.80)
Total comprehensive income	(146,230,382.93)	703,809,498.75
Total book value of the investment	2,270,615,692.17	2,437,812,806.11
Total amount calculated by shareholding proportion		
Net profit	229,282,190.47	111,721,486.90
Other comprehensive income	77,231,613.62	-
Total comprehensive income	306,513,804.09	111,721,486.90

As at 31 December 2018, since the Group has no obligation to undertake the extra loss of Chongqing Changan Kuayue Automobile Sales Co., Ltd and Beijing Fang'an crescent taxi Co., Ltd, when extra loss occurs, the Group writes down the long-term investment to zero without recognizing the extra loss.

## VIII Risks associated with financial instruments

### 1. Classification of financial instruments

As at balance sheet day, the book values of financial instruments are as follows:

#### Financial assets

2018	Loans and accounts receivable	Available-for-sale financial assets	Total
Cash	9,980,544,526.14	-	9,980,544,526.14
Notes receivable and Accounts receivable	21,971,045,405.74	-	21,971,045,405.74
Other receivables	3,250,452,923.70	-	3,250,452,923.70
Available-for-sale financial assets	-	1,957,873,311.31	1,957,873,311.31
Total	35,202,042,855.58	1,957,873,311.31	37,159,916,166.89

2017	Loans and accounts receivable	Available-for-sale financial assets	Total
Cash	22,631,536,496.53	-	22,631,536,496.53
Notes receivable and Accounts receivable	30,963,288,278.24	-	30,963,288,278.24
Other receivables	1,687,460,718.92	-	1,687,460,718.92
Available-for-sale financial assets	-	541,917,000.00	541,917,000.00
Total	55,282,285,493.69	541,917,000.00	55,824,202,493.69

#### Financial liabilities

	Other financial liabilities	
	2018	2017
Short-term loans	190,000,000.00	185,000,000.00
Notes payable and Accounts payable	28,724,063,539.34	39,905,752,773.96
Other payables	3,079,749,015.81	2,599,093,153.78
Long-term loan	6,594,120.00	19,727,920.00
Total	32,000,406,675.15	42,709,573,847.74

## 2. Transfer of financial assets

### The transferred financial assets that entirely derecognized but continuing involved

As at 31 December 2018, the Group has endorsed bank acceptance bill with a carrying amount of RMB1,473,189,956.97(2017: RMB1,050,643,090.00) to suppliers to settle the accounts payable. The maturities of the notes are between 1 to 6 months. According to the relevant provisions of the "law of negotiable instruments", if the banks refuse the payment, the holder has the right of recourse to the Group (the "continuing involvement"). The Group holds the view that almost all the risks and rewards concerned have been transferred; therefore, the book value of the accounts payable should be derecognized. The maximum loss and the undiscounted cash flow of the continuing involvement and repurchase is equal to its book value, the Group regards the fair value of the continuing involvement is not significant.

In 2018, the Group didn't recognize profit or loss on the transferring date. No revenue or expense should be recognized in accordance with the continuing involvement in the current period. The indorsement occurred flatly in this period.

## 3. Risks of financial instruments

The Group's principal financial instruments, except for derivatives, include bank loans, bonds payable, cash, etc. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Group's risk management policies are summarized below:

### Credit risk

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the special department of credit control.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets, other receivables, dividend receivables and certain derivatives financial instruments, the Group's exposure to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, listed as book value of financial assets in consolidated financial statements. In 2018, there was no credit risk arising from financial guarantee.

No gage is required since the Group trades only with recognized, creditworthy third parties. Credit risks are managed by clients and industries collectively. As at 31 December 2018, among the Group's collections with specific credit risk, 37.65% (2017: 30.02%) of accounts receivables of the Group are due from top five clients. The Group does not hold any gage from or enhance credit limit to these clients.

As at the end of the year, the maturity analysis for the Group's financial assets not impaired is as follows:

2018

	Total	Neither overdue nor impaired	Overdue but not impaired		
			Within 3 months	3 months to 1 year	Over 1 year
Cash	9,980,544,526.14	9,980,544,526.14	-	-	-
Notes receivable and accounts Receivable	21,971,045,405.74	21,928,253,778.90	389,425.26	24,957,342.82	17,444,858.76
Other receivables	3,250,452,923.70	3,240,119,795.01	336,474.29	6,170,515.96	3,826,138.44
Available for sale financial assets	1,957,873,311.31	1,957,873,311.31	-	-	-

2017

	Total	Neither overdue nor impaired	Overdue but not impaired		
			Within 3 months	3 months to 1 year	Over 1 year
Cash	22,631,536,496.53	22,631,536,496.53	-	-	-
Notes receivable and accounts Receivable	30,963,288,278.24	30,928,496,492.46	7,479,861.25	18,392,420.88	8,919,503.65
Other receivables	1,687,460,718.92	1,681,728,488.26	4,478,714.96	833,762.70	419,753.00
Available for sale financial assets	541,917,000.00	541,917,000.00	-	-	-

As at 31 December 2018 and 2017, the balance of accounts receivable which is neither overdue nor impaired is mainly due to the customers who have no default records recently.

As at 31 December 2018 and 2017, overdue but not impaired accounts receivable are related to independent clients with satisfactory transaction records with the Group. Based on previous experience, since credit quality has no significant changes and the receivables can be fully recovered, the Group considers no impairment provision should be made to them. The Group does not hold any gage from or enhance credit limit to these clients.

### Liquidity risk

The Group adopts cycle liquidity planning instrument to manage capital shortage risks. The instrument takes into consideration the maturity date of financial instruments plus estimated cash flow from the Group's operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility and sufficient cash to support operating capital through financing functions by the use of bank loans, debentures, etc.

The table below summarizes the maturity profile of the Group's financial liabilities based on the non-discounted cash flow of the contracts:

2018

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Short-term loans	730,835.62	1,367,369.86	195,641,035.62	-	197,739,241.10
Notes payable and Accounts payable	8,340,360,709.93	11,658,516,886.83	8,725,185,942.58	-	28,724,063,539.34
Other payable	1,835,725,519.62	1,003,480,426.18	240,543,070.01	-	3,079,749,015.81
Long-term loan	25,605.43	6,601,553.83	-	-	6,627,159.26
Total	10,176,842,670.60	12,669,966,236.70	9,161,370,048.21	-	32,008,178,955.51

2017

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Short-term loans	10,681,519.86	156,059,552.74	20,503,408.22	-	187,244,480.82
Notes payable and Accounts payable	12,383,468,835.37	17,270,085,556.46	10,252,198,382.13	-	39,905,752,773.96
Other payable	1,546,734,431.45	721,527,064.67	330,831,657.66	-	2,599,093,153.78
Long-term loan	49,649.96	6,648,538.66	6,800,216.57	6,597,797.49	20,096,202.68
Total	13,940,934,436.64	18,154,320,712.53	10,610,333,664.58	6,597,797.49	42,712,186,611.24

### Market risk

#### Interest rate risk

The Group's revenue and operating cash flows are seldomly influenced by the interest fluctuation. As at 31 December 2018, the Group's loans are bearing fixed interest rate and the Group is not hedging the risk currently.

#### Foreign currency risk

The Group's exposures to fluctuation in foreign currency exchange rate mainly arise from operating activities where transactions are settled in currencies other than the units' functional currency and net investment to offshore subsidiary.

In 2018, the Group only has transactional currency exposures of 3.55% (2017: 2.08%) of its total revenue that is valued in currencies other than the units' functional currency. Since most of the Group's businesses are operated in China mainland, the estimated influence of fluctuation of foreign currency is insignificant; therefore, the Group hasn't carried out large amount of hedging to reduce the risk.

#### Equity instruments investment price risk

The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (Note V 7) as at 31 December 2018. The Group's listed investments are listed on the Shanghai and Shenzhen stock exchanges and valued at quoted market prices at the end of the reporting period. The following table demonstrates the sensitivity to every 5% change (based on the carrying amount as at the end of reporting period) in the Group's net profit and fair value of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments	Change in fair value	Increase/(decrease) in net profit	Increase/(decrease) in equity
<b>2018</b>				
Shanghai- Available for sale	123,540,000.00	5%	5,250,450.00	5,250,450.00
Shanghai- Available for sale	123,540,000.00	(5%)	(5,250,450.00)	(5,250,450.00)
Shenzhen- Available for sale	1,406,781,311.31	5%	59,788,205.73	59,788,205.73
Shenzhen- Available for sale	1,406,781,311.31	(5%)	(59,788,205.73)	(59,788,205.73)
<b>2017</b>				
Shanghai- Available for sale	164,365,000.00	5%	6,985,512.50	6,985,512.50
Shanghai- Available for sale	164,365,000.00	(5%)	(6,985,512.50)	(6,985,512.50)

## **4. Capital management**

The main goal of the Group's capital management is to ensure that the ability of continuous operation, and maintain a healthy capital ratios in order to support business development, and to maximize shareholder value.

The Group manages the capital structure and adjusts it with the change of economy trend and the risk feature of the assets. To maintain or adjust the capital structure, the Group can rectify dividend distribution, return capital to shareholders or issue new shares. The Group is not subject to external mandatory capital requirements constraints. The goal, principle and procedure of capital management stay the same in 2017 and 2018.

The Group's leverage ratio on the balance sheet date is as follows:

	31 December 2018	31 December 2017
Leverage ratio	<u>50.63%</u>	<u>55.28%</u>



## IX Disclosure of fair value

### 1. Assets and liabilities measured at fair value

2018

	Input measured at fair value			
	Quoted price in active market (The first level)	Important and observable input(The second level)	Important but unobservable input(The third level)	Total
Available-for-sale financial assets- equity instruments	123,540,000.00	1,406,781,311.31	-	1,530,321,311.31

2017

	Input measured at fair value			
	Quoted price in active market (The first level)	Important and observable input(The second level)	Important but unobservable input(The third level)	Total
Available-for-sale financial assets- equity instruments	164,365,000.00	-	-	164,365,000.00

### 2. Fair value estimation

#### Fair value of financial instruments

Management has assessed and concluded accounts, including cash, notes receivable and accounts receivable, other receivables, short-term loans, other payables, notes payable and accounts payable and so on, whose fair value equals to book value because of its short term to overdue.

Financial assets and financial liabilities are measured at the amount that an asset could be exchanged for or by which a liability could be incurred or settled by knowledgeable, willing parties in a current arm's-length transaction, other than liquidation or unwilling sales. Methods and hypothesis followed are used for determining fair value.

Long-term loans and long-term loans within 1 year use discounted cash flow method to determine its fair value, with discount rate in accordance with market return of other financial instruments based on similar terms, credit risks and remaining terms. As at 31 December 2018, the default risk of long-term loans and long-term loans within 1 year was considered immaterial.

The equity instruments listed by the Company include unrestricted ordinary shares and restricted shares. The unrestricted ordinary shares investment determines the fair value by market quotation, and the restricted stock investment uses the discounted valuation model to estimate the fair value. The Group believes that the fair value and its changes estimated by valuation techniques are reasonable and are also the most appropriate value on the balance sheet date.

## X Related party relationships and transactions

### 1. Parent company

Parent	Place of registration	Registered capital	Nature of the business	Proportion of shares in the Company	Proportion of voting rights in the company
China Changan Automobile Group Co., Ltd.	Beijing	4,582,373,700.00	Manufacture and sale of automobiles, engine, and components	22.53%	22.53%

The ultimate holding company is China South Industries Group Corporation.

The registered capital and paid-up capital of the parent company was unchanged in 2018.

### 2. Subsidiaries

Refer to Note VII 1 for details of the Group's subsidiaries.

### 3. Joint ventures and associates

Refer to Note VII 2 for details of the Group's joint ventures and associates.

#### 4. Other related parties

Related parties	Relationship
China Changan Automobile Co., Ltd. – Chongqing Tsingshan Transmission Branch (hereafter referred to as “CSIA-Chongqing Tsingshan Transmission Branch”)	Controlled by the same ultimate holding company
Sichuan Jian'an Industrial Co.,Ltd. – Chengdu Jian'an Automobile Bridge Branch (hereafter referred to as “Sichuan Jian'an Industrial Chengdu Jian'an Automobile Bridge Branch)	Controlled by the same ultimate holding company
Sichuan Jian'an Industrial Co., Ltd	Controlled by the same ultimate holding company
Chengdu Huachuan Electric Equipment Co., Ltd.	Controlled by the same ultimate holding company
Harbin Dongan Auto Engine Co., Ltd.	Controlled by the same ultimate holding company
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Controlled by the same ultimate holding company
Harbin Hafei Automobile Industry Group Co.,Ltd.	Controlled by the same ultimate holding company
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	Controlled by the same ultimate holding company
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	Controlled by the same ultimate holding company
Wanyou Automobile Investment Co., Ltd.	Controlled by the same ultimate holding company
China Changan Automobile Group Tianjin Sales Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Anfu Automobile Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Automobile Air-conditioner Co., Ltd.	Controlled by the same ultimate holding company
The Automobile Trade Service Co. Ltd.(changed from Chengdu Wanyou Economic Technological Development Co., Ltd.)	Controlled by the same ultimate holding company
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	Controlled by the same ultimate holding company
Guangxi Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same ultimate holding company
Guizhou Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same ultimate holding company
Nanning Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same ultimate holding company
Yunnan Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Wanyou Economic Development Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Wanyou Trading Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Wanyou Zunda Automobile Sales & Service Co., Ltd.	Controlled by the same ultimate holding company
Panzhihua Wanyou Automobile Sales & Service Co., Ltd.	Controlled by the same ultimate holding company
Ya'an Wanyou Automobile Sales & Service Co., Ltd.	Controlled by the same ultimate holding company

Related parties	Relationship
Chongqing Wanyou Ducheng Automobile Sales Service Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Wanyou Xingjian Auto Sales & Service Co., Ltd.	Controlled by the same ultimate holding company
Luzhou Wanyou Automobile Service Co., Ltd.	Controlled by the same ultimate holding company
Dali Wanling Auto Sales & Service Co., Ltd.	Controlled by the same ultimate holding company
Kunming Wanling Automobile Sales & Service Co., Ltd.	Controlled by the same ultimate holding company
Bazhong Wanyou Automobile Sales & Service Co., Ltd.	Controlled by the same ultimate holding company
Liangshan Wanyou Automobile Sales & Service Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changfeng Jiquan Machinery Co., Ltd.	Controlled by the same ultimate holding company
Beijing Beiji Mechanical and Electrical Industry Co., Ltd.	Controlled by the same ultimate holding company
China South Industry Group Finance Co., Ltd;	Controlled by the same ultimate holding company
Chengdu Guangming Tianzhong Environmental Protection Technology Co., Ltd	Controlled by the same ultimate holding company
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Lingchuan Special Industry Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Wanyou Filter Co., Ltd.	Controlled by the same ultimate holding company
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	Controlled by the same ultimate holding company
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Controlled by the same ultimate holding company
Yunnan Xiyi Industries Co., Ltd.	Controlled by the same ultimate holding company
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Jiexin Forging Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Jialing Yimin Special Equipment Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Shangfang Automobile Fittings Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Qingshan Transmission Sales Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Property Management Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Yihong Engineering Plastic Products Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Real Estate Development Co., Ltd.	Controlled by the same ultimate holding company

Related parties	Relationship
Chongqing Changan Industries Group Co. Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Construction Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changrong Machinery Co., Ltd.	Controlled by the same ultimate holding company
Harbin Botong Auto Parts Co.,LTD.	Controlled by the same ultimate holding company
Southwest Ordnance Industry Corporation	Controlled by the same ultimate holding company
Chongqing Xiyi Automobile Connecting Rod Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Ningxing Automobile Spring Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Wanyou Construction Co., Ltd.	Controlled by the same ultimate holding company
Southern Industrial Asset Management Co., Ltd.	Controlled by the same ultimate holding company
South Tianhe Chassis System Co., Ltd.	Participated by the Ultimate holding company
South Inter Air-conditioner Co.,Ltd.	Participated by the Ultimate holding company
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	Participated by the Ultimate holding company
Southern Fojiya Auto Parts Co., Ltd.	Participated by the Ultimate holding company
Chongqing Changan Min Sheng Logistics Co., Ltd.	Participated by the Ultimate holding company
Chongqing Nexteer Steering System Co., Ltd.	Participated by the Ultimate holding company

## 5. Major transactions between the Group and its related parties

### (1) Transactions of goods and services

Purchases of goods and services from related parties

Related parties	Nature of the transaction	2018	2017
Chongqing Changan Min Sheng Logistics Co., Ltd.	Purchase of spare parts and transportation fee	1,389,088,291.94	1,351,597,111.16
CSIA-Chongqing Tsingshan Transmission Branch	Purchase of spare parts	1,284,085,746.55	1,920,824,540.34
Sichuan Jian'an Industrial Co., Ltd	Purchase of spare parts	747,672,263.03	952,596,664.63
Harbin Dongan Auto Engine Co., Ltd.	Purchase of spare parts	729,821,616.79	1,043,649,785.91
South Tianhe Chassis System Co., Ltd.	Purchase of spare parts	601,959,455.32	722,807,300.20
Chongqing Nexteer Steering System Co.,Ltd.	Purchase of spare parts	579,242,368.51	324,469,905.26
South Inter Air-conditioner Co., Ltd.	Purchase of spare parts	490,615,574.48	572,728,698.23
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Purchase of spare parts and accept service	382,752,767.69	1,685,162,025.13

Related parties	Nature of the transaction	2018	2017
Chongqing Wanyou Economic Development Co., Ltd.	Purchase of spare parts	329,624,797.32	180,138,574.78
Chengdu Huachuan Electric Equipment Co., Ltd.	Purchase of spare parts	279,083,119.39	275,908,197.18
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	Purchase of spare parts	276,123,847.99	74,700,158.09
Southern Fojiya Auto Parts Co., Ltd.	Purchase of spare parts	251,772,521.47	-
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	Purchase of spare parts	175,538,307.43	56,922,952.53
Chengdu Wanyou Filter Co., Ltd.	Purchase of spare parts	142,276,990.69	145,873,367.68
Jiangling Holding Co., Ltd.	Purchase of cars and spare parts	114,120,282.00	548,265,973.00
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	Purchase of spare parts	110,293,645.11	138,880,769.27
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	Purchase of spare parts	105,758,408.84	165,599,788.86
Yunnan Xiyi Industries Co., Ltd.	Purchase of spare parts	88,997,586.25	88,056,763.21
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	Purchase of spare parts	87,329,310.10	90,534,101.05
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	Purchase of spare parts	75,867,551.80	30,603,270.36
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	Purchase of spare parts	74,135,330.06	62,073,927.72
Chongqing Changan Kuayue Automobile Co., Ltd.	Accept service	67,598,856.98	66,952,800.00
Changan Ford Automobile Co., Ltd.	Purchase of spare parts and accept processing services	57,461,801.63	101,320,721.57
Chongqing Shangfang Automobile Fittings Co., Ltd.	Purchase of spare parts	47,857,427.57	71,513,288.68
Changan Industries Group Co. Ltd.	Purchase of spare parts and accept service	46,447,919.42	58,803,886.18
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	Purchase of spare parts	37,353,791.80	52,955,838.01
Chengdu Lingchuan Special Industry Co., Ltd.	Purchase of spare parts	24,507,845.13	20,759,869.43
Chongqing Changfeng Jiquan Machinery Co., Ltd.	Purchase of spare parts	22,462,283.98	38,663,332.17
Chongqing Yihong Engineering Plastic Products Co., Ltd.	Purchase of spare parts	20,730,680.31	44,957,884.97
Chongqing Changan Suzuki Automobile Co., Ltd.	Purchase of spare parts and accept processing services	19,420,028.65	156,019,997.92
Chongqing Changrong Machinery Co., Ltd.	Purchase of spare parts	18,795,175.93	31,920,181.87
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	Purchase of spare parts	14,592,213.03	14,759,612.09
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Purchase of spare parts	8,969,159.75	8,847,938.92
Changan PSA Automobiles Co., Ltd.	Accept service	6,309,145.00	-
Chongqing Qingshan Transmission Sales Co., Ltd.	Purchase of spare parts	5,943,733.67	6,687,785.88

Related parties	Nature of the transaction	2018	2017
Chongqing Changan Property Management Co., Ltd.	Accept service	5,410,948.67	4,644,858.72
Harbin Botong Auto Parts Co.,LTD.	Accept service	4,908,486.65	11,639,993.11
Chongqing Changan Construction Co., Ltd.	Accept service	2,849,308.36	1,392,469.91
Chongqing Dajiang Jiexin Forging Co., Ltd.	Accept service	2,392,326.57	4,303,952.13
Yunnan Wanyou Auto Sales and Service Co., Ltd.	Accept service	1,610,572.58	-
Beijing Beiji Mechanical and Electrical Industry Co., Ltd.	Accept service	1,496,100.00	153,855.09
Guizhou Wanyou Auto Sales and Service Co., Ltd.	Accept service	1,158,331.89	-
Chongqing Wanyou Xingjian Auto Sales & Service Co., Ltd.	Accept service	729,801.70	-
The Automobile Trade Service Co. Ltd.	Accept service	675,086.70	-
Chongqing Wanyou Ducheng Automobile Sales Service Co., Ltd.	Accept service	472,699.15	-
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	Accept service	406,387.74	-
Ya'an Wanyou Automobile Sales & Service Co., Ltd.	Accept service	211,018.21	-
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	Accept service	205,055.66	-
Nanning Wanyou Auto Sales and Service Co., Ltd.	Accept service	167,618.87	-
Guangxi Wanyou Auto Sales and Service Co., Ltd.	Accept service	134,307.83	-
Chengdu Wanyou Trading Co., Ltd.	Accept service	37,072.74	-
Panzhuhua Wanyou Automobile Sales & Service Co., Ltd.	Accept service	34,680.85	-
China Changan Automobile Group Tianjin Sales Co., Ltd.	Accept service	34,151.89	-
Luzhou Wanyou Automobile Service Co., Ltd.	Accept service	32,522.83	-
Bazhong Wanyou Automobile Sales & Service Co., Ltd.	Accept service	28,253.30	-
Liangshan Wanyou Automobile Sales & Service Co., Ltd.	Accept service	15,943.40	-
Chongqing Changan Real Estate Development Co., Ltd.	Accept service	8,962.26	-
China Changan Automobile Group Co ,Ltd.	Accept service	-	310,385.23
Chongqing Xiyi Automobile Connecting Rod Co., Ltd.	Accept service	-	116,398.24
Chengdu Ningxing Automobile Spring Co., Ltd.	Purchase of spare parts	-	17,404,696.45
Chongqing Wanyou Construction Co., Ltd.	Accept service	-	257,144.54
Total		8,737,629,483.46	11,145,780,765.70

The price of the Group's purchase from related parties is based on contracts agreed by both parties.

## Sales of goods and services to related parties

Related parties	Nature of the transaction	2018	2017
Chongqing Wanyou Economic Development Co., Ltd.	Sales of cars and spare parts	1,335,816,637.76	1,561,916,357.55
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	Sales of cars	958,757,083.78	975,719,318.04
Guizhou Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	808,716,796.96	1,003,042,141.84
Yunnan Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	675,259,160.22	841,434,091.94
Wanyou Automobile Investment Co., Ltd.	Sales of cars	507,090,525.03	614,678,667.25
The Automobile Trade Service Co. Ltd.	Sales of cars and spare parts	479,559,227.33	824,993,835.42
Chongqing Wanyou Zunda Automobile Sales & Service Co., Ltd.	Sale of spare parts	383,849,283.30	-
Changan Ford Automobile Co., Ltd.	Sale of spare parts and providing service	165,787,061.88	15,775,360.36
China Changan Automobile Group Tianjin Sales Co., Ltd.	Sales of cars	157,624,228.55	142,472,640.19
Guangxi Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	129,352,559.19	238,569,478.33
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	Sales of cars	125,126,513.10	108,897,440.96
Jiangling Holding Co., Ltd.	Sale of spare parts and providing service technical service	108,745,038.01	95,243,193.28
Chongqing Changan Min Sheng Logistics Co., Ltd.	Sale of spare parts and providing service	82,883,629.96	1,843,499.57
Chongqing Changan Suzuki Automobile Co., Ltd.	Sales of spare parts and providing service	31,641,044.87	15,123,607.10
Nanning Wanyou Auto Sales and Service Co., Ltd.	Sales of cars	32,422,600.95	61,999,048.73
Chongqing Anfu Automobile Co., Ltd.	Sales of cars	20,526,466.23	37,806,005.09
Hangzhou Chelizi Intelligent Technology Co., Ltd.	Providing service	16,714,615.80	
China South Industry Group Finance Co., Ltd.	Providing service	9,335,874.00	57,440,875.44
Harbin Dongan Auto Engine Co., Ltd.	Sale of spare parts and provind service	7,754,379.22	35,076,218.15
Yunnan Xiyi Industries Co., Ltd.	Sale of spare parts	6,605,219.44	7,277,992.45
Chongqing Changan Kuayue Automobile Co., Ltd.	Sales of cars and spare parts	6,483,396.23	4,377,088.40
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Sales of cars, spare parts and providing service	2,295,518.58	30,161,181.98
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Sale of spare parts	2,151,388.40	2,738,185.98
Changan Mazda Automobile Co., Ltd.	Sale of spare parts and provind service	1,095,230.99	-
Kunming Wanling Automobile Sales & Service Co., Ltd.	Sales of cars	1,754,335.49	-
Chengdu Lingchuan Special Industry Co., Ltd.	Sale of spare parts	311,546.13	4,708,798.64



Related parties	Nature of the transaction	2018	2017
Chongqing Wanyou Ducheng Automobile Sales Service Co., Ltd.	Sales of cars	196,879.96	-
Chongqing Wanyou Xingjian Auto Sales & Service Co., Ltd.	Sales of cars	177,344.51	-
CSIA-Chongqing Tsingshan Transmission Branch	Providing service	95,988.68	292,252.09
Chongqing Changan Real Estate Development Co., Ltd.	Providing service	62,735.85	-
Luzhou Wanyou Automobile Service Co., Ltd.	Sales of cars	58,264.92	-
Chongqing Nexteer Steering System Co.,Ltd.	Providing service	53,411.32	-
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	Providing service	49,056.61	-
Chongqing Shangfang Automobile Fittings Co., Ltd.	Sale of spare parts	47,075.48	21,667.92
Chongqing Changan Construction Co., Ltd.	Providing service	33,018.87	-
Changan Ford Mazda Engine Co., Ltd.	Providing service	30,132.08	-
Ya'an Wanyou Automobile Sales & Service Co., Ltd.	Sales of cars	16,589.56	-
Panzhihua Wanyou Automobile Sales & Service Co., Ltd.	Sales of cars	11,045.54	-
South Inter Air-conditioner Co, .Ltd.	Providing service	4,708.49	11,931.13
South Tianhe Chassis System Co., Ltd.	Providing service	3,754.72	72,181.13
Chengdu Wanyou Filter Co., Ltd.	Sale of spare parts	3,754.72	48,120.75
Sichuan Jian'an Industrial Co., Ltd	Providing service	3,754.72	-
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	Providing service	3,754.72	-
Chongqing Changrong Machinery Co., Ltd.	Providing service	3,754.72	-
Harbin Hafei Automobile Industry Group Co.,Ltd.	Providing technical service	-	7,058,479.96
Chengdu Huachuan Electric Equipment Co., Ltd.	Providing service and provding service	-	140,610.18
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	Sale of spare parts	-	50,513.21
Hubei Xiaogan Huazhong Automobile Light Co., Ltd	Sale of spare parts	-	4,722.22
Chongqing Changfeng Jiquan Machinery Co., Ltd.	Providing service	-	1,240.17
Total		6,058,514,386.87	6,688,996,745.45

The price of the Group's sales to related parties is based on contracts agreed by all parties.

#### Other major related-party transactions

The price of the Group's other major related-party transactions is based on contracts agreed by all parties.

#### Expenses of integrated service charges

Related parties	Nature of the transaction	2018	2017
Changan Industries Group Co. Ltd.	Payment of utilities	93,054,489.94	108,837,168.01
Changan Industries Group Co. Ltd.	Payment of land rental fees	28,534,520.71	26,975,981.43
Changan Industries Group Co. Ltd.	Payment of building rental fees	4,640,196.56	11,056,294.32
Changan Industries Group Co. Ltd.	Others	12,063,769.15	10,364,865.24
Changan Industries Group Co. Ltd.	Payment of firefighting fees	-	2,740,000.00
Harbin Hafei Automobile Industry Group Co., Ltd.	Intergrated service	-	79,555,300.00
Total		138,292,976.36	239,529,609.00

#### Purchase of project materials

Related parties	2018	2017
Chongqing Changan Construction Co., Ltd.	559,607,524.21	429,275,229.02
Chongqing Wanyou Construction Co., Ltd.	49,273,687.28	68,047,748.98
Total	608,881,211.49	497,322,978.00

#### Staff expenses for technical supporting

Related parties	2018	2017
Changan Ford Automobile Co., Ltd.	46,422,643.97	42,372,915.44
Changan Mazda Automobile Co., Ltd.	21,299,423.79	21,187,776.74
Changan Ford Mazda Engine Co., Ltd.	16,698,952.77	16,318,922.12
Chongqing Changan Kuayue Automobile Co., Ltd.	4,592,281.32	2,784,811.32
Chongqing Changan Suzuki Automobile Co., Ltd.	3,944,312.91	46,491,980.31
Jiangling Holding Co., Ltd.	640,737.47	1,497,727.68
Changan PSA Automobiles Co., Ltd.	-	(1,424,129.38)
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	-	281,990.59
Total	93,598,352.23	129,511,994.82

#### Capital occupied income

Related parties	2018	2017
Chongqing Wanyou Economic Development Co., Ltd.	894,864.11	501,588.89
Guizhou Wanyou Auto Sales and Service Co., Ltd.	559,068.24	81,722.22
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	414,834.46	659,937.61
The Automobile Trade Service Co. Ltd.	369,869.50	1,544,802.57

Yunnan Wanyou Auto Sales and Service Co., Ltd.	353,401.43	1,118,742.73
Wanyou Automobile Investment Co., Ltd.	337,044.19	705,979.48
Guangxi Wanyou Auto Sales and Service Co., Ltd.	127,362.28	128,670.08
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	46,192.24	14,478.64
Nanning Wanyou Auto Sales and Service Co., Ltd.	32,994.83	1,392.31
China Changan Automobile Group Tianjin Sales Co., Ltd.	32,328.30	-
<b>Total</b>	<b>3,167,959.58</b>	<b>4,757,314.53</b>

## Equity trading between related parties

Related parties	Type of transaction	2018	2017
Southern Industrial Asset Management Co., Ltd.	Purchase of minority interests in subsidiaries (Note VII, 1)	30,344,195.00	-
Yunnan Xiyi Industries Co., Ltd.	Disposal the shares of joint venture	-	7,069,600.00
Changan Industries Group Co. Ltd.	Acquisition subsidiary's minority stake	-	1.00

## (2) Lease between related parties

## Rent assets to related parties

Lessees	Type of leased assets	2018	2017
Jiangling Holding Co., Ltd.	Equipment	8,799,965.67	1,889,756.41
Changan Industries Group Co. Ltd.	Building	6,566,747.42	-
Chongqing Changan Min Sheng Logistics Co., Ltd.	Building	2,283,720.00	1,903,400.00
<b>Total</b>		<b>17,650,433.09</b>	<b>3,793,156.41</b>

## Rent assets from related parties

Lessors	Type of leased assets	2018	2017
Chongqing Changan Min Sheng Logistics Co., Ltd.	Storage	12,081,172.58	-
Chongqing Changan Real Estate Development Co., Ltd.	Office building and storage	2,824,308.00	2,766,244.60
Changan Industries Group Co. Ltd.	Land	2,320,669.33	68,571.44
Chongqing Changan Property Management Co., Ltd.	Building	164,505.72	518,193.00
Chongqing Changan Suzuki Automobile Co., Ltd.	Storage	-	734,293.28
Harbin Hafei Automobile Industry Group Co., Ltd.	Land	-	435,600.00
<b>Total</b>		<b>17,390,655.63</b>	<b>4,522,902.32</b>

## (3) Deposits and loan interest from related parties

## Deposits interest income

Related party	Type of transaction	2018	2017
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China South Industry Group Finance Co., Ltd.	Interest income	74,940,739.77	76,630,292.88
Changan Automobile Financing Co., Ltd.	Interest income	62,300,000.00	39,150,000.00
<b>Total</b>		<b>137,240,739.77</b>	<b>115,780,292.88</b>

Loan interest expense

Related party	Type of transaction	2018	2017
China South Industry Group Finance Co., Ltd.	Interest expense	9,008,290.98	6,950,091.68

(4) Other related party transaction

Item	2018	2017
Compensation of key management personal	10,748,878.64	13,599,300.00

## 6. Amounts due from/to related parties

Notes receivable

Related parties	2018	2017
Wanyou Automobile Investment Co., Ltd.	1,588,720,000.00	2,676,220,000.00
Chongqing Wanyou Economic Development Co., Ltd.	9,050,000.00	2,000,000.00
Yunnan Wanyou Auto Sales and Service Co., Ltd.	5,000,000.00	17,000,000.00
Changan Ford Automobile Co., Ltd.	2,128,658.11	
China Changan Automobile Group Tianjin Sales Co., Ltd.	-	37,824,480.00
The Automobile Trade Service Co. Ltd.	-	16,900,000.00
Guizhou Wanyou Auto Sales and Service Co., Ltd.	-	2,000,000.00
Guangxi Wanyou Auto Sales and Service Co., Ltd.	-	1,500,000.00
<b>Total</b>	<b>1,604,898,658.11</b>	<b>2,753,444,480.00</b>

Accounts receivable

Related parties	2018	2017
Jiangling Holding Co., Ltd.	54,670,170.21	30,661,901.66
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	32,628,379.07	43,541,400.14
Changan Ford Automobile Co., Ltd.	26,562,801.86	22,529,864.32
Chongqing Changan Min Sheng Logistics Co., Ltd.	24,295,732.61	-
Chongqing Changan Kuayue Automobile Co., Ltd.	13,567,425.09	10,887,572.26
Changan PSA Automobiles Co., Ltd.	9,377,634.60	22,926,567.86
Yunnan Wanyou Auto Sales and Service Co., Ltd.	8,494,704.49	4,700,833.08
The Automobile Trade Service Co. Ltd.	5,610,252.52	1,311,647.66
Hangzhou Chelizi Intelligent Technology Co., Ltd.	5,564,800.00	-
Changan Mazda Automobile Co., Ltd.	4,228,792.00	10,185,773.13
Changan Automobile Financing Co., Ltd.	426,120.00	-
Chongqing Wanyou Zunda Automobile Sales & Service Co., Ltd.	65,804.25	-
Chongqing Changan Suzuki Automobile Co., Ltd.	-	135,914,168.09

Related parties	2018	2017
Changan Industries Group Co. Ltd.	-	1,325,600.89
Total	185,492,616.70	283,985,329.09

Prepayments

Related parties	2018	2017
Changan PSA Automobiles Co., Ltd.	8,826,473.38	-
Guangxi Wanyou Auto Sales and Service Co., Ltd.	124,497.13	-
Chongqing Changan Suzuki Automobile Co., Ltd.	-	295,474.25
Total	8,950,970.51	295,474.25

Other receivables

Related party	2018	2017
Changan Ford Automobile Co., Ltd.	124,312,677.99	-
Harbin Hafei Automobile Industry Group Co., Ltd.	1,500,000.00	-
Harbin Dongan Auto Engine Co., Ltd.	268,000.00	268,000.00
Chongqing Changan Min Sheng Logistics Co., Ltd.	47,975.40	123,793.03
Chongqing Changan Suzuki Automobile Co., Ltd.	-	40,784,896.53
Total	126,128,653.39	41,176,689.56

Notes payable

Related parties	2018	2017
Harbin Dongan Auto Engine Co., Ltd.	460,430,000.00	617,420,000.00
Chongqing Changan Construction Co., Ltd.	298,387,280.00	332,992,262.00
Chongqing Changan Min Sheng Logistics Co., Ltd.	221,925,743.41	198,023,651.37
South Inter Air-conditioner Co., Ltd.	149,430,000.00	182,640,000.00
CSIA-Chongqing Tsingshan Transmission Branch	130,270,000.00	214,270,000.00
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	127,940,000.00	-
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	112,940,000.00	479,180,000.00
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	50,060,000.00	27,120,000.00
Chengdu Wanyou Filter Co., Ltd.	23,950,000.00	14,960,000.00
Southern Fojiya Auto Parts Co., Ltd.	22,090,000.00	
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	13,860,000.00	9,950,000.00
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	9,160,000.00	20,580,000.00
Sichuan Jian'an Industrial Co., Ltd	8,650,000.00	5,910,000.00
Chengdu Lingchuan Special Industry Co., Ltd.	8,000,000.00	170,000.00
Chongqing Changfeng Jiquan Machinery Co., Ltd.	7,900,000.00	5,510,000.00
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	7,270,000.00	7,690,000.00
Chongqing Yihong Engineering Plastic Products Co., Ltd.	4,500,000.00	5,310,000.00
Chengdu Huachuan Electric Equipment Co., Ltd.	2,490,000.00	2,190,000.00
Sichuan Hongguang Machinery and Electrics Co., Ltd.	2,240,000.00	2,030,000.00
Changan Ford Automobile Co., Ltd.	1,749,094.40	65,536,197.82
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	1,370,000.00	-

Related parties	2018	2017
Chongqing Shangfang Automobile Fittings Co., Ltd.	1,150,000.00	-
Chongqing Dajiang Jiexin Forging Co., Ltd.	1,120,000.00	-
Chongqing Changan Suzuki Automobile Co., Ltd.	-	189,532,516.13
South Tianhe Chassis System Co., Ltd.	-	1,370,000.00
Chongqing Wanyou Construction Co., Ltd.	-	52,786,747.00
Chengdu Ningxing Automobile Spring Co., Ltd.	-	1,110,000.00
Total	1,666,882,117.81	2,436,281,374.32

Accounts payable

Related parties	2018	2017
Chongqing Nexteer Steering System Co.,Ltd.	249,837,358.48	176,288,268.39
Harbin Dongan Auto Engine Co., Ltd.	161,417,419.68	345,797,944.98
South Tianhe Chassis System Co., Ltd.	106,558,182.07	199,363,707.33
CSIA-Chongqing Tsingshan Transmission Branch	104,125,292.03	207,968,397.78
Sichuan Jian'an Industrial Co., Ltd	80,657,220.16	117,078,608.55
South Inter Air-conditioner Co., Ltd.	76,175,712.19	171,872,351.49
Chongqing Wanyou Economic Development Co., Ltd.	66,540,872.82	54,096,010.02
Jiangling Holding Co., Ltd.	53,715,373.73	191,084,011.75
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	46,084,064.75	26,019,486.15
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	45,780,498.50	30,253,807.17
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	44,767,814.32	155,247,645.33
Southern Fojiya Auto Parts Co., Ltd.	41,239,427.48	
Chengdu Huachuan Electric Equipment Co., Ltd.	33,208,038.95	4,332,585.36
Chongqing Changan Min Sheng Logistics Co., Ltd.	27,674,139.19	37,085,168.07
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	27,597,844.39	21,933,236.63
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	24,826,794.96	2,976,243.85
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	21,513,647.99	18,068,182.67
Chengdu Wanyou Filter Co., Ltd.	21,426,685.22	42,372,755.39
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	17,663,383.80	25,415,872.54
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	17,161,138.52	5,527,769.06
Chongqing Changfeng Jiquan Machinery Co., Ltd.	9,917,256.01	14,806,992.88
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	9,586,665.78	4,093,547.21
Chongqing Shangfang Automobile Fittings Co., Ltd.	9,100,420.32	12,633,188.89
Chengdu Lingchuan Special Industry Co., Ltd.	8,664,902.18	3,626,071.14
Yunnan Xiyi Industries Co., Ltd.	6,535,900.15	5,574,383.25
Chongqing Qingshan Transmission Sales Co., Ltd.	5,262,876.71	548.02
Changan Ford Automobile Co., Ltd.	4,085,436.29	89,646,556.61
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	2,709,675.36	5,431,628.68
Chongqing Changrong Machinery Co., Ltd.	2,686,306.64	3,524,818.39
Chongqing Yihong Engineering Plastic Products Co., Ltd.	2,524,005.52	8,669,550.54
Chongqing Changan Industries Group Co. Ltd.	2,215,125.47	10,548,846.45
Chongqing Changan Kuayue Automobile Co., Ltd.	1,263,841.59	93,727,399.68
Sichuan Hongguang Machinery and Electrics Co., Ltd.	1,187,095.50	1,939,534.94

Related parties	2018	2017
Harbin Hafei Automobile Industry Group Co.,Ltd.	661,117.68	661,117.68
Chongqing Dajiang Jiexing Forging Co., Ltd.	282,878.46	605,591.85
Chongqing Automobile Air-conditioner Co., Ltd.	177,312.15	205,041.51
Chongqing Changan Construction Co., Ltd.	119,514.45	271,400.31
Chongqing Jialing Yimin Special Equipment Co., Ltd.	104,496.50	104,496.50
Chengdu Guangming Tianzhong Environmental Protection Technology Co., Ltd.	85,473.47	88,689.65
Chongqing Xiyi Automobile Connecting Rod Co., Ltd.	67,466.78	70,136.39
Chongqing Changan Suzuki Automobile Co., Ltd.	-	77,082,367.50
Beijing Beiji Mechanical and Electrical Industry Co., Ltd.	-	26,382.70
Sichuan Jian'an Industrial Co., Ltd – Chengdu Jian'an Automobile Bridge Branch	-	20,257.22
Chengdu Ningxing Automobile Spring Co., Ltd.	-	8,808,787.49
Total	1,335,208,676.24	2,174,949,387.99

Advances from customers

Related parties	2018	2017
Chongqing Wanyou Economic Development Co., Ltd.	30,602,220.89	147,992,787.85
Guizhou Wanyou Auto Sales and Service Co., Ltd.	24,770,462.88	93,966,433.63
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	23,961,768.86	149,605,982.46
Chongqing Changan Kuayue Automobile Co.,Ltd.	9,833,525.00	-
China Changan Automobile Group Tianjin Sales Co., Ltd.	7,694,948.94	8,262,589.55
Yunnan Wanyou Auto Sales and Service Co., Ltd.	6,741,068.88	56,027,446.21
Chongqing Changan Industries Group Co. Ltd.	5,289,712.91	-
Changan Ford Mazda Engine Co., Ltd.	3,347,884.03	3,202,789.69
Chongqing Wanyou Zunda Automobile Sales & Service Co.,	2,874,902.88	-
Guangxi Wanyou Auto Sales and Service Co., Ltd.	2,031,019.64	10,218,258.22
Chongqing Anfu Automobile Co., Ltd.	1,764,144.00	119,144.00
The Automobile Trade Service Co. Ltd.(changed from	1,031,647.35	28,665,986.30
Nanning Wanyou Auto Sales and Service Co., Ltd.	1,000,769.87	3,049,999.16
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	820,739.67	13,152,733.90
Harbin Hafei Automobile Industry Group Co., Ltd.	670,500.00	670,500.00
Wanyou Automobile Investment Co., Ltd.	394,254.00	33,392,271.43
Kunming Wanling Automobile Sales & Service Co., Ltd.	36,548.04	-
Chongqing Shangfang Automobile Fittings Co., Ltd.	3,980.00	-
Dali Wanling Auto Sales & Service Co., Ltd.	2,037.62	-
Luzhou Wanyou Automobile Service Co., Ltd.	121.00	-
Chongqing Changan Min Sheng Logistics Co., Ltd.	-	361,998.32
Southwest Ordnance Industry Corporation	-	113,420.00
South Inter Air-conditioner Co., Ltd.	-	4,991.00
Total	122,872,256.46	548,807,331.72

Other payables

Related parties	2018	2017
Chongqing Changan Min Sheng Logistics Co., Ltd.	105,930,160.43	159,507,227.79
China South Industries Group Corporation	29,580,000.00	-
Changan PSA Automobiles Co., Ltd.	26,007,857.90	-
Chongqing Changan Construction Co., Ltd.	13,471,837.97	23,746,341.39
Chongqing Changan Industries Group Co. Ltd.	8,784,882.05	4,841,997.36

Related parties	2018	2017
Chongqing Changan Property Management Co., Ltd.	2,252,567.36	2,470,202.68
Chongqing Wanyou Zunda Automobile Sales & Service	550,000.00	-
CSIA-Chongqing Tsingshan Transmission Branch	439,120.00	-
Chongqing Changan Real Estate Development Co., Ltd.	277,907.42	-
Guizhou Wanyou Auto Sales and Service Co., Ltd.	218,604.28	159,500.00
Chongqing Anfu Automobile Co., Ltd.	200,000.00	100,000.00
Changan Ford Mazda Engine Co., Ltd.	144,115.79	144,115.79
Chengdu Wanyou Filter Co., Ltd.	120,000.00	120,000.00
Chongqing Wanyou Economic Development Co., Ltd.	111,551.22	450,057.20
Chengdu Wanyou Xiangyu Auto Sales and Service Co.,	75,330.00	-
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	50,000.00	-
South Inter Air-conditioner Co., Ltd.	35,844.50	-
Yunnan Wanyou Auto Sales and Service Co., Ltd.	26,100.00	182,607.80
Harbin Hafei Automobile Industry Group Co., Ltd.	-	640,668.85
Chongqing Changan Suzuki Automobile Co., Ltd.	-	330,432.00
The Automobile Trade Service Co. Ltd.(changed from	-	191,979.64
Guangxi Wanyou Auto Sales and Service Co., Ltd.	-	150,000.00
Chongqing Wanyou Construction Co., Ltd.	-	2,278,297.00
Total	188,275,878.92	195,313,427.50

## 7. Cash deposited in related party

Related party	2018	2017
China South Industry Group Finance Co., Ltd.	3,312,617,903.21	4,449,345,493.13
Changan Automobile Financing Co.,Ltd	1,000,000,000.00	1,500,000,000.00
Total	4,312,617,903.21	5,949,345,493.13

In 2018, deposit rates in related party are 0.35% to 3.915%, deposit terms are 0 to 12 months. (in 2017, deposit rate was 0.35% to 3.915%, terms are 0 to 12 months.)

## X Related party relationships and transactions

### 8. Loans from related parties

#### Short-term loans

Related parties	2018	2017
China South Industry Group Finance Co., Ltd.	190,000,000.00	175,000,000.00

Refer to Note V 18 for the details of the interest rates of the short-term loan.

## XI Share-based payments

### 1. General information

	2018	2017
The total amount of the employee services as a result of the share-based payments	23,961,900.00	32,697,000.00



The equity settled share based payments are as follows:

	2018	2017
The accumulated amount of equity settled share-based payments included in capital reserve	23,961,900.00	32,697,000.00
The amount of equity settled share-based payments included in current year expense	(8,735,100.00)	18,981,100.00

## 2. Share-based payment scheme

On 23 September 2016, the share option was approved to be granted on 23 September 2016 by the 12th meeting of the seventh session of the Board of Directors and the 8th meeting of the seventh session of Board of Supervisors. According to the share option scheme, the Company granted 29,140,000 options to 202 employees, conferring rights to purchase 1 A share of Changan Automobile for each option before the expiration date. Share options are granted to directors, chief executive officers and key technical and management personnel.

The share option will expire in 5 years. After the vesting period of 24 month since the grant date, the option shall be exercised in three periods. In each exercise period, 1/3 of the total options could be exercised when the prescribed performance conditions are met. The exercise price is RMB13.478 per share. The options granted shall be exercised before the expiration date. The share should not be exercised unless the prescribed conditions are met. The exercisable shares not exercised in above periods will be written off by the Company.

The performance indicators of the share option includes:

- (1) Return on equity (ROE)
- (2) Net profit growth rate attributable to owners
- (3) Economic value added (EVA), and
- (4) The ratio of prime operating revenue to operating revenue

The above net profit and ROE are based on net profit and weighted average net assets attributable to owners deducting non-recurring gains and losses.

The exercise terms of share options:

Exercise Period	Exercise Ratio	Exercise Time	Exercise Terms
The 1 <sup>st</sup> exercise period	1/3	The 1st trading day since 24 month after the grant date to the last trading day since 36 month after the grant date	2017 net profit growth rate based on 2015 average growth rate $\geq 3.2\%$ (growth amount equivalent to RMB10,182,000,000); ROE $\geq 15\%$ The above indicators $\geq$ benchmark average, and $\geq 75$ quartile $\Delta$ EVA $>0$ ; The ratio of prime operating revenue to operating revenue $\geq 95\%$
The 2 <sup>nd</sup> exercise period	1/3	The 1st trading day since 36 month after the grant date to the last trading day since 48 month after the grant date	2018 net profit growth rate based on 2015 average growth rate $\geq 3.2\%$ (growth amount equivalent to RMB10,507,000,000); ROE $\geq 15\%$ The above indicators $\geq$ benchmark average, and $\geq 75$ quartile $\Delta$ EVA $>0$ ; The ratio of prime operating revenue to operating revenue $\geq 95\%$

The 3 <sup>rd</sup> exercise period	1/3	The 1st trading day since 48 month after the grant date to the last trading day since 60 month after the grant date	2019 net profit growth rate based on 2015 average growth rate $\geq 3.2\%$ (growth amount equivalent to RMB10,844,000,000); ROE $\geq 15\%$ The above indicators $\geq$ benchmark average, and $\geq 75$ quartile $\Delta$ EVA $> 0$ ; The ratio of prime operating revenue to operating revenue $\geq 95\%$

## 2. Share-based payment scheme (continued)

The fair value of the equity-settled share option is determined using Black-Scholes model based on the estimate in accordance with the terms and conditions of the share options. The input variables are as follows:

Valuation factors	23 September 2016
Dividend rate (%)	0%
Expected volatility (%)	29.78%
Historical volatility (%)	29.78%
Risk-free rate (%)	2.4987%
Expected duration (year)	4
Share price as at the grant date (yuan)	15.43

The expected duration of the option is based on the historical data of the past, which is not necessarily reflected in the exercise of the right in future. The expected volatility is based on the assumption that the historical volatility reflects the future trend, but not necessarily the actual results.

On the date of granting, the fair value of share options granted amounted to RMB139,527,600. Due the fact that the first and second prescribed performance conditions of the share option is not achieved and 19 employees have terminated the labor contract with the company and were no longer granted the options, the Board of Directors of the Company approved to cancel 20,330,000 shares of the share option. After cancellation, the number of the stock option issued by the company under the plan is 8,810,000 with the fair value of RMB42,183,885.90.

## XII Contingencies and commitments

### 1. Commitments

#### Contracted, but not provided for

Item	2018	2017
Capital commitments	18,178,474,088.33	16,723,740,000.00
Investment commitments	1,600,000,000.00	49,000,000.00

### 2. Contingencies

As at 31 December 2018, no material contingencies needed to be disclosed.

## XIII Events after the balance sheet date

### 1. The dividends after balance sheet date

Profits or dividends to be allocated	Refer to Note V 36.
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### 2. Other events after the balance sheet date

On 15 March 2019, according to the resolution of the 48th meeting of the seventh board of directors, the board of directors approved the proposal for the establishment of Nanjing Leadership Equity Investment Partnership (Limited Partnership). The company intends to invest RMB 1.6 billion, accounting for 16.39%, as a limited partner. As of the approval date of the financial statement, the above investment has not been completed.

As of the approval date of financial statement, no other significant event after balance sheet date was noted.

## XIV Other important event

### 1. Leasing arrangements

According to the lease contracts signed with the lessor, the minimum leases payments under non-cancellable leases are as follows:

Item	2018	2017
Less than 1 year (including 1 year)	21,731,575.60	15,795,702.31
1 to 2 years (including 2 years)	18,988,604.18	5,067,570.60
2 to 3 years (including 3 years)	14,221,234.39	7,038,573.12
Over 3 years	3,844,972.29	2,583,750.00
Total	58,786,386.46	30,485,596.03

### 2. Segment report

The Group identifies operating segments based on the internal organization structure, managerial requirements and internal reporting system, and identifies reportable segments based on operating segments and discloses segment information by operating segment.

An operating segment is a component of the Group that meets all the following conditions:

- (1) it engages in business activities from which it may earn revenues and incur expenses;
- (2) its operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and assess its performance; and
- (3) the Group is able to obtain relevant accounting information such as its financial position, operating results and cash flows.

If two or more segments have similar economic characteristics and meet certain conditions, they can be aggregated into a single operating segment.

The revenue and profit of the Group mainly consist of the automobile manufacturing and domestic sales. The Group's principal assets are in China. The operating performance of the Group has been evaluated as a whole by the management. So the segment report has not been prepared for this year.

### 3. Comparative Data

As stated in Note III 32, according to the Notice on Revising and Issuing Format of 2018 Annual Financial Statements for General Business Enterprises (Cai Kuai [2018] No.15) and the MOF's Interpretation of Related Issues on Format of 2018 Annual Financial Statements for General Business Enterprises, the accounting treatment, presentation and amount of a certain number of items in the financial statements have been revised to meet the new requirements. Accordingly, the data for 2017 have been adjusted, and the comparative data for 2017 have been re-classified and restated to ensure the presentation and accounting treatments are in conformity with the requirements for current year.

## XV Notes to the Company's financial statements

### 1. Notes Receivable and Accounts Receivable

	2018	2017
Notes Receivable	19,391,160,283.70	29,010,848,480.70
Accounts Receivable	5,679,160,679.69	4,991,996,591.00
Total	25,070,320,963.39	34,002,845,071.70

#### (1) Classification of Notes Receivable

	2018	2017
Commercial Acceptance Bill	6,045,651,669.20	8,797,054,230.70
Bank Acceptance Bill	13,345,508,614.50	20,213,794,250.00
Total	19,391,160,283.70	29,010,848,480.70

(2) On December 31, 2018, no bank pledges were issued for the issuance of bills payable.( December 31, 2017, Nil)

(3) The notes receivable that have been endorsed or discounted but have not expired on the balance sheet date are as follows:

	2018		2017	
	Termination confirmation	Not confirmed	Termination confirmation	Not confirmed
Bank acceptance bill	685,573,750.00	-	1,012,669,140.00	-

(4) On December 31, 2018, the amount of notes converted into accounts receivable due to the inability of the drawer to perform was RMB 22,574,581 (December 31, 2017: Nil).

#### Accounts Receivable

(1) Aging analysis of accounts receivable as at 31 December 2018 is as follows:

Aging	2018	2017
Within 1 year	3,595,148,552.67	3,184,481,577.60
1 to 2 years	1,225,896,003.03	1,508,834,126.68
2 to 3 years	616,246,477.50	201,227,844.24
Over 3 years	257,429,428.54	110,700,935.91
Total	5,694,720,461.74	5,005,244,484.43

Provision	(15,559,782.05)	(13,247,893.43)
	5,679,160,679.69	4,991,996,591.00

Movements of provision for accounts receivable are as follows:

	Beginning	Addition	Reduction		Ending Balance
			Reversal	Write-off	
2018	13,247,893.43	2,311,888.62	-	-	15,559,782.05
2017	11,776,256.96	1,471,636.47	-	-	13,247,893.43

(2) Analysis of the accounts receivable by category as at 31 December 2018 is as follows:

Item	2018				2017			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	74,433,396.10	1.31	-	-	-	-	-	-
Accounts receivable analyzed as groups for provision								
Group 1. Accounts receivable analyzed for provision according to aging analysis	50,150,446.67	0.88	15,559,782.05	31.03	336,704,741.88	6.73	13,247,893.43	3.93
Group 2. Accounts receivable from related parties	5,570,136,618.97	97.81	-	-	4,668,539,742.55	93.27	-	-
Group subtotal	5,620,287,065.64	98.69	15,559,782.05	0.28	5,005,244,484.43	100	13,247,893.43	0.26
Individually insignificant items but analyzed individually for provision	-	-	-	-	-	-	-	-
Total	5,694,720,461.74	100	15,559,782.05	0.27	5,005,244,484.43	100	13,247,893.43	0.26

In groups, accounts receivable were analyzed for provision by aging:

Aging	2018			2017		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	13,595,739.51	27.11	-	308,058,891.27	91.50	-
6 to 12 months	26.00	0.00	1.30	11,052,418.43	3.28	552,620.92
Within 1 year subtotal	13,595,765.51	27.11	1.30	319,111,309.70	94.78	552,620.92
1 to 2 years	19,562,282.40	39.00	1,956,228.24	5,432,400.00	1.61	543,240.00
2 to 3 years	4,838,400.00	9.65	1,451,520.00	2,836.67	0.00	851.00
3 to 4 years	-	-	-	14,028.00	0.00	7,014.00
4 to 5 years	9,831.25	0.02	7,865.00	-	-	-

Over 5 years	12,144,167.51	24.22	12,144,167.51	12,144,167.51	3.61	12,144,167.51
Total	50,150,446.67	100.00	15,559,782.05	336,704,741.88	100.00	13,247,893.43

In groups, accounts receivable were analyzed for provision with other methods:

Group	2018		2017	
	Balance	Provision	Balance	Provision
Accounts receivable from related parties	5,570,136,618.97	-	4,668,539,742.55	-

As at 31 December 2018, there was no individually significant items but analyzed individually for provision (2017: Nil).

(3) For the year ended 2018, no provision for accounts receivable has been reversed (2017: RMB Nil).

(4) For the year ended 2018, no write-offs for accounts receivable provision (2017: RMB Nil ).

(5) As at 31 December 2018, accounts receivable from top 5 clients amounted to RMB4,575,962,128.25, accounted for 80.35% of the total amount (2017 : RMB3,973,737,026.11, accounted for 79.39% of the total amount).

(6) There is no accounts receivable derecognized due to transference of financial assets during 2018 (2017: Nil).

## 2. Other receivables

	2018	2017
Interest Receivable	17,432,805.54	42,184,263.88
Other Receivables	2,326,885,353.29	1,723,723,602.89
Total	2,344,318,158.83	1,765,907,866.77

Interest Receivable

	2018	2017
Interest on deposits	17,432,805.54	42,184,263.88

Other receivables

(1) Aging analysis of other receivables as at 31 December 2018 is as follows:

Aging	2018	2017
Within 1 year	1,924,149,413.17	1,683,813,894.71
1 to 2 years	377,568,132.71	26,899,001.97
2 to 3 years	14,030,436.00	6,170,910.10
Over 3 years	11,740,802.81	7,928,129.93
Total	2,327,488,784.69	1,724,811,936.71
Provision	(603,431.40)	(1,088,333.82)

Net Value	2,326,885,353.29	1,723,723,602.89
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Movements of provisions for other receivables are as follows:

	Opening Balance	Addition	Deduction		Ending Balance
			Reversal	Write-off	
2018	1,088,333.82	-	484,902.42	-	603,431.40
2017	995,559.54	92,774.28	-	-	1,088,333.82

(2) Analysis of other receivables by category as at 31 December 2018 is as follows:

Item	2018				2017			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	1,720,350,524.62	73.91	-	-	1,127,509,417.42	65.37	-	-
Other receivables analyzed as groups for provision								
Group 1. Other receivables analyzed for provision according to aging analysis	118,981,025.65	5.12	603,431.40	0.51	125,520,423.39	7.28	1,088,333.82	0.87
Group 2. Other receivables from related parties	488,157,234.42	20.97	-	-	471,782,095.90	27.35	-	-
Group subtotal	607,138,260.07	26.09	603,431.40	0.10	597,302,519.29	34.63	1,088,333.82	0.18
Individually insignificant items but analyzed individually for provision	-	-	-	-	-	-	-	-
Total	2,327,488,784.69	100	603,431.40	0.03	1,724,811,936.71	100	1,088,333.82	0.06

In groups, other receivables were analyzed for provision by aging:

Aging	2018			2017		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	113,310,739.93	95.23	-	119,053,084.31	94.85	-
6 to 12 months	5,233,386.34	4.40	261,669.32	5,512,392.58	4.39	275,619.62
Within 1 year subtotal	118,544,126.27	99.63	261,669.32	124,565,476.89	99.24	275,619.62
1 to 2 years	65,703.03	0.06	6,570.30	76,250.15	0.06	7,625.02
2 to 3 years	-	-	-	48,000.00	0.04	14,400.00
3 to 4 years	34,672.34	0.03	17,336.17	80,014.34	0.06	40,007.17
4 to 5 years	93,342.00	0.08	74,673.60	-	-	-
Over 5 years	243,182.01	0.20	243,182.01	750,682.01	0.60	750,682.01
Total	118,981,025.65	100	603,431.40	125,520,423.39	100	1,088,333.82

- (3) For the year ended 2018, the amount of other receivables transferred back to the provision for bad debts was RMB484,902.42 (2017: Nil).
- (4) For the year ended 2018, there was no write-off for other receivable provision (2017: Nil).
- (5) Analysis of other receivables by nature is as follows:

Nature	2018	2017
Energy-saving and new energy subsidy	1,667,483,759.60	1,080,007,000.00
Technical royalties	3,935,124.21	179,848,570.43
Disposal income of assets	119,142,595.23	137,053,901.49
Loans to third parties	200,000,000.00	124,782,800.00
Pretty cash	83,196,870.08	92,067,567.52
Others	253,127,004.17	109,963,763.45
Total	2,326,885,353.29	1,723,723,602.89

- (6) As at 31 December 2018, top five debtors of other receivables are as follows:

Debtors	Amount	Aging	Proportion of total other receivables (%)	Ending balance of provision
First	1,667,483,759.60	Within 4years	71.64	-
Second	200,000,000.00	Within 1 year	8.59	-
Third	124,312,677.99	Within 1 year	5.34	-
Forth	68,155,043.85	Within 1 year	2.93	-
Fifth	21,593,411.66	1 to 2 year	0.93	-
Total	2,081,544,893.10		89.43	-

- (7) There is no other receivables derecognized due to transfer of financial assets during 2018 (2017: Nil).



### 3. Long-term investments

2018

Investee	Opening Balance	Addition	Deduction	Investment income/loss under equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Other deduction	Provision	Ending Balance of book value	Ending Balance of provision
Joint ventures											
Chongqing Changan Suzuki Automobile Co., Ltd.	1,190,705,710.43	-	-	(595,756,652.13)	-	-	-	(594,949,058.30)	-	-	-
Jiangling Holding Co., Ltd.	2,907,749,943.37	-	-	(409,453,173.08)	(706,228.88)	(3,835,625.88)	-	-	-	2,493,754,915.53	-
Changan Ford Automobile Co., Ltd.	4,125,426,104.20	-	-	(415,641,597.09)	-	-	-	-	-	3,709,784,507.11	-
Changan Mazda Automobile Co., Ltd.	2,439,429,811.02	-	-	1,263,196,852.39	-	-	(1,230,000,000.00)	-	-	2,472,626,663.41	-
Changan Ford Mazda Engine Co., Ltd.	903,838,395.08	-	-	38,465,362.88	-	-	(114,500,000.00)	-	-	827,803,757.96	-
Changan PSA Automobiles Co., Ltd.	93,561,126.76	1,800,000,000.00	-	(437,042,058.02)	-	-	-	-	-	1,456,519,068.74	-
Changan Weilai New Energy Automobile Technology Co., Ltd.	-	49,000,000.00	-	(4,934,486.09)	-	-	-	-	-	44,065,513.91	-
Subtotal	11,660,711,090.86	1,849,000,000.00	-	(561,165,751.14)	(706,228.88)	(3,835,625.88)	(1,344,500,000.00)	(594,949,058.30)	-	11,004,554,426.66	-
Associates											
Chongqing Changan Kuayue Automobile Co., Ltd.	101,399,892.43	-	-	28,908,342.54	-	-	(13,720,000.00)	-	-	116,588,234.97	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an taxi Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-
Changan Automobile Financing Co., Ltd.	1,817,669,991.73	-	-	212,947,165.68	-	-	-	-	-	2,030,617,157.41	-
Zhenjiang Demao Hairun equity investment Co., Ltd.	518,742,921.95	-	-	(239,867.54)	77,231,613.62	-	-	(595,734,668.03)	-	-	-
Hainan Anxinxing Information Technology Co., Ltd.	-	6,000,000.00	-	(463,444.79)	-	-	-	-	-	5,536,555.21	-
Nanjing Chelai Travel Technology Co., Ltd.	-	2,000,000.00	-	(186,383.86)	-	-	-	-	-	1,813,616.14	-
Hunan Guoxin Semiconductor Technology Co., Ltd.	-	25,000,000.00	-	-	-	-	-	-	-	25,000,000.00	-
Subtotal	2,437,812,806.11	33,000,000.00	-	240,965,812.03	77,231,613.62	-	(13,720,000.00)	(595,734,668.03)	-	2,179,555,563.73	-
Subsidiaries											

Investee	Opening Balance	Addition	Deduction	Investment income/loss under equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Other deduction	Provision	Ending Balance of book value	Ending Balance of provision
Nanjing Changan Automobile Co., Ltd.	422,533,259.00	-	-	-	-	-	-	-	-	422,533,259.00	-
Hebei Changan Automobile Co., Ltd.	438,223,236.00	-	-	-	-	-	-	-	-	438,223,236.00	-
Chongqing Changan International Automobile Sales Co., Ltd.	13,068,581.00	-	-	-	-	-	-	-	-	13,068,581.00	-
Chongqing Changan Automobile supporting service Co., Ltd.	29,700,000.00	-	-	-	-	-	-	-	-	29,700,000.00	-
Chongqing Changan Connected Car Technology Co., Ltd.	88,500,000.00	-	-	-	-	-	-	-	-	88,500,000.00	-
Chongqing Changan Automobile sales subsidiaries	3,150,000.00	-	(3,150,000.00)	-	-	-	-	-	-	-	-
Chongqing Changan Special Automobile sales Co., Ltd.	2,500,000.00	-	-	-	-	-	-	-	-	2,500,000.00	-
Chongqing Changan Europe Design Academy Co., Ltd.	155,469,913.50	-	-	-	-	-	-	-	-	155,469,913.50	-
Chongqing Changan new Energy Automobile Co. Ltd.	18,850,000.00	30,344,195.00	-	-	-	-	-	-	-	49,194,195.00	-
Changan United Kingdom R&D Center Co., Ltd.	236,387,395.40	-	-	-	-	-	-	-	-	236,387,395.40	-
Beijing Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	-	1,000,000.00	-
Harbin Changan R&D Center Co., Ltd.	1,000,000.00	-	(1,000,000.00)	-	-	-	-	-	-	-	-
Shanghai Changan R&D Center Co., Ltd.	1,000,000.00	-	(1,000,000.00)	-	-	-	-	-	-	-	-
Changan Japan Designing Center Co., Ltd.	1,396,370.15	-	-	-	-	-	-	-	-	1,396,370.15	-
Changan United States R&D Center Co., Ltd.	10,243,460.00	-	-	-	-	-	-	-	-	10,243,460.00	-
Hebei Baoding Changan Bus Co., Ltd.	176,002,613.18	-	-	-	-	-	-	-	-	176,002,613.18	-
Hefei Changan Automobile Company Ltd.	35,367,765.23	-	-	-	-	-	-	-	-	35,367,765.23	-
Changan Automobile Russia Co., Ltd.	1,242,589.15	-	-	-	-	-	-	-	-	1,242,589.15	-
Changan Brazil Holdings Limited	2,584,556.97	-	-	-	-	-	-	-	-	2,584,556.97	-
Changan Automobile Investment (Shenzhen) Co., Ltd.	50,000,000.00	98,000,000.00	-	-	-	-	-	-	-	148,000,000.00	-

Investee	Opening Balance	Addition	Deduction	Investment income/loss under equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Other deduction	Provision	Ending Balance of book value	Ending Balance of provision
Nanjing Changan New Energy Automobile Sales & Service Co., Ltd.	-	50,000,000.00	-	-	-	-	-	-	-	50,000,000.00	-
Fuzhou Fuqing Changan New Energy Automobile Sales Co., Ltd.	-	2,000,000.00	-	-	-	-	-	-	-	2,000,000.00	-
Xiamen Changan New Energy Automobile Sales & Service Co., Ltd.	-	2,000,000.00	-	-	-	-	-	-	-	2,000,000.00	-
Guangzhou Changan New Energy Automobile Sales & Service Co., Ltd.	-	4,000,000.00	-	-	-	-	-	-	-	4,000,000.00	-
Chongqing Changan New Energy Automobile Technology Co., Ltd.	-	1,238,742,571.54	-	-	-	-	-	-	-	1,238,742,571.54	-
Changan Suzuki Automobile Co., Ltd.	-	594,949,059.30	-	-	-	-	-	-	-	594,949,059.30	-
Zhenjiang Demao Hairun Equity Investment Fund Partnership (Limited Partnership)	-	1,129,922,044.91	-	-	-	-	-	-	-	1,129,922,044.91	-
Subtotal	1,688,219,739.58	3,149,957,870.75	(5,150,000.00)	-	-	-	-	-	-	4,833,027,610.33	-
Total	15,786,743,636.55	5,031,957,870.75	(5,150,000.00)	(320,199,939.11)	76,525,384.74	(3,835,625.88)	(1,358,220,000.00)	(1,190,683,726.33)	-	18,017,137,600.72	-

2017

Investee	Opening Balance	Addition	Deduction	Investment income/loss under equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Joint ventures										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,230,836,876.85			(42,413,558.40)	-	2,282,391.98	-		1,190,705,710.43	-
Jiangling Holding Co., Ltd.	2,991,207,303.06			(86,461,777.56)	(248,641.80)	3,253,059.67	-		2,907,749,943.37	-
Changan Ford Automobile Co., Ltd.	5,663,808,819.68			6,039,117,284.52	-	-	(7,577,500,000.00)		4,125,426,104.20	-
Changan Mazda Automobile Co., Ltd.	2,146,340,500.42			1,268,089,310.60	-	-	(975,000,000.00)		2,439,429,811.02	-
Changan Ford Mazda Engine Co., Ltd.	908,715,700.67			119,122,694.41	-	-	(124,000,000.00)		903,838,395.08	-
Changan PSA Automobiles Co., Ltd.	647,839,655.26			(554,278,528.50)	-	-	-		93,561,126.76	-
Subtotal	13,588,748,855.94	-	-	6,743,175,425.07	(248,641.80)	5,535,451.65	(8,676,500,000.00)	-	11,660,711,090.86	-
Associates										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	7,556,448.42	-	(6,005,819.20)	(1,550,629.22)	-	-	-	-	-	-
Chongqing Changan Kuayue Automobile Co., Ltd.	83,406,464.16	-	-	17,993,428.27	-	-	-	-	101,399,892.43	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an taxi Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Changan Automobile Financing Co., Ltd.	1,063,655,241.51	650,000,000.00	-	95,278,795.38	-	8,735,954.84	-	-	1,817,669,991.73	-
Zhenjiang Demao Hairun equity investment fund partnership (limited partnership)	-	518,743,029.48	-	(107.53)	-	-	-	-	518,742,921.95	-
Subtotal	1,154,618,154.09	1,168,743,029.48	(6,005,819.20)	111,721,486.90	-	8,735,954.84	-	-	2,437,812,806.11	-
Subsidiaries										
Nanjing Changan Automobile Co., Ltd.	422,533,259.00	-	-	-	-	-	-	-	422,533,259.00	-
Hebei Changan Automobile Co., Ltd.	438,223,236.00	-	-	-	-	-	-	-	438,223,236.00	-
Chongqing Changan International Automobile	13,068,580.00	1.00	-	-	-	-	-	-	13,068,581.00	-

Sales Co., Ltd.										
Chongqing Changan Automobile supporting service Co., Ltd.	29,700,000.00	-	-	-	-	-	-	-	29,700,000.00	-
Chongqing Changan Connected Car Technology Co., Ltd.	88,500,000.00	-	-	-	-	-	-	-	88,500,000.00	-
Chongqing Changan Automobile sales subsidiaries	5,600,000.00	-	(2,450,000.00)	-	-	-	-	-	3,150,000.00	-
Chongqing Changan Special Automobile sales Co., Ltd.	2,500,000.00	-	-	-	-	-	-	-	2,500,000.00	-
Chongqing Changan Europe Design Academy Co., Ltd.	155,872,524.00	(402,610.50)	-	-	-	-	-	-	155,469,913.50	-
Chongqing Changan new Engergy Automobile Co. Ltd.	18,850,000.00	-	-	-	-	-	-	-	18,850,000.00	-
Changan United Kingdom R&D Center Co., Ltd.	236,387,395.40	-	-	-	-	-	-	-	236,387,395.40	-
Beijing Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Harbin Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Shanghai Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Changan Japan Designing Center Co., Ltd.	1,396,370.15	-	-	-	-	-	-	-	1,396,370.15	-
Changan United States R&D Center Co., Ltd.	1,317,720.00	8,925,740.00	-	-	-	-	-	-	10,243,460.00	-
Hebei Baoding Changan Bus Co., Ltd.	176,002,613.18	-	-	-	-	-	-	-	176,002,613.18	-
Hefei Changan Automobile Company Ltd.	35,367,765.23	-	-	-	-	-	-	-	35,367,765.23	-
Changan Automobile Russia Co., Ltd.	1,242,589.15	-	-	-	-	-	-	-	1,242,589.15	-
Changan Brazil Holdings Limited	2,584,556.97	-	-	-	-	-	-	-	2,584,556.97	-
Shenzhen Changan New Energy Automobile Service Co., Ltd.	50,000,000.00	-	-	-	-	-	-	-	50,000,000.00	-
Subtotal	1,682,146,609.08	8,523,130.50	(2,450,000.00)	-	-	-	-	-	1,688,219,739.58	-
Total	16,425,513,619.11	1,177,266,159.98	(8,455,819.20)	6,854,896,911.97	(248,641.80)	14,271,406.49	(8,676,500,000.00)	-	15,786,743,636.55	-

#### 4. Operating revenue and cost

##### (1) Operating revenue, operating cost

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Primary Operation	60,779,233,113.82	53,517,880,999.83	75,808,523,264.79	68,132,068,016.71
Other Operation	2,600,231,648.38	991,067,244.30	1,949,953,122.72	600,493,843.34
Total	63,379,464,762.20	54,508,948,244.13	77,758,476,387.51	68,732,561,860.05

##### (2) Revenue listed by products are as follows:

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Sales of goods	63,173,489,211.84	54,268,833,774.82	77,539,745,872.67	68,427,035,082.82
Outsourcing processing	205,975,550.36	240,114,469.31	218,730,514.84	305,526,777.23
Total	63,379,464,762.20	54,508,948,244.13	77,758,476,387.51	68,732,561,860.05

#### 5. Investment income

##### (1) Details of investment income

Item	2018	2017
Long-term equity investment income under cost method	628,650,000.00	-
Long-term equity investment income under equity method	(320,199,939.11)	6,854,896,911.97
Investment income during holding period of available-for-sale financial assets	51,133,446.15	50,364,239.43
Others	23,539,707.32	2,802,352.95
Total	383,123,214.36	6,908,063,504.35

##### (2) Available-for-sale financial assets under cost method

Investee	2018	2017
Cash dividend received from China South Industry Group Finance Co., Ltd.	48,909,006.75	46,814,239.43
Guolian Automotive Power Battery Research Institute Co., Ltd.	449,438.20	-
Total	49,358,444.95	46,814,239.43

## (3) Long-term equity investment income under equity method

Investee	2018	2017	Reason for the fluctuation
Changan Ford Automobile Co., Ltd.	(415,641,597.09)	6,039,117,284.52	Decrease in profit due to sales decrease
Changan Mazda Automobile Co., Ltd.	1,263,196,852.39	1,268,089,310.60	
Chongqing Changan Suzuki Automobile Co., Ltd.	(595,756,652.13)	(42,413,558.40)	Decrease in profit due to sales decrease
Changan Ford Mazda Engine Co., Ltd.	38,465,362.88	119,122,694.41	Decrease in profit due to sales decrease
Jiangling Holding Co., Ltd.	(409,453,173.08)	(86,461,777.56)	Decrease in profit due to sales decrease
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	-	(1,550,629.22)	Decrease in profit due to sales decrease
Changan PSA Automobiles Co., Ltd.	(437,042,058.02)	(554,278,528.50)	Decrease in profit due to low sales
Chongqing Changan Kuayue Automobile Co., Ltd.	28,908,342.54	17,993,428.27	Increase in profit due to sales expansion
Changan Automobile Financing Co., Ltd.	212,947,165.68	95,278,795.38	Increase in profit due to sales expansion
Zhenjiang Demao Hairun equity investment fund partnership (limited partnership)	(239,867.54)	(107.53)	
Changan Weilai New Energy Automobile Technology Co., Ltd.	(4,934,486.09)	-	Early establishment, operating loss
Hainan Anxinxing Information Technology Co., Ltd.	(463,444.79)	-	Early establishment, operating loss
Nanjing Chelai Travel Technology Co., Ltd.	(186,383.86)	-	Early establishment, operating loss
Total	(320,199,939.11)	6,854,896,911.97	

**1. Schedule of non-recurring profit and loss**

Item	2018
Gain and loss arising from disposal of non-current assets (including writing-off of accrued impairment loss on assets)	8,561,074.73
Government grants (excluding the grants closely related to enterprise business, which the Group enjoyed according to the allotment standards or quantitative criteria of the country)	2,873,192,102.56
The investment cost of the enterprise to obtain subsidiaries, joint ventures and joint ventures is less than the gain from the fair value of the identifiable net assets of the investee when the investment is obtained.	1,020,821,274.01
Other non-operating income and expenses	29,303,167.73
Capital occupied income from non-financial entities	48,285,737.46
Effect on income tax	(82,007,701.31)
Effect on minority shareholders (after tax)	(52,356,990.94)
<b>Total</b>	<b>3,845,798,664.24</b>

Note: the non-recurring profit and loss were presented with amount before tax.

The Group disclosed non-recurring profit and loss items in accordance with the regulations issued by China Security Regulation Commission, No 1 Regulation of Information Disclosure of Public Companies-Non-recurring Profit and Loss <CSRC 2008(43)>

**2. Return on equity and earnings per share**

2018

Profit	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	1.45	0.14	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	(6.75)	(0.66)	N/A

2017

Profit	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	15.65	1.49	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	12.53	1.19	N/A

In accordance with the regulations issued by China Security Regulation Commission, Regulation of Information Disclosure of Public Companies—the Calculation and Disclosure of Return of Net Assets and Earning per Share (2010 Revision), the Group disclosed the return of net assets and earnings per share in the reporting period.



## Chapter 11 Documents for Future Reference

1. Financial reports with signatures and stamps of the legal representative, the chief accountant and the chief of accounting organization.

2. The original copy of audit report with the stamp of the CPA firm and the signature and stamp of the Certified Public Accountant.

3. All the original documents and manuscripts of the Company which has been disclosed in the reporting period in the newspapers designated by China Securities Regulatory Commission.

Annual reports disclosed in other securities markets.

Chairman of the Board:

Mr.Zhang Baolin

General Manager:

Mr. Zhu Huarong

Chongqing Changan Automobile Co., Ltd.

23 April, 2019