



无锡威孚高科技集团股份有限公司

**Weifu High-Technology Group Co., Ltd.**

**ANNUAL REPORT 2018**

**April 2019**

## Section I. Important Notice, Contents and Paraphrase

**Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Weifu High-Technology Group Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.**

**Chen Xuejun, Principal of the Company, Ou Jianbin, person in charge of accounting works and Ou Jianbin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2018 Annual Report is authentic, accurate and complete.**

**Other directors attending the Meeting for annual report deliberation except for the followed**

Name of director absent	Title for absent director	Reasons for absent	Attorney
Zhang Xiaogeng	Director	Travel for business	Hua Wanrong

**Concerning the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors. Investors should be cautious with investment risks. The Company described the risks that might occurred in the operation in the report “IX- The Company’s future development prospects” of “Section IV- Discussion and Analysis of the Operation” and “X. Risks with financial instrument concerned” in Section XI. Financial Report, as well as the risk management policy the Company will take in order to reduce those risks. Investors should pay attention to relevant content.**

**The *China Securities Journal*, *Securities Times*, *Hong Kong Commercial Daily* and *Juchao* Website are the information disclosure media appointed by the Company, all information should be prevail on the above mentioned media, investors are advised to pay attention on investment risks.**

**The profit distribution plan that deliberated and approved by the Board is: based on total stock issue of 1,008,950,570, distributed 12.00 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 shares bonus issued (tax included) and no capitalizing of common reserves carried out.**

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## Paraphrase

Items	Refers to	Contents
Company, The Company, Weifu High-technology	Refers to	Weifu High-Technology Group Co., Ltd.
Weifu Group	Refers to	Wuxi Weifu Group Co., Ltd.
Industry Group	Refers to	Wuxi Industry Development Group Co., Ltd.
Robert Bosch, Robert Bosch Company	Refers to	Robert Bosch Co., Ltd., ROBERT BOSCH GMBH
Bosch Automobile Diesel, Bosch Diesel System	Refers to	Bosch Automobile Diesel System Co., Ltd.
Weifu Leader	Refers to	Wuxi Weifu Leader Catalytic Converter Co., Ltd.
Weifu Jinning	Refers to	Nanjing Weifu Jinning Co., Ltd.
Weifu Chang'an	Refers to	Wuxi Weifu Chang'an Co., Ltd.
Weifu Mashan	Refers to	Weifu Mashan Pump Glib Co., Ltd.
Weifu ITM	Refers to	Wuxi Weifu ITM Supercharging Technique Co., Ltd.
Weifu Tianli	Refers to	Ningbo Weifu Tianli Supercharging Technique Co., Ltd.
Weifu Schmidt	Refers to	Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.
Weifu International Trade	Refers to	Wuxi Weifu International Trade Co. Ltd.
Weifu Autocam	Refers to	Wuxi Weifu-Autocam Fine Machinery Co. Ltd.
Weifu Environment	Refers to	Wuxi Weifu Environment Catalyst Co., Ltd.
Weifu Precision Machinery	Refers to	Weifu Precision Machinery Manufacturing Co., Ltd.
Zhonglian Electronic	Refers to	Zhonglian Automobile Electronic Co., Ltd.
Taiji Industry	Refers to	Wuxi Taiji Industry Corporation Limited
CSRC	Refers to	China Securities Regulatory Commission
SZ Stock Exchange	Refers to	Shenzhen Stock Exchange
Jiangsu Gongzheng	Refers to	Jiangsu Gongzheng Tianye Certified Public Accountants (Special General Partnership)
The reporting period	Refers to	From 1 Jan. 2018 to 31 Dec. 2018

## Section II Company Profile and Main Financial Indexes

### I. Company information

Short form of the stock	Weifu High-Tech, Su Weifu-B	Stock code	000581, 200581
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	无锡威孚高科技集团股份有限公司		
Short form of the Company (in Chinese)	威孚高科		
Foreign name of the Company (if applicable)	WEIFU HIGH-TECHNOLOGY GROUP CO.,LTD.		
Short form of foreign name of the Company (if applicable)	WFHT		
Legal representative	Chen Xuejun		
Registrations add.	No.5 Huashan Rd. New District, Wuxi City		
Code for registrations add	214028		
Offices add.	No.5 Huashan Rd. New District, Wuxi City		
Codes for office add.	214028		
Company's Internet Web Site	<a href="http://www.weifu.com.cn">http://www.weifu.com.cn</a>		
E-mail	Web @ weifu.com.cn		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Zhou Weixing	Yan Guohong
Contact add.	No.5, Huashan Road, New District, Wuxi City	No.5, Huashan Road, New District, Wuxi City
Tel.	0510-80505999	0510-80505999
Fax.	0510-80505199	0510-80505199
E-mail	wfjt@public1.wx.js.cn	wfjt@public1.wx.js.cn

### III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>China Securities Journal; Securities Times; Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Preparation place for annual report	Office of the Board of Directors

#### IV. Registration changes of the Company

Organization code	91320200250456967N
Changes of main business since listing (if applicable)	No change
Previous changes for controlling shareholders (if applicable)	Controlling shareholder of the Company was Weifu Group before 2009. and in 2019, controlling shareholder changed to Industry Group since 31 May 2009 due to the merged of Industry Group and Weifu Group. Weifu Group and Industry Group were wholly state-owned companies of Wuxi State-owned Assets Supervision & Administration Commission of State Council, therefore, actual controller of the Company turns to Wuxi State-owned Assets Supervision & Administration Commission of State Council.

#### V. Other relevant information

CPA engaged by the Company

Name of CPA	Jiangsu Gongzheng Tianye Certified Public Accountants (Special General Partnership)
Offices add. for CPA	10/F, No.5 Building, Jiakaicheng Fortune Center, Jingrong 3 <sup>rd</sup> Street, Taihu Xincheng, Binghu District, Wuxi, Jiangsu Province
Signing Accountants	Bo Lingjing, Meng Yin

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable  Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable  Not applicable

#### VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes  No

	2018	2017	Changes over last year	2016
Operating income (RMB)	8,721,674,671.18	9,017,280,159.80	-3.28%	6,422,700,399.27
Net profit attributable to shareholders of the listed company(RMB)	2,396,077,415.21	2,571,339,490.04	-6.82%	1,672,224,317.05
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	2,014,800,714.20	2,322,218,596.99	-13.24%	1,435,963,836.76
Net cash flows arising from operating activities (RMB)	874,381,526.63	957,697,901.07	-8.70%	527,344,364.04
Basic earnings per share (RMB/Share)	2.37	2.55	-7.06%	1.66
Diluted earnings per share (RMB/Share)	2.37	2.55	-7.06%	1.66

Weighted average ROE	15.48%	18.52%	-3.04%	13.53%
	End of 2018	End of 2017	Changes over end of last year	End of 2016
Total assets (RMB)	20,892,041,460.30	20,231,006,224.36	3.27%	17,263,771,897.78
Net assets attributable to shareholder of listed company (RMB)	15,913,828,778.82	14,835,673,669.75	7.27%	12,927,344,292.47

## VII. Difference of the accounting data under accounting rules in and out of China

### 1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

### 2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

## VIII. Quarterly main financial index

In RMB

	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q
Operating income	2,391,982,640.39	2,568,819,250.60	1,898,914,219.62	1,861,958,560.57
Net profit attributable to shareholders of the listed company	784,228,178.43	761,014,526.49	510,387,493.91	340,447,216.38
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	691,078,505.55	687,786,996.02	452,953,425.86	182,981,786.77
Net cash flows arising from operating activities	86,416,705.11	292,506,985.37	127,146,119.98	368,311,716.17

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes  No

## IX. Items and amounts of extraordinary profit (gains)/loss

Applicable  Not applicable

In RMB

Item	2018	2017	2016	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	96,162,222.57	-3,233,320.26	-6,229,604.16	Including gains from the compensation of expropriation of housing and land of Weifu Jinning
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	48,811,314.99	48,162,140.65	43,963,942.28	
Profit and loss of assets delegation on others' investment or management	311,261,918.65	221,705,034.02	205,047,032.68	
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	16,880,487.62	24,625,516.88	31,650,057.18	Including the gain/loss of fair value changes from derivative financial liability
Switch back of provision for depreciation of account receivable which was singly taken depreciation test	466,200.00	1,756,052.60	2,338,453.69	
Other non-operating income and expenditure except for the aforementioned items	-597,126.12	4,479,807.85	4,481,317.09	
Other gain/loss qualify the definition of non-recurring gains/losses	353,111.39			The amount collected in the period while has been charged-off previous
Relocation expenses			-57,116.41	
Less: Impact on income tax	70,234,077.14	43,481,221.93	42,191,376.78	
Impact on minority shareholders' equity (post-tax)	21,827,350.95	4,893,116.76	2,742,225.28	
Total	381,276,701.01	249,120,893.05	236,260,480.29	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable  Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

## Section III Summary of Business

### I. Main businesses of the company in the reporting period

#### (i) Main business of the Company

1. The Company belongs to auto parts industry, and its main business products include diesel fuel injection system products, exhaust after-treatment system products and air management system products.

#### 2. Main uses of the Company's products

(1) The diesel fuel injection system products are widely used in different power diesel engines supporting all types of trucks, passenger cars, buses, construction machinery, marine, and generator sets. The company not only makes products matching with the main engines used at home but also exports some products to the Americas, Southeast Asia, and the Middle East. The products meet the needs of national emission standards.

(2) The auto exhaust after-treatment system products: mainly support the major manufacturers of automobile, motorcycle and general machinery at home which meet the national emission standards.

(3) The Air management system products (supercharger): matches with most of the domestic small-bore diesel engine plants and some six-cylinder diesel engine manufacturers, and meet the needs of the light and heavy commercial vehicles and some passenger cars, and meets the national emission standards.

#### 3. Business model of the Company

The Company follows the operating philosophy of making competitive products, creating famous brands, striving for first choices, and creating value for the users, implements the business model that parent company unifies the management and subsidiaries decentralize the production. Namely, the group company is responsible for making strategic development planning and operation targets, and making the unified management, instruction and assessment for the finance, significant personnel management, core raw materials, quality control, and technology of the subsidiaries. The subsidiaries arrange production based on the order management model of market, which makes the subsidiaries keep the consistent quality with the company, helps keep abreast of customer needs and saving logistics costs, maintain the timeliness of products production and supply, and improve the company's economic benefits.

During the reporting period, the Company's main business and business model have no significant changes.

#### (ii) Development stage and periodic characteristics of the industry the Company involves and the Company's

In the past 40 years of reform and opening up, China's economy has shifted from a high-speed growth stage to a high-quality development stage. Although the market may continue to show unexpected changes in the future, we believe that the fundamentals of China's healthy and stable economic development will not change, and the Chinese economy is fully capable of maintaining a reasonable growth range. At the same time, the Chinese automobile market has entered a period of steady growth since 2010, in order to solve the increasingly severe traffic jams, environmental pollution, energy conservation and consumption reduction, the automobile industry has accelerated the technology upgrades, and the automobile new energy applications are rapidly advancing,

nowadays the artificial intelligence, internet of things and other technologies develop rapidly and accelerate the penetration into various fields, it has reached a consensus on the development of intelligent networked automobiles which promotes the development environment of intelligent networked automobiles to become increasingly perfect.

After 60 years of hard work, the company has become a backbone enterprise of core parts of domestic auto (power engineering), 80% products of the existing Automobile components core business are matched with the electronic control systems and electronically controlled. The company will actively respond to the national new energy and intelligent network strategy, take the Automobile components industry chain as the core and other related fields as supplements, lay out new energy auto drive technology, and promote the hydrogen fuel cell technology and intelligent network technology research and development capacity building. Market objectives: consolidate the existing business market position and take a position in the new business potential market. Technical objectives: strengthen the technical strength of the pillar business, lay out the new business frontier technology, and actively expand new areas based on the existing business. Strive to achieve the goal of becoming a leader in the auto core parts enterprises.

## II. Major changes in main assets

### 1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major change
Fixed assets	No major change
Intangible assets	No major change
Construction in progress	Construction in progress at period-end has major growth over that of year-begin, mainly because the equipment for technical innovation and expansion increased

### 2. Main overseas assets

√Applicable Not applicable

Content of assets	Reason for the formation	Asset size	Location	Operation mode	Control measure to ensure the security of assets	Income (RMB)	Foreign assets accounted for net assets of the Company	Whether exist significant impairment risk (Y/N)
The Company paid 24 million US dollars on May 21, 2018 to become a shareholder of Protean E-round	For the overall arrangement of the company's future development, the meeting of the eighth board of directors of the company reviewed and approved the Proposal on Foreign Investment. The company will invest 30	The Company invested US\$24 million and obtained the stock right of 10,212,765 shares of E-round preferred stock	the United States	Equity of preferred stock	The Company will pay full attention to changes in the industry and the market, give play to its own advantages, and actively prevent and resolve	No	0.04%	Yes

preferred stock.	million US dollars in the E-round preferred stock issued by Protean and the two parties will establish a Sino-foreign joint venture in China. According to the investment cooperation agreement, the company paid the initial investment of 24 million US dollars on May 21, 2018. The company obtained the equity certificate of subscribing 10,212,765 shares of E-round preferred stock issued by Protean and became a shareholder of the Protean E-round preferred stock with the equity certificate number of Number E-1.	issued by Protean.				various risks.		
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### III. Core Competitiveness Analysis

The Company is a high technology enterprise with a number of patented technologies. For years, based on the scientific research as National Enterprise Technical Center, Post-doctor Scientific Research Station, Jiangsu Provincial Engineering and Technology Research Center and Industrialization Base of National Hi-Tech Research and Development Achievement, we have became the backbone enterprise of the core parts of domestic automobile (power engineering) after 60 years of cultivation. 80% of the current core business of auto parts are matching with electronic control system and with electronic control realized, which owes a leading position in self-owned brand.

The company lays emphasis on the manufacturing quality management, relies on WPS (Weifu production system) and manufacturing information platform with Weifu characteristics to continuously improve the production system structure, personnel organization, operation mode and market supply and demand relationship, and continues to carry out the process quality indicator quantitative management and process management, and improve production efficiency, product quality and product delivery capabilities, and the company's manufacturing quality control capabilities are further improved.

The company pays attention to the business operation quality of and lays emphasis on the resource integration. At present, the company has established a high-speed, stable and reliable network environment and an efficient data center, successfully built the ERP platform, opened up the value chain, and realized the integration of financial services, which made the information resources fully shared, and the company's comprehensive operational management level has been further improved.

The company pays attention to the construction of core talent system. At present, it has built a relatively complete human resource management platform to strive to build a high-quality core talent team, which provides a strong human resource guarantee for the long-term development of the company.

During the reporting period, the company's core competitiveness (in terms of product manufacturing, quality improvement, personnel quality improvement, resource utilization, etc.) has been improved.

## Section IV Discussion and Analysis of the Operation

### 1. Introduction

#### (i) Overall situation

In 2018, the macroeconomic growth rate declined. China's automobile production and sales growth rate was lower than that estimated at the beginning of the year, the total quantity showed the first negative growth in 28 years. According to the data released by the China Association of Automobile Manufacturers, the annual production and sales volume of automobiles were 27.809 million and 28.081 million, respectively declined by 4.2% and 2.8% on a year-on-year basis, and the annual production and sales volume of passenger vehicles were respectively 23.529 million and 23.71 million, respectively declined by 5.2% and 4.1% over the same period of the previous year, while the annual production and sales volume of commercial vehicles were respectively 4.28 million and 4.371 million, respectively increased by 1.7% and 5.1% over the same period of the previous year, and the growth rate declined.

Facing the complicated market environment, the company worked hard to overcome difficulties and maintain the overall stability of comprehensive economic operation. During the reporting period, the company achieved operating income of 8.722 billion yuan, a decline of 3.28% on a year-on-year basis, realized total profit of 2.602 billion yuan, a decline of 8.06% on a year-on-year basis; total assets were 20.892 billion yuan, an increase of 3.27% on a year-on-year basis; the owner's equity attributable to the parent company was 15.914 billion yuan, an increase of 7.27% on a year-on-year basis.

#### (ii) Main work carried out

##### 1. Actively responded to the severe market challenges and fully guaranteed the stability of main business

Under the influence of the decline in automobile market and engine market, the company responded positively, focused on the core market, continuously improved the manufacturing system, strengthened the process control capability, improved the delivery capability of leading products, improved the physical quality of key products, and ensured the total amount of main business products. The market share of fuel injection system related products and supercharger products remained relatively stable and had a certain growth throughout the year, the production and sales volume of multiple-piston pumps for fuel injection systems still exceeded 2 million units, and the sales of supercharger products increased by 10% on a year-on-year basis. Due to market fluctuations, the market share of post-processing system business has slightly declined.

##### 2. Took advantage of information technology means to gradually establish an operation management system to further enhance the company's operating efficiency

The company continuously promoted the optimization and upgrading of management, actively sorted out the management duties, standardized and optimized the existing system processes, planned and designed the company's financial reform and transformation, built the company's financial sharing center, established the company's procurement and sharing platform project, further improved the human resource management system, strengthened the security construction of the Group's information system, thus the comprehensive management

capability of the enterprise has been further improved.

3. Started the future layout, established the “double-engine-driven” strategic model of “new business becomes a long-term new engine, and traditional businesses guarantee the enterprise forward again”, and took the auto parts industry chain as the core and other related fields as supplements to further improve the R&D system, promote the research and development of platform products, quickly deploy the forward-looking projects, and actively promote the investment cooperation of new business.

## II. Main business analysis

### 1. Introduction

See the “I-Introduction” in “Discussion and Analysis of the Operation”

### 2. Revenue and cost

#### (1) Constitute of operation revenue

						In RMB
	2018		2017		Increase/decrease y-o-y	
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue		
Total operation revenue	8,721,674,671.18	100%	9,017,280,159.80	100%	-3.28%	
According to industries						
Automobile components	8,262,954,878.87	94.74%	8,535,599,504.73	94.66%	-3.19%	
Other business	458,719,792.31	5.26%	481,680,655.07	5.34%	-4.77%	
According to products						
Automobile fuel injection system	5,027,966,298.51	57.65%	5,588,110,745.38	61.97%	-10.02%	
Air management system	440,331,903.61	5.05%	380,600,452.78	4.22%	15.69%	
Automotive post processing system	2,794,656,676.75	32.04%	2,566,888,306.57	28.47%	8.87%	
Other business	458,719,792.31	5.26%	481,680,655.07	5.34%	-4.77%	
According to region						
Domestic sales	8,337,832,868.65	95.60%	8,698,826,555.01	96.47%	-4.15%	
Foreign sales	383,841,802.53	4.40%	318,453,604.79	3.53%	20.53%	

**(2) The industries, products, or regions accounting for over 10% of the company's operating income or operating profit**

Applicable  Not applicable

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Automobile components	8,262,954,878.87	6,334,140,163.43	23.34%	-3.19%	-1.35%	-1.43%
According to products						
Automobile fuel injection system	5,027,966,298.51	3,558,735,397.17	29.22%	-10.02%	-8.36%	-1.29%
Air management system	440,331,903.61	316,694,283.37	28.08%	15.69%	10.93%	3.09%
Automotive post processing system	2,794,656,676.75	2,458,710,482.89	12.02%	8.87%	9.17%	-0.24%
According to region						
Domestic sales	8,337,832,868.65	5,968,730,399.02	28.41%	-4.15%	-2.40%	-1.28%
Foreign sales	383,841,802.53	365,409,764.41	4.80%	20.53%	19.71%	0.66%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable  Not applicable

**(3) Income from physical sales larger than income from labors**

Yes  No

Industries	Item	Unit	2018	2017	Increase/decrease y-o-y
Fuel injection system—multiple-piston pump	Sales volume	In 10 thousand units	244	266	-8.27%
	Output	In 10 thousand units	245	262	-6.49%
	Storage	In 10 thousand units	17	16	6.25%
Fuel injection system—injector	Sales volume	In 10 thousand sets	227	227	
	Output	In 10 thousand sets	223	209	6.70%
	Storage	In 10 thousand sets	12	16	-25.00%
After-treatment system—purifier	Sales volume	In 10 thousand pieces	270	293	-7.85%
	Output	In 10 thousand pieces	220	286	-23.08%
	Storage	In 10 thousand pieces	28	78	-64.10%

Air management system—turbocharger	Sales volume	In 10 thousand units	72	65	10.77%
	Output	In 10 thousand units	73	68	7.35%
	Storage	In 10 thousand units	14	13	7.69%

Reasons for y-o-y relevant data with over 30% changes

Applicable Not applicable

#### (4) Fulfillment of the company's signed significant sales contracts up to this reporting period

Applicable  Not applicable

#### (5) Constitute of operation cost

Classification of industries and products

In RMB

Industries	Item	2018		2017		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Automobile components	Direct material	4,879,991,330.39	77.04%	5,014,924,816.81	78.10%	-2.69%
Automobile components	Labor cost	601,322,359.87	9.49%	548,188,077.87	8.54%	9.69%
Automobile components	Depreciation	171,085,221.37	2.70%	165,645,016.82	2.58%	3.28%
Automobile components	Varieties of consumption	681,741,251.80	10.76%	692,224,373.76	10.78%	-1.51%

In RMB

Products	Item	2018		2017		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Fuel injection system	Direct material	2,306,305,694.10	64.81%	2,661,656,663.54	68.54%	-13.35%
Fuel injection system	Labor cost	483,559,687.15	13.59%	459,976,070.97	11.84%	5.13%
Fuel injection system	Depreciation	136,068,633.86	3.82%	134,028,364.58	3.45%	1.52%
Fuel injection system	Varieties of consumption	632,801,382.06	17.78%	627,703,331.82	16.16%	0.81%
Air management system	Direct material	270,908,557.76	85.54%	235,640,433.48	82.54%	14.97%
Air management system	Labor cost	20,768,561.86	6.56%	23,813,534.44	8.34%	-12.79%

Air management system	Depreciation	14,081,316.71	4.45%	13,761,987.24	4.82%	2.32%
Air management system	Varieties of consumption	10,935,847.04	3.45%	12,265,632.65	4.30%	-10.84%
Exhaust after-treatment system	Direct material	2,302,777,078.53	93.66%	2,094,875,783.60	93.02%	9.92%
Exhaust after-treatment system	Labor cost	96,994,110.86	3.94%	88,220,371.79	3.92%	9.95%
Exhaust after-treatment system	Depreciation	20,935,270.80	0.85%	17,854,665.00	0.79%	17.25%
Exhaust after-treatment system	Varieties of consumption	38,004,022.70	1.55%	51,185,446.15	2.27%	-25.75%

#### (6) Whether the changes in the scope of consolidation in Reporting Period

Yes  No

Changes of consolidate scope	Enterprise	Equity obtained method	Time when equity obtained	Contribution ratio
Consolidate scope increased	Nanchang Weifu Leader Auto Parts & Components Co., Ltd.	Newly established	2018-3-8	100.00%

#### (7) Major changes or adjustment in business, product or service of the Company in Reporting Period

Applicable  Not applicable

#### (8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	4,671,119,701.53
Proportion in total annual sales volume for top five clients	53.56%
Ratio of the related sales in total annual sales from top five clients	39.48%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Bosch Diesel System	2,722,919,316.33	31.22%
2	Robert Bosch	720,709,408.92	8.26%
3	Client III	692,335,425.30	7.94%
4	Client IV	306,289,484.81	3.51%
5	Client V	228,866,066.17	2.62%
Total	--	4,671,119,701.53	53.56%

Other situation of main clients

Applicable  Not applicable

The Company has association with Bosch Diesel System, and directors, supervisors, senior executives, core technicians and actual controller of the Company have no equity in main suppliers directly or indirectly.

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	2,105,290,240.20
Proportion in total annual purchase amount for top five suppliers	33.36%
Ratio of the related purchase in total annual purchase amount from top five suppliers	26.86%

Information of top five suppliers of the Company

Serial	Suppliers	Purchasing amount (RMB)	Ratio in annual total purchasing amount
1	Weifu Environment	1,515,266,186.15	24.01%
2	Robert Bosch	179,841,237.03	2.85%
3	Supplier 1	145,919,020.67	2.31%
4	Supplier 2	141,439,877.36	2.24%
5	Supplier 3	122,823,918.99	1.95%
Total	--	2,105,290,240.20	33.36%

Other notes of main suppliers of the Company

Applicable Not applicable

The Company has association with Weifu Environment and Robert Bosch Company, and directors, supervisors, senior executives, core technicians and actual controller of the Company have no equity in main suppliers directly or indirectly.

### 3. Expenses

In RMB

	2018	2017	Increase/decrease y-o-y	Note of major changes
Sales expenses	237,839,472.28	194,854,780.37	22.06%	Salary and wages expenses as well as the guarantee fee increased
Administration expenses	585,005,385.75	539,493,552.86	8.44%	
Financial expenses	-17,393,580.55	7,316,996.79	-337.71%	Interest income of deposit increased
R&D expenses	403,263,972.20	391,315,234.75	3.05%	

### 4. R&D investment

Applicable  Not applicable

During the reporting period, the Company focused on the enterprise technology innovation strategy and planning, adhered to the technological innovation, accelerated the research and development of key projects and products,

put forth effort to improve the industrialization of new products, and enhanced new power for the enterprises development. The traditional energy products are mainly power engineering which meet the requirements of energy saving and emission reduction, and continue to maintain the leading position in the industry. At the same time, the company actively deploys new energy driving technologies and promotes the research and development and capacity building in new fields such as hydrogen fuel cell technology and intelligent network. The smooth implementation of these projects guarantees the company's leading position in the auto parts industry in the future.

#### R&D investment of the Company

	2018	2017	Change ratio
Number of R&D (people)	1,109	1,132	-2.03%
Ratio of number of R&D	20.08%	20.92%	-0.84%
R&D investment (Yuan)	403,263,972.20	391,315,234.75	3.05%
R&D investment accounted for R&D income	4.62%	4.34%	0.28%
R&D investment capitalization (Yuan)	0.00	0.00	0.00%
Capitalization R&D investment accounted for R&D investment	0.00%	0.00%	0.00%

The reason of great changes in the proportion of total R&D investment accounted for operation income than last year

Applicable  Not applicable

Reason for the great change in R&D investment capitalization rate and rational description

Applicable  Not applicable

## 5. Cash flow

In RMB

Item	2018	2017	Increase/decrease y-o-y
Subtotal of cash inflow arising from operating activities	8,192,375,196.74	7,864,444,717.03	4.17%
Subtotal of cash outflow arising from operating activities	7,317,993,670.11	6,906,746,815.96	5.95%
Net cash flows arising from operating activities	874,381,526.63	957,697,901.07	-8.70%
Subtotal of cash inflow from investing activities	12,682,037,088.99	10,609,070,063.25	19.54%
Subtotal of cash outflow from investing activities	12,888,463,580.85	11,859,361,718.71	8.68%
Net cash flows arising from investing activities	-206,426,491.86	-1,250,291,655.46	
Subtotal of cash inflow from financing activities	471,198,213.94	254,520,000.00	85.13%
Subtotal of cash outflow from financing activities	1,686,046,969.98	799,122,114.37	110.99%
Net cash flows arising from financing activities	-1,214,848,756.04	-544,602,114.37	
Net increase of cash and cash equivalents	-543,765,214.73	-846,784,323.89	

Main reasons for y-o-y major changes in aspect of relevant data

Applicable  Not applicable

Cash outflow from financing activities has major growth mainly due to the greatly increase of profit distribution in the year

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable Not applicable

Mainly due to the investment, and specific influencing factors found more in supplementary information of cash flow statement carried in Annotation of the Report.

### III. Analysis of the non-main business

Applicable Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Investment income	1,955,668,055.33	75.15%	Income mainly form the two joint ventures (Bosch Automobile Diesel and Zhonglian Electronic) with stock participated by the Company	The joint ventures Bosch Automobile Diesel and Zhonglian Electronic have stable production and operation, so the investment returns can be sustained and stable
Gain/loss of fair value changes	-490,329.13	-0.02%		
Asset impairment	250,873,745.84	9.64%		
Non-operating income	1,264,830.90	0.05%		
Non-operating expense	9,977,159.55	0.38%		

### IV. Assets and liability

#### 1. Major changes of assets composition

In RMB

	End of 2018		End of 2017		Ratio changes	Note of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary funds	2,616,321,740.73	12.52%	3,118,709,412.83	15.42%	-2.90%	
Account receivable	1,919,793,266.91	9.19%	1,995,577,830.90	9.86%	-0.67%	

Inventory	1,438,528,714.59	6.89%	1,478,939,040.70	7.31%	-0.42%	
Investment real estate	21,906,134.52	0.10%	23,544,830.78	0.12%	-0.02%	
Long-term equity investments	4,976,773,946.74	23.82%	4,140,064,825.58	20.46%	3.36%	
Fixed assets	2,707,374,678.61	12.96%	2,584,872,628.54	12.78%	0.18%	
Construction in progress	166,414,542.18	0.80%	100,345,461.28	0.50%	0.30%	Construction in progress at period-end has major growth over that of year-begin, mainly because the equipment for technical innovation and expansion increased
Short-term borrowings	298,928,213.94	1.43%	243,000,000.00	1.20%	0.23%	
Long-term loans	30,000,000.00	0.14%	45,000,000.00	0.22%	-0.08%	

## 2. Assets and liability measured by fair value

Applicable Not applicable

In RMB

Items	Amount at the beginning period	Changes of fair value gains/losses in this period	Accumulative changes of fair value reckoned into equity	Devaluation of withdrawing in the period	Amount of purchase in the period	Amount of sale in the period	Amount at period-end
Financial assets							
3. Available-for-sale financial assets	266,376,600.00	-117,053,064.00	-19,809,442.95		37,869,361.83		121,066,008.00
Subtotal of financial assets	266,376,600.00	-117,053,064.00	-19,809,442.95		37,869,361.83		121,066,008.00
Above total	266,376,600.00	-117,053,064.00	-19,809,442.95		37,869,361.83		121,066,008.00
Financial liabilities	0.00	-490,329.13	0.00			0.00	490,329.13

Whether there have major changes on measurement attributes for main assets of the Company in report period or not

Yes  No

## 3. The assets rights restricted till end of the period

Item	Book value at period-end	Restriction reason
Monetary funds	1,450,000.00	Cash deposit paid for LC
Monetary funds	79,315,732.67	Cash deposit paid for bank acceptance

Monetary funds	881,868.57	Court freeze
Notes receivable	423,527,758.19	Notes pledge for bank acceptance
Available-for-sale financial assets	112,850,891.16	In accordance with the civil ruling No.(2016)Y03MC2490 and No.(2016) Y03MC2492 of Guangdong Shenzhen Intermediate People's Court (Hereinafter referred to as Shenzhen Intermediate People's Court), the property with the value of 217 million Yuan under the name of the Company and other seven respondents and the third party Shenzhen Hejun Chuangye Holdings Co., Ltd. (Hereinafter referred to as Hejun Company) was frozen. As of the end of the reporting period, 4.71 million shares of Miracle Logistics and 11,739,102 shares of SDEC held by the Company were frozen.
Total	618,026,250.59	

## V. Investment

### 1. Overall situation

Applicable  Not applicable

### 2. The major equity investment obtained in the reporting period

Applicable  Not applicable

### 3. The major non-equity investment doing in the reporting period

Applicable  Not applicable

### 4. Financial assets investment

#### (1) Securities investment

Applicable Not applicable

In RMB

Va riety of securitie s	Code of securitie s	Short form of securitie s	Initial investm ent cost	Account ing measure ment model	Book value at the beginni ng of the period	Current gain/los s of fair value changes	Cumulat ive fair value changes in equity	Current purchas e amount	Current sales amount	Profit and loss in the Reporti ng Period	Book value at the end of the period	Account ing subject	Capital Source
Domesti c and foreign stocks	600841	SDEC	199,208 ,000.00	Measure d by fair value	186,966 ,000.00	-73,250, 064.00	-20,229, 810.45		37,869, 361.83	-73,196, 378.59	85,458, 408.00	Availabl e-for-sal e financia l assets	Own funds
Domesti c and foreign stocks	002009	Miracle Logistic s	69,331, 500.00	Measure d by fair value	79,410, 600.00	-43,803, 000.00	420,367 .50			-43,567, 500.00	35,607, 600.00	Availabl e-for-sal e financia l assets	Own funds

Total	268,539 .500.00	--	266,376 .600.00	-117,05 3,064.0 0	-19,809, 442.94	0.00	37,869, 361.83	-116,76 3,878.5 9	121,066 .008.00	--	--
Disclosure date of securities investment approval of the Board	24 March 2012										
Disclosure date of securities investment approval of the Shareholder Meeting (if applicable)	4 June 2013										

## (2) Derivative investment

Applicable  Not applicable

The Company has no derivatives investment in the Period

## 5. Application of raised proceeds

Applicable  Not applicable

No application of raised proceeds in the period

## VI. Significant asset and equity sales

### 1. Significant asset sales

Applicable  Not applicable

No significant assets being sold in the Period

### 2. Significant equity sales

Applicable  Not applicable

## VII. Analysis of the main equity participation and controlling subsidiary

Applicable  Not applicable

Main subsidiary and stock-jointly enterprise with over 10% influence on net profit of the Company

In RMB

Company name	Type	Main business	Register capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Weifu Leader	Subsidiary	Exhaust after-treatment system products	502,596,300.00	2,996,351,016.44	1,629,384,624.82	2,800,874,733.81	74,092,173.78	74,556,894.40

Weifu Jinning	Subsidiary	Fuel injection system products	346,286.8 25.80	1,337,513,352 .71	973,609,125.61	613,545,903. 22	233,693,081. 69	208,505,596.11
Bosch Automobile Diesel	Equity participation enterprise	Fuel injection system products	US\$ 241,000,000.00	12,798,513,740.22	8,698,465,606.92	15,539,892,04.67	4,003,245,866.33	3,545,497,532.33
Zhonglian Electronic	Equity participation enterprise	Gasoline system products	600,620,000.00	5,431,102,281.22	5,425,343,448.82	23,186,214.38	1,834,686,458.07	1,834,198,811.78

Subsidiary obtained and disposed in the Period

Applicable Not applicable

Explanation on holding equity participation enterprise

In the reporting period, Weifu Jinning's land, housing and housing attachments located at No. 69, Taiping Village, Yanziji Town, Qixia District were levied by the government, accordingly gains of disposal of assets increased by 100,824,053.07 yuan.

### **VIII. The structured subject controlled by the Company**

Applicable  Not applicable

### **IX. Prospects for future development**

#### **(I) Industry competition pattern and development trend**

In the past 40 years of reform and opening up, China's economy has shifted from a high-speed growth stage to a high-quality development stage. Although the market may continue to show unexpected changes in the future, we believe that the fundamentals of China's healthy and stable economic development will not change, and the Chinese economy is fully capable of maintaining a reasonable growth range. At the same time, the Chinese auto market has entered a period of steady growth since 2010, in order to solve the increasingly severe traffic jams, environmental pollution, energy conservation and consumption reduction, the automobile industry has accelerated the technology upgrades, and the automobile new energy applications are rapidly advancing, nowadays the artificial intelligence, internet of things and other technologies develop rapidly and accelerate the penetration into various fields, it has reached a consensus on the development of intelligent networked automobiles which promotes the development environment of intelligent networked automobiles to become increasingly perfect.

#### **(ii)Development strategy of the Company**

The Company has became the backbone enterprise of the core parts of domestic automobile (power engineering) after 60 years of cultivation. 80% of the current core business of auto parts are matching with electronic control system and with electronic control realized, which owes a leading position in self-owned brand. The Company give a positive response to national new energy and intelligent networking strategy, core with the auto parts industry chain and supplemented by other relevant fields, make a layout for new energy automobile drive technology, improve hydrogen fuel battery technology as well as the research and development capability of intelligent networking technology. Market target: consolidating the current business market position and

positioning new business for the potential market; technical target: strengthen the technical strength of pillar business, lay out the frontier technology for new business, actively exploit new fields based on the current business. And making efforts to achieve the enterprise goals of leaders of automotive core parts.

### (iii) Operation plan for year of 2019

In 2019, the market environment is still complicated and severe, many factors such as macro economy, automobile industry cycle, automobile consumption policy and implementation of the Guo VI Standard are still uncertain, opportunities and challenges coexist, the opportunities are inspiring, and challenges are alarming. In the new year, the company will revolve around the development goals of “high quality, stable volume, and fine management” and complete the following key tasks:

1. Figure out the situation, grasp the general trend, conform to the trend, conform to the mainstream, change with the situation, face the difficulties, seek opportunities, and open up projects. The rapid improvement can meet the Guo VI Standard and the technical quality level of T4 products, enhance the project acquisition ability of products on the client side, locate at key customers, leading products and key projects, and strive to increase the market share of key products. Promote the collaborative marketing of traditional product systems to further expand the aftermarket and overseas markets.
2. Focus on management quality, optimize product structure, optimize input-output structure, carefully analyze cost structure, find out the focus of cost reduction and the factors affecting cost increase and profit reduction, continuously control and gradually reduce manufacturing costs; optimize manufacturing process control, make full use of interconnection technology, strengthen data interconnection and interoperability, and further enhance the ability of data collection, analysis and prediction. Continuously improve the manufacturing process management, strengthen flexible and agile production, realize the intelligent deployment capability of manufacturing process, further improve the lean manufacturing production level; optimize operational support management, smooth the processes, build business project information management platform, unblock business system barriers, and efficiently adjust and control, improve quality and efficiency, improve operational efficiency; promote the construction of human resources platform, further improve the talent selection, training and management mechanism, and comprehensively optimize and improve the human resource management. Constantly strengthen the foundation of development.
3. Struggle to act by innovation driven, actively create new situations, and form a dual-engine drive model. Consolidate the existing business market position, accelerate the development of traditional business products, take a position in the potential market for innovative business, actively promote the investment in emerging businesses, accelerate the layout of forward-looking project products of innovative business, promote the construction of platform projects, and promote the R&D capability of new business products, and improve the research and development system so as to lay a foundation for the company's sustainable development.

## IV Risks and response measures

### (1) Macroeconomic and market risks

China's economy has shifted from a high-speed growth stage to a high-quality development stage, the market may continue to show unexpected changes, but we believe that the Chinese economy is fully capable of maintaining a reasonable growth range. At the same time, the Chinese auto market has entered a period of steady growth, and it

will also pay more attention to high-quality development in the future.

Response measures: We must change the habitual and deterministic thinking model to cope with future uncertainties, rely on the existing business, actively expand new areas, consolidate the existing business market position, and take a position in the new business potential market, and strive to improve the company's core competitiveness and overall ability to resist risks.

### (2) Operating management and control risks

With the continuous expansion of the company's asset scale and business scope, the company has a large management span and many links in terms of personnel, business, finance and capital, and there are potential risks of operating management and control.

Response measures:

The company will continue to promote the optimization and improvement of internal management, focus on strengthening compliance management, further improve the system and processes, promote the institutionalization and standardization of company management, and control operational risks.

### (3) Risk of fluctuations in raw material prices

The company's main raw materials include various grades of steel, aluminum, precious metals, etc., and the continued rise in prices will bring the company the risk of rising costs.

Response measures: Pay close attention to the price trend of the company's main raw materials, choose the right timing for procurement, and make reasonable strategic reserves to resolve the risk of fluctuations in raw material prices.

## X. Reception of research, communication and interview

### 1. In the report period, reception of research, communication and interview

Applicable  Not applicable

Time	Way	Type	Basic situation index of investigation
2018-06-27	Spot research	Institution	The scene of the shareholders' general meeting
2018-01-01-2018-12-31	Written inquiry	Individual	The Company answered 151 questions for investors online through the investor relations interactive platform( <a href="http://irm.p5w.net/dqhd/sichuan/">http://irm.p5w.net/dqhd/sichuan/</a> )
2018-01-01-2018-12-31	Telephone communication	Individual	Basic condition of the Company, and views on market, communication with investors by telephone more than 300
Reception (times)			460
Number of hospitality			50
Number of individual reception			260
Number of other reception			151
Disclosed, released or let out major undisclosed information (Y/N)			N

## Section V. Important Events

### I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable  Not applicable

1. Cash dividend policy: carry out bonus distribution according to the regulations in *Article of Association*
2. In reporting period, the Company implemented the profit distribution for year of 2017, based on the total share capital 1,008,950,570 shares, distributed 12.00 Yuan (tax included) bonus in cash for every 10 shares held, no capitalization from public reserves. The plan was completed in July 2018. The implementation of the Company's cash dividend policy is in compliance with the provisions of *Articles of Association*, relevant decision-making procedures are complete and fully listen to the views of independent directors and minority shareholders and maintain the legitimate rights and interests of minority shareholders.

Special explanation on cash dividend policy	
Satisfy regulations of General Meeting or requirement of Article of Association (Y/N):	Yes
Well-defined and clearly dividend standards and proportion (Y/N):	Yes
Completed relevant decision-making process and mechanism (Y/N):	Yes
Independent directors perform duties completely and play a proper role (Y/N):	Yes
Minority shareholders have opportunity to express opinions and demands totally and their legal rights are fully protected (Y/N):	Yes
Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N):	Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

The profit distribution plan for 2018: based on total share capital of 1,008,950,570 shares at end of 2018, distribute cash dividend of RMB 12.00 (tax included) for every 10 shares, and no capitalization of capital reserve.

The profit distribution plan for 2017: based on total share capital of 1,008,950,570 shares at end of 2017,

distribute cash dividend of RMB 12.00 (tax included) for every 10 shares, and no capitalization of capital reserve.

The plan was completed in July 2018.

The profit distribution plan for 2016: based on total share capital of 1,008,950,570 shares at end of 2016, distribute cash dividend of RMB 6.00 (tax included) for every 10 shares, and no capitalization of capital reserve.

The plan was completed in July 2017.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for	Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company	Proportion for cash bonus by other ways(i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of	Total cash bonus (including other ways)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock

		bonus year	contained in consolidation statement		listed company contained in consolidation statement		shareholders of listed company contained in consolidation statement
2018	1,210,740,684.00	2,396,077,415.21	50.53%	0.00	0.00%	1,210,740,684.00	50.53%
2017	1,210,740,684.00	2,571,339,490.04	47.09%	0.00	0.00%	1,210,740,684.00	47.09%
2016	605,370,342.00	1,672,224,317.05	36.20%	0.00	0.00%	605,370,342.00	36.20%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable  Not applicable

## II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable  Not applicable

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	12.00
Shares added for every 10-share base (Share)	0
Equity base of distribution plan (Share)	1,008,950,570
Total cash dividend(RMB) (Tax included)	1,210,740,684.00
Cash dividend by other ways (share buy-back included) (RMB)	0.00
Total cash dividend (other ways included) (RMB)	1,210,740,684.00
Distributable profits (RMB)	9,340,610,451.36
Ratio of the total cash dividend (other ways included) in total profit distribution	100%
Cash dividend policy:	
Other	
Detail explanation on profit distribution or capitalization from capital public reserve	
<p>Pursuit to the Standard Unqualified Auditor's Report for year of 2018 issued by Jiangsu Gongzheng, the profit available for distribution of the parent company for year of 2018 are as: net profit of the parent company for year of 2018 amount as 2,190,550,000 Yuan, plus retained profit at beginning of the year 8,360,801,100 Yuan and deducted the divided 1,210,740,700 Yuan for year of 2017, the distributable profit at end of the period amounted as 9,340,610,400 Yuan. Profit distribution plan for year of 2018: on base of the total 1,008,950,570 shares at end of 2018, distributed 12.00 Yuan (tax included) in cash for each 10 shares, no bonus, and no transfer of reserve to common shares. The remaining retained profit carried forward to next year. Profits allocate for year of 2018 amounting to 1,210,740,700 Yuan.</p>	

## III. Implementation of commitment

### 1. Commitments that the actual controller, shareholders, related party, buyers and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

Applicable  Not applicable

No commitments that the actual controller, shareholders, related party, buyers and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of the period

**2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast**

Applicable  Not applicable

**IV. Non-operational fund occupation from controlling shareholders and its related party**

Applicable  Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

**V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA**

Applicable  Not applicable

**VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year**

Applicable  Not applicable

**(1) Change of major accounting policy**

On June 15, 2018, the Ministry of Finance issued the *Notice on Amending the Format of Financial Statements of General Enterprises in 2018* (CK No. [2018] 15), revised the financial statements format of general enterprises. According to the requirement, relevant content of the accounting policy needs to be adjusted, and the financial statement should be prepared in line with the format of financial statement for general enterprise (applicable to enterprise that have not yet implemented new financial and revenue standards).

The impacts on the items and amounts related to consolidated financial statements and the parent company's financial statements during the comparable period are as:

Changes of accounting policy	Impact on the amount in relevant financial statement of 2017/on 31 December 2017		
	Item	Amount affected (+,-)	
		Consolidate financial statement	Financial statement of parent company
The Company prepared the financial statement of 2018 in line with the format regulated in CK No. [2018] 15, and changed the presentation of relevant financial statements by retrospective method	Notes receivable	-1,464,256,934.83	-449,209,323.02
	Account receivable	-1,995,577,830.90	-1,047,012,889.92
	Note receivable and account receivable	3,459,834,765.73	1,496,222,212.94
	Interest receivable	-2,281,979.17	-97,627.77
	Other receivables	2,281,979.17	97,627.77
	Note payable	-947,976,759.10	-459,762,950.78
	Account payable	-2,570,956,205.83	-1,082,206,882.07
	Note payable and account payable	3,518,932,964.93	1,541,969,832.85
	Interest payable	-401,928.43	-93,777.78

Other accounts payable	401,928.43	93,777.78
Long-term account payable	18,265,082.11	--
Special account payable	-18,265,082.11	--
Administration expenses	-391,315,234.75	-119,083,205.53
R&D expenses	391,315,234.75	119,083,205.53

## VII. Major accounting errors within reporting period that needs retrospective restatement

Applicable  Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

## VIII. Compare with last year's financial report; explain changes in consolidation statement's scope

Applicable  Not applicable

Content changed	Company	Way of obtained the equity	Time when equity obtained	Ratio of fund contribution
Consolidate scope increased	Nanchang Weifu Leader Auto Parts & Components Co., Ltd.	Newly established	2018-3-8	100.00%

## IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

Name of domestic accounting firm	Jiangsu Gongzheng Tianye Certified Public Accountants (Special General Partnership)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	158
Continuous life of auditing service for domestic accounting firm	27
Name of domestic CPA	Bo Lingjing, Meng Yin
Continuous life of auditing service for domestic accounting firm	4

Re-appointed accounting firms in this period

Yes  No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable  Not applicable

Being deliberated in Annual Shareholders General Meeting of 2017, Jiangsu Gongzheng was appointed as audit accounting firm for internal control of the Company for year of 2018. In the Period, auditing charge for internal control amounting to 0.22 million Yuan

## X. Particular about suspended and delisting after annual report disclosed

Applicable  Not applicable

## XI. Bankruptcy reorganization

Applicable  Not applicable

No bankruptcy reorganization for the Company in reporting period

## XII. Significant lawsuits and arbitration of the Company

Applicable  Not applicable

Basic Situation of Litigation (Arbitration)	Amount Related to the Case (Yuan)	Whether Formed Accrued Liabilities	Progress of Litigation (Arbitration)	Trial Results and Effects of Litigation (Arbitration)	Judgment Implementation of Litigation (Arbitration)	Disclosure Date	Disclosure Index
On March 6, 2017, the company received the civil ruling No.(2016)Y03MC2490 and No.(2016)Y03MC2492 from Shenzhen Intermediate People's Court about the dispute case that the plaintiff applicant China Cinda Asset Management Co., Ltd. Shenzhen Branch (hereinafter referred to as "Cinda Company") appealed the respondent Weifu High Technology and other seven respondents and the shareholders of the third party Hejun Company damaged the interests of corporate creditors, which adopted the mandatory measures to freeze the assets with value of RMB 217 million under the name of the Company and other seven respondents and Hejun Company. Freeze 4.71 million shares of Miracle Logistics and 15.3 million shares of SDEC Stock held by the company.	21,703	N	By the company's application for reconsideration, Shenzhen Intermediate People's Court deemed the total assets that Cinda Company applied for preservation to be RMB 217,027,697.23. The total value of 15.3 million shares of SDEC Stock and 4.71 million shares of Miracle Logistics held by the company has exceeded the total assets that Cinda Company applied for preservation, therefore, 3,560,898 shares of SDEC Stock held by the company was unfrozen. Up to the end of the reporting period, the company's frozen assets were as follows: 4.71 million shares of Miracle Logistics held by the company and its fruits, and 11,739,102 shares of SDEC Stock held by the company and its	This litigation will not affect the company's daily operating activities for the time being	Not yet implemented	8 March 2017	(Announcement No.: 2017-002) published on Juchao Website (www.cninfo.com.cn)

			fruits. At present, this litigation is in the first instance (the first trial held on 24 Sept. 2017, and follow trial will wait for notice by the court).				
The Company has applied to Futian People's Court of Shenzhen for compulsory liquidation with Hejun Company	3,300	N	The Company has applied to Futian People's Court of Shenzhen for compulsory liquidation with Hejun Company. The civil ruling paper (Yue (0304) QS[2017] No. 5) made by Shenzhen Futian District People's Court ruled that Hejun Company should be made compulsory liquidation. The Company will actively cooperate with the court to work on the liquidation to protect its legitimate rights and interests.	There are no impact on daily operation activities of the Company	Relevant works are in process	6 Dec. 2017	(Announcement No.: 2017-023) published on Juchao Website (www.cninfo.com.cn)

### **XIII. Penalty and rectification**

Applicable  Not applicable

No penalty and rectification for the Company in reporting period.

### **XIV. Integrity of the company and its controlling shareholders and actual controllers**

Applicable  Not applicable

### **XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives**

Applicable  Not applicable

On 20 June 2014, the Company held the 2013 AGM which deliberated "the Company's incentive fund implementation methods", the Company has fully implemented it during the reporting period, completed the medium and long term special incentive allocation for core talents, farthest mobilized the enthusiasm and creativity of employees, stabilized the employees, attracted the high-quality talents, and enhance the cohesive force in enterprise.

## XVI. Major related transaction

### 1. Related transaction with routine operation concerned

√ Applicable  Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand Yuan)	Whether over the approved limit or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
Weifu Precision Machinery	Associated enterprise	Procurement of goods	Procurement of goods	Fair market pricing	Market price	4,465.72	0.71%	5,000	N	According to the contract	Market price	17 April 2018	Notice No: 2018-009
Bosch Automobile Diesel	Associated enterprise, controlling subsidiary of Robert Bosch	Procurement of goods	Procurement of goods	Fair market pricing	Market price	6,848.56	1.09%	7,000	N	According to the contract	Market price	17 April 2018	Notice No: 2018-009
Weifu Environment	Joint venture of Weifu Leader	Procurement of goods	Procurement of goods	Fair market pricing	Market price	151,526.62	24.01%	192,500	N	According to the contract	Market price	17 April 2018	Notice No: 2018-009
Robert Bosch	Second largest shareholder of the Company	Procurement of goods	Procurement of goods	Fair market pricing	Market price	17,984.12	2.85%	14,300	Y	According to the contract	Market price	17 April 2018	Notice No: 2018-009
Weifu Precision Machinery	Associated enterprise	Sales of goods	Sales of goods	Fair market pricing	Market price	378.52	0.04%	300	Y	According to the contract	Market price	17 April 2018	Notice No: 2018-009
Bosch Automobile Diesel	Associated enterprise, controlling subsidiary of Robert Bosch	Sales of goods	Sales of goods	Fair market pricing	Market price	272,291.93	31.22%	300,000	N	According to the contract	Market price	17 April 2018	Notice No: 2018-009
Weifu Environment	Joint venture of Weifu Leader	Sales of goods	Sales of goods	Fair market pricing	Market price	5,018.19	0.58%	5,300	N	According to the contract	Market price	17 April 2018	Notice No: 2018-009
Robert Bosch	Second largest shareholder of the	Sales of goods	Sales of goods	Fair market pricing	Market price	72,070.94	8.26%	77,220	N	According to the contract	Market price	17 April 2018	Notice No: 2018-009

	Compan y												
Bosch Automobi le Diesel	Associat ed enterpri se, controlli ng subsidi ary of Robert Bosch	Other	Payable for labour and technica l services	Fair market pricing	Market price	135.55		100	Y	Accordi ng to the contract	Market price	17 April 2018	Notice No: 2018-0 09
Robert Bosch	Second largest sharehol der of the Compan y	Other	Payable for technica l services	Fair market pricing	Market price	348.48		550	N	Accordi ng to the contract	Market price	17 April 2018	Notice No: 2018-0 09
Weifu Environm ent	Joint venture of Weifu Leader	Other	Lease fees receivab le	Fair market pricing	Market price	250.81		255	N	Accordi ng to the contract	Market price	17 April 2018	Notice No: 2018-0 09
Bosch Automobi le Diesel	Associat ed enterpri se, controlli ng subsidi ary of Robert Bosch	Other	Purchas e of fixed assets	Fair market pricing	Market price	1,962.9 9		5,000	N	Accordi ng to the contract	Market price	17 April 2018	Notice No: 2018-0 09
Robert Bosch	Second largest sharehol der of the Compan y	Other	Purchas e of fixed assets	Fair market pricing	Market price	357.6			Y	Accordi ng to the contract	Market price		
Weifu Environm ent	Joint venture of Weifu Leader	Other	Purchas e of fixed assets	Fair market pricing	Market price	0.99			Y	Accordi ng to the contract	Market price		
Weifu Environm ent	Joint venture of Weifu Leader	Other	Sales of fixed assets	Fair market pricing	Market price	18.78			Y	Accordi ng to the contract	Market price		
Industry Group	First majority sharehol der of the Compan y	Other	Interest paying	Fair market pricing	Market price	21.44			Y	Accordi ng to the contract	Market price		
Total			--	--	533,681 .24	--	607,525	--	--	--	--	--	--
Detail of sales return with major amount involved				Not applicable									

Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period(if applicable)	Being deliberated and approved by AGM of 2017, total related transaction for year of 2018 predicted as 6075.25 million Yuan, actually 5336.8124 million Yuan occurred in the Period, the related transaction classified according to types are as: 1. it estimated that purchasing goods and labor service from related party in 2018 will up to 2188 million Yuan, while 1808.2502 million Yuan occurred actually in the Period; 2. it estimated that sales of goods and labor service to related party in 2018 will up to 3828.2 million Yuan, while 3497.5958 million Yuan actually occurred in the period; 3. it estimated that other related transactions with related party for year of 2018 will up to 59.05 million Yuan while 30.9664 million Yuan actually occurred.
Reasons for major differences between trading price and market reference price	Not applicable

## 2. Related transactions by assets acquisition and sold

Applicable  Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period

## 3. Main related transactions of mutual investment outside

Applicable  Not applicable

No main related transactions of mutual investment outside for the Company in reporting period

## 4. Contact of related credit and debt

Applicable  Not applicable

The Company had no contact of related credit and debt in the reporting period.

## 5. Other related transactions

Applicable  Not applicable

The company had no other significant related transactions in reporting period.

## XVII. Significant contract and implementations

### 1. Trusteeship, contract and leasing

#### (1) Trusteeship

Applicable  Not applicable

No trusteeship for the Company in reporting period

#### (2) Contract

Applicable  Not applicable

No contract for the Company in reporting period

#### (3) Leasing

Applicable  Not applicable

No leasing for the Company in reporting period

## 2. Major guarantees

Applicable  Not applicable

### (1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company and subsidiary (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarante e for related party (Y/N)
Guarantee of the Company for subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarante e for related party (Y/N)
Ningbo Tianli Turbocharging Technology Co., Ltd.	27 Oct. 2016	6,000		4,500	Joint liability guaranty	5	N	N
Total amount of approving guarantee for subsidiaries in report period (B1)		0		Total amount of actual occurred guarantee for subsidiaries in report period (B2)				4,500
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		6,000		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)				4,500
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarante e for related party (Y/N)
Total amount of guarantee of the Company (total of three above mentioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)				Total amount of actual occurred guarantee in report period (A2+B2+C2)				4,500
Total amount of approved guarantee at the end of report period (A3+B3+C3)		6,000		Total balance of actual guarantee at the end of report period (A4+B4+C4)				4,500
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)								0.28%
Including:								
Amount of guarantee for shareholders, actual controller and its related parties(D)								0
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)								0
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)								0
Total amount of the aforesaid three guarantees(D+E+F)								0
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)				Not applicable				
Explanations on external guarantee against regulated procedures (if applicable)				Not applicable				

Explanation on guarantee with composite way

## (2)Guarantee outside against the regulation

Applicable  Not applicable

No guarantee outside against the regulation in Period.

## 3. Entrust others to cash asset management

### (1) Trust financing

Applicable  Not applicable

Trust financing during the period

In 10 thousand Yuan

Specific type		Sources of funds		Amount occurred		Undue balance		Overdue amount	
Financing products		Free funds		334,000		238,150		0	
Financial products of securities firms		Free funds		13,000		10,000		0	
Trust financial products		Free funds		112,790		97,144.81		0	
Other type		Free funds		166,150		106,000		0	
Total				625,940		451,294.81		0	

Details of the single major amount, or high-risk trust investment with low security, poor fluidity and non-guaranteed

Applicable  Not applicable

In 10 thousand Yuan

Trustee institution name	Trustee type	Type	Amount	Source of funds	Start date	End date	Capital investment purpose	Criteria for fixing reward	Reference annual rate of return	Anticipated income (if applicable)	Actual gains/losses in period	Actual collected gains/losses in period	Amount of reserve for devaluation of withdrawal (if applicable)	Whether approved by legal procedure (Y/N)	Whether has entrust finance plan in the future	Summary of the items and related query index (if applicable)
Bank	Bank	Non-guaranteed floating income	791,000	Owned fund	3 Jan. 2018	8 Apr. 2019	Financial products	Reference annual rate of return by the contract	4.05% -5.7%	15,684.5	14,162.93	Collected according to the contract	Y	Y	Notice No.: 2018-010 on 17 April 2018	
Securities trader	Securities trader	Non-guaranteed floating income	43,000	Owned fund	31 Jan. 2018	16 Jan. 2019	Collective assets management plan		4.6% -5.5%	730.11	306.15					
Trust	Trust	Non-guarantee	233,894	Owned fund	4 Jan. 2018	28 Jan.	Collection		5.1%	7,738.81	7,066.41					

		floating income			2019	trust plan		-9.5%					
Other (Fund etc.)	Other (Fund etc.)	Non-guaranteed floating income	122,000	Owned fund	4 Jan. 2018	9 Sept. 2019	Fixed income fund products	5% -9%	5,521. 57	9,590. 71		Y	Y
Total			1,189, 894	--	--	--	--	--	29,674 .99	31,126 .2	--	--	--

Entrust financial expected to be unable to recover the principal or impairment might be occurred

Applicable  Not applicable

## (2) Entrusted loans

Applicable  Not applicable

The company had no entrusted loans in the reporting period.

## 4. Other material contracts

Applicable  Not applicable

No other material contracts for the Company in reporting period

## XVIII. Social responsibility

### 1. Performance of social responsibility

As for the *Social Responsibility Report 2018* of the Company, found more in the Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)), the information disclosure website appointed by Shenzhen Stock Exchange

### 2. Precise poverty alleviation social responsibility

There are no precise poverty alleviation carried out in the period and no follow plan either

### 3. Environmental protection

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

No

The company and its subsidiaries are not the key pollutant discharge units announced by the State Environmental Protection Department. The company attaches great importance to environmental protection management. During the production and operation process, the company strictly abides by relevant national and local environmental protection laws, regulations and rules, and timely acquires, updates and conveys relevant environmental laws, regulations and standards, and conducts the company's internal daily environmental management based on new regulations and standards., actively fulfills corporate environmental protection obligations, and implements national energy conservation and emission reduction guidelines and policies.

## XIX. Explanation on other significant events

Applicable  Not applicable

There are no explanation on other significant events in the period

## XX. Significant event of subsidiary of the Company

Applicable  Not applicable

1. Proposed application for listing in the national middle and small enterprises stock transfer system by the controlling subsidiary Weifu Tianli

On 25 October 2016, the 9<sup>th</sup> session of the 8<sup>th</sup> BOD consider and approve the proposal relating to proposed application for listing in the national middle and small enterprises stock transfer system by the controlling subsidiary Weifu Tianli Pressure Technology Co., Ltd; on 30 December 2016, Weifu Tianli was served with the notice of acceptance from the National Equities Exchange and Quotations Company Limited (GP2016120120). The relevant announcements (No.: 2016-020, 2016-023 and 2017-001) were published on *China Securities Journal*, *Securities Times*, *Hong Kong Commercial Daily* and Juchao Information Website (<http://www.cninfo.com.cn>). Other state-owned shareholders of Weifu Tianli are unable to obtain the approval of state-owned assets, so the matter is stagnant at present. Shareholders meeting of the Weifu Tianli decided to cancel the listing application of the National Equities Exchange and Quotations

## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in Share Capital

#### 1. Changes in Share Capital

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change		In Share
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion	
I. Restricted shares	78,577	0.01%				1,502	1,502	80,079	0.01%	
3. Other domestic shares	78,577	0.01%				1,502	1,502	80,079	0.01%	
Domestic natural person's shares	78,577	0.01%				1,502	1,502	80,079	0.01%	
II. Unrestricted shares	1,008,871,993	99.99%				-1,502	-1,502	1,008,870,491	99.99%	
1. RMB Ordinary shares	836,491,993	82.90%				-1,502	-1,502	836,490,491	82.90%	
2. Domestically listed foreign shares	172,380,000	17.09%						172,380,000	17.09%	
III. Total shares	1,008,950,570	100.00%						1,008,950,570	100.00%	

Reasons for share changed

Applicable  Not applicable

Approval of share changed

Applicable  Not applicable

Ownership transfer of share changed

Applicable  Not applicable

Progress of shares buy-back

Applicable  Not applicable

Implementation progress of reducing holdings of shares buy-back by centralized bidding

Applicable  Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable  Not applicable

Other information necessary to disclose or need to disclosed under requirement from security regulators

Applicable  Not applicable

#### 2. Changes of restricted shares

Applicable  Not applicable

In Share

Shareholder	Shares restricted at period-begin	Shares released in the period	Shares with restriction increased in the period	Shares restricted at period-end	Restriction cause	Date release for trading
Dai Lizhong			1,500	1,500	Lock-up shares for senior executive (elected as supervisor in general election of supervisory committee)	Not applicable
Total	0	0	1,500	1,500	--	--

## II. Securities issuance and listing

### 1. Security offering (without preferred stock) in Reporting Period

Applicable  Not applicable

### 2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable  Not applicable

### 3. Current internal staff shares

Applicable  Not applicable

## III. Particulars about shareholder and actual controller of the Company

### 1. Amount of shareholders of the Company and particulars about shares holding

In Share

Total common stock shareholders in reporting period-end	60,946	Total common stock shareholders at end of last month before annual report disclosed	54,791	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (see note 8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (see note 8)	0
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Particulars about shares held above 5% by shareholders or top ten shareholders

Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Wuxi Industry Development Group Co., Ltd.	State-owned corporate	20.22%	204,059,398	0				
ROBERT BOSCH	Foreign	14.16%	142,841,400	0				

GMBH	corporate							
Hong Kong Securities Clearing Company	Foreign corporate	4.01%	40,482,044	20,983,702				
Bank of Communication – HSBC Jixin Double Core Strategy Mixed Securities Investment Fund	Other	2.64%	26,612,573	26,612,573				
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign corporate	1.78%	18,002,797	3,243,303				
Central Huijin Assets Management Co., Ltd.	State-owned corporate	1.27%	12,811,200	0				
Zhonghai Trust Co., Ltd. - Jinhai No.9 Securities Investment Collective Fund Trust	Other	0.79%	7,931,752	7,931,752				
Agricultural Bank of China - CS 500 ETF	Other	0.62%	6,211,068	4,090,419				
FIDELITY INVMT TRT FIDELITY INTL SMALL CAP FUND	Foreign corporate	0.57%	5,791,618	1,378,786				
Basic pension fund--1207 portfolio	Other	0.50%	5,028,007	5,028,007				
Strategy investor or general legal person becoming the top 10 shareholders by placing new shares (if applicable) (see note 3)	Not applicable							
Explanation on associated relationship among the aforesaid shareholders	Among the top ten shareholders, there has no associated relationship between Wuxi Industry Development Croup Co., Ltd. and other shareholders, the first largest shareholder of the Company; and they do not belong to the persons acting in concert regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.							
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name			Amount of un-restrict shares held at Period-end		Type of shares			
					Type		Amount	
Wuxi Industry Development Group Co., Ltd.			204,059,398		RMB common shares		204,059,398	
ROBERT BOSCH GMBH			142,841,400		RMB common shares		115,260,600	

		Domestically listed foreign shares	27,580,800
Hong Kong Securities Clearing Company	40,482,044	RMB common shares	40,482,044
Bank of Communication – HSBC Jixin Double Core Strategy Mixed Securities Investment Fund	26,612,573	RMB common shares	26,612,573
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	18,002,797	Domestically listed foreign shares	18,002,797
Central Huijin Assets Management Co., Ltd.	12,811,200	RMB common shares	12,811,200
Zhonghai Trust Co., Ltd. - Jinhai No.9 Securities Investment Collective Fund Trust	7,931,752	RMB common shares	7,931,752
Agricultural Bank of China - CS 500 ETF	6,211,068	RMB common shares	6,211,068
FIDELITY INVMT TRT FIDELITY INTL SMALL CAP FUND	5,791,618	Domestically listed foreign shares	5,791,618
Basic pension fund-- 1207 portfolio	5,028,007	RMB common shares	5,028,007
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the top ten shareholders, there has no associated relationship between Wuxi Industry Development Croup Co., Ltd. and other shareholders, the first largest shareholder of the Company; and they do not belong to the persons acting in concert regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.		
Explanation on top 10 shareholders involving margin business (if applicable) (see note 4)	Not applicable		

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes  No

The top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

## 2. Controlling shareholder of the Company

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Wuxi Industry Development Group Co., Ltd.	Jiang Guoxiong	5 October 1995	913202001360026543	Authorizing the state-owned assets operation within a certain areas, investment management of significant project, investment and development of manufacturing and services and venture capital in high-tech achievement, entrust enterprise and management etc.
Equity of other domestic/oversea listed company control by controlling	First majority shareholder of the Company—Industry Group is the controlling shareholder of Wuxi Taiji Industry Corporation Limited (stock code: 600667)			

shareholder as well as stock-joint in report period	
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Changes of controlling shareholders in reporting period

Applicable  Not applicable

The Company had no changes of controlling shareholders in reporting period

### 3. Actual controller and person acting in concert of the Company

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

Actual controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
State-owned Assets Supervision & Administration Commission of Wuxi Municipality of Jiangsu Province	~		~	State-owned Assets Administration
Equity of domestic/oversea listed company control by actual controller in report period		Not applicable		

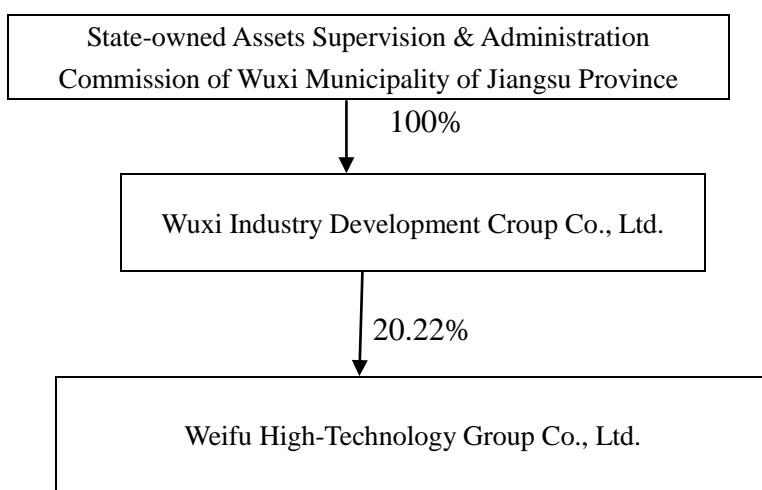
Changes of actual controller in reporting period

Applicable  Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable  Not applicable

#### 4. Particulars about other legal person shareholders with over 10% shares held

Applicable Not applicable

Corporate shareholders	Legal rep./person in charge of unit	Dated founded	Register capital	Main business or management activity
ROBERT BOSCH GMBH	Heiko Carrie, Bettina Holzwarth	15 November 1886	1200 million euros	Development, manufacture and sales of automotive equipment and engine equipment; engaged in electro-technical, electronic technology, machinery manufacturing and optical system as well as produce iron, metal and plastic products and similar commodity. The company engaged in varies trading business concerned with its business scope and established relevant company concerned with its business scope.

#### 5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

Applicable  Not applicable

## Section VII. Preferred Stock

Applicable     Not applicable

The Company had no preferred stock in the Period.

## Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees

### I. Changes of shares held by directors, supervisors and senior executives

Name	Title	Working status	Sex (M/F)	Age	Start dated of office term	End date of office term	Shares held at period-be gin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-en d (Share)
Chen Xuejun	Chairman	Currently in office	M	51	7 March 2012	26 June 2021	34,753				34,753
Rudolf Maier	Vice Chairman	Currently in office	M	61	7 March 2012	26 June 2021					
Wang Xiaodong	Vice Chairman, GM	Currently in office	M	52	7 March 2012	26 June 2021	20,781				20,781
Ou Jianbin	Director, Deputy General Manager and financing Charger	Currently in office	M	52	7 March 2012	26 June 2021	10,000				10,000
Zhang Xiaogeng	Director	Currently in office	M	55	28 May 2015	26 June 2021					
Chen Yudong	Director	Currently in office	M	57	7 March 2012	26 June 2021					
Hua Wanrong	Director	Currently in office	F	54	7 March 2012	26 June 2021					
Yu Xiaoli	Independent Director	Currently in office	F	55	27 June 2018	26 June 2021					
Lou Diming	Independent Director	Currently in office	M	55	28 May 2015	26 June 2021					
Jin Zhangluo	Independent Director	Currently in office	M	68	28 May 2015	26 June 2021					

Xu Xiaofang	Independent Director	Currently in office	M	55	28 May 2015	26 June 2021					
Shi Xingyuan	Chairman of the Supervisory Committee	Currently in office	M	56	7 March 2012	26 June 2021	12,673				12,673
Ma Yuzhou	Supervisor	Currently in office	M	44	27 June 2018	26 June 2021					
Dai Lizhong	Supervisor	Currently in office	M	43	27 June 2018	26 June 2021		2,000			2,000
Miao Yuming	Deputy GM	Currently in office	M	55	16 April 2003	26 June 2021	10,000				10,000
Xu Yunfeng	Deputy GM	Currently in office	M	47	7 March 2012	26 June 2021	13,000				13,000
Zhou Weixing	Secretary of the Board	Currently in office	M	55	9 June 2005	26 June 2021	3,565				3,565
Xing Min	Independent Director	Office leaving	M	64	7 March 2012	26 June 2018					
Zhang Zhenting	Supervisor	Office leaving	M	54	28 May 2015	26 June 2018	500			-500	
Liu Jinjun	Supervisor	Office leaving	M	43	7 March 2012	26 June 2018					
Total	--	--	--	--	--	--	105,272	2,000	-500	106,772	

## II. Changes of directors, supervisors and senior executives

√Applicable Not applicable

Name	Position	Type	Date	Cause
Xing Min	Independent Director	Office leaving for office term expires	26 June 2018	General election of the BOD
Zhang Zhenting	Supervisor	Office leaving for office term expires	26 June 2018	General election of the Supervisory Committee
Liu Jinjun	Supervisor	Office leaving for office term expires	26 June 2018	General election of the Supervisory Committee

### III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive

Mr. Chen Xuejun, was born in May 1967, communist party members, a university background and a senior economist. He has served as Director and Party branch secretary of the Company mining and supply department, Director of Party Committee Office. He has served as chairman of supervisory committee of the Company, deputy chairman and General Manager of the Company. He currently serves as Chairman of the Company, party secretary of the Company and director of the majority shareholder of the Company – Industry Group.

Mr. Rudolf Maier, was born in October 1957, a German citizenship with a doctor degree. He previously was GM of Bosch Automobile Diesel System Co., Ltd., executive deputy president of diesel system division and chairman of commercial vehicle dept. in Robert Bosch Group; now he serves as Vice Chairman of the Company and Chairman of Bosch Automobile Diesel System Co., Ltd.

Mr. Wang Xiaodong, was born in November 1966, communist party members, a university graduate, MBA and senior engineer. He previously served as Division Chief of Products Development Department of the Company, Deputy GM of Bosch Automobile Diesel and supervisor of the Company. Currently serves as vice chairman and GM of the Company.

Mr. Ou Jianbin, born in June 1966, communist party members, a senior college graduated and an accountant. Previously served as Assistant Minister and Deputy Minister of Financial Department of Weifu Company, Director and deputy GM of subsidiary Weifu Jining, Deputy GM and GM of subsidiary Weifu Leader and supervisor of the Company. Currently he serves as director and standing deputy GM as well as chief of the financial of the Company.

Mr. Zhang Xiaogeng, born in March 1963, college degree, senior economist. He previously served as clerk of the production system office at commission for restructuring of Wuxi City, deputy director of enterprise reform department of Wuxi City, director of comprehensive institution department of Wuxi City, director of development and planning department (policy and regulation division) of SASAC of Wuxi City and deputy GM of Wuxi Industry Asset Management Co., Ltd; now he serves as the deputy President of Industry Group, the first majority shareholder of the Company and Director of the Company. currently serves as director of the Company, deputy president of majority shareholder – Industry Group; and

Mr. Chen Yudong, was born in September 1961, an America citizenship and a Doctor. He previously served as senior vice president of the gasoline system division of Robert Bosch Group, executive vice president of Bosch (China) Investment Ltd. Now he serves as President of Bosch (China) Investment Ltd. and director of the Company.

Ms. Hua Wanrong, born in September 1964, communist party members, graduated from college, a senior accountant. She previously she served as deputy director of administrative resources division of State-owned Assets Supervision and Administration Bureau of Wuxi City, director of tax policy and regulations division and director of state-owned assets division of Wuxi Municipal Bureau of Finance, director of property management department and director of development and planning department of State-owned Assets Supervision and Administration Commission of Wuxi City, director of investment banking department of major shareholder – Industry Group. Currently she serves as GM of the investment banking dept. in Industry Group, majority shareholder of the Company and Director of Taiji Industry as well as the Company

Ms. Yu Xiaoli, born in January 1963, a member of the Communist Party of China, Ph.D., a professor of Zhejiang University, served as an independent director of the sixth and seventh board of directors of the Company and the dean of the engineering branch of Zhejiang University City College. She is currently a professor at Zhejiang University, the chairman of the Society of Automotive Engineers of Zhejiang, an executive director of Jinhua Bozhong Automobile Technology Co., Ltd., the chairman of Zhejiang Bozhong Automobile Technology Co., Ltd., a director of Shaoxing Taige Electromechanical Tech. Co., an independent director of Zhejiang Asia-Pacific Mechanical & Electronic Co., Ltd., an independent director of Hangzhou XZB Tech Co., Ltd., an independent director of Zhejiang Fenglong Electric Co., Ltd., an independent director of Hangzhou EVTECH Co., Ltd, and an independent director of the Company.

Mr. Lou Diming, born in July 1963, a member of the Communist Party of China, has a Ph.D., and is a professor. He used to be the deputy director and the secretary of the party branch of the Department of Mechanical Engineering of Shanghai Railway Institute, the deputy secretary of the party committee of the School of Mechanical Engineering of Tongji University and the party secretary of the Department of Locomotive and Vehicle Engineering of Tongji University, and the executive vice president of the Institute of Rail Transit, and the secretary of the second joint committee of Tongji University, etc. He is currently a professor of Tongji University, a doctoral tutor, director of the Automotive Engine Design Institute of the School of Automotive Studies, vice chairman of the Shanghai Internal Combustion Engines Society, director of the China Society for Internal Combustion Engines, vice chairman of the small and medium power diesel engine branch and the oils and clean fuels branch and the post-processing technology branch, a member of the Expert Committee of the National Technical Committee 177 on Internal Combustion Engine of Standardization Administration of China, a member of the Expert Committee of the China Internal Combustion Engine Industry Association, an independent director of Shanghai Diesel Engine Co., Ltd., an independent director of Jiangsu Liance Electromechanical Technology Co., Ltd., a senior consultant of Kunming Yunnei Power Co., Ltd., and an independent director of the Company.

Mr. Jin Zhangluo, born in August 1950, a member of the Communist Party of China, holds a college degree, and is a certified public accountant and senior accountant. He used to be the financial controller of Jintan Diesel Engine Factory in Jiangsu Province, deputy section chief, section chief and chief accountant of finance section of Wuxi

Power Machine Factory, and department manager, deputy director and executive deputy director of Jiangsu Gongzheng Certified Public Accountants. He currently serves as an independent director of Suzhou Taihu Electric New Materials Co., Ltd., an independent director of Jiangsu Pengyao Environmental Protection Technology Co., Ltd., and an independent director of the Company.

Mr. Xu Xiaofang, born in March 1963, communist party members, graduate, a lawyer. He previously he served as part-time lawyer in Beihai Economic Law Firm, staff in China Chamber of International Commerce Beihai Branch, part-time lawyer of Guangdong Yuanjian Law Firm, and staff of legal affairs in CEIEC and lawyer of Guangdong Bohe Law Firm. Now he serves as lawyer in Kunlun (Shenzhen) Law Firm, arbitrator of the Shenzhen Arbitration Commission, independent director of Shenzhen Kaizhong Precision Technology Co., Ltd and the Company.

Mr. Shi Xingyuan, was born in May 1962, communist party members, a postgraduate, Master of Commerce and Industry, senior engineer. He previously he served as GM and Director of the Company; now he serves as Chairman of the Supervisory Committee as well as the deputy Party Secretary and Chairman of the Labor Union of the Company

Mr. Ma Yuzhou, was born in September 1974, communist party members, owns Master's degree and a engineer. He previously served as Deputy GM of Weifu Tianli, Deputy GM and GM of the mechanical system division of the Company; now he serves as Supervisor of the Company and director of the Organizational personnel department of the Company.

Mr. Dai Lizhong, was born in July 1975, communist party members, owns Master's degree and a engineer. He previously served as Deputy GM and GM of the Weifu Diesel; now he serves as Supervisor of the Company and standing deputy GM of the mechanical system division of the Company

Mr. Miao Yuming, born in April 1963, communist party members, a university background, MBA and senior engineer. He previously served as director of sales department and assistant GM in the Company. Currently he serves as deputy GM of the Company, deputy GM of Bosch Automobile Diesel;

Mr. Xu Yunfeng, born in November 1971, communist party members, graduate from University, a Master and engineer. He previously served as assistant GM and GM Weifu Automobile Diesel. Currently serves as deputy GM of the Company.

Mr. Zhou Weixing, born in January 1963, communist party members, graduate from University, a senior engineer. He previously served as representative of security affairs and director of security office of the Company; now he serves as secretary of the Board of the Company.

Post-holding in shareholder's unit

Applicable  Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Rudolf Maier	Bosch Automobile Diesel System Co., Ltd.	Chairman			Y
Chen Yudong	Bosch (China) Investment Ltd.	President	1 Jan. 2011		Y
Zhang Xiaogeng	Wuxi Industry Development Group Co., Ltd.	Vice president	1 Apr. 2008		Y
Hua Wanrong	Wuxi Industry Development Group Co., Ltd.	GM of the investment banking department	1 Oct. 2018		Y
Miao Yuming	Bosch Automobile Diesel System Co., Ltd.	Deputy GM	1 Mar. 2012		Y

Post-holding in other unit

 Applicable  Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Yu Xiaoli	Zhejiang University	Teacher and professor	1 August 1985		
Yu Xiaoli	Society of Automotive Engineers of Zhejiang	Director-general	1 June 2015		
Yu Xiaoli	Zhejiang Bozhong Auto Technology Co., Ltd	Chairman	1 April 2008		
Yu Xiaoli	Shaoxing Taige Electromechanical Tech. Co., Ltd	Director	1 April 2004		
Yu Xiaoli	Zhejiang Asia-Pacific Mechanical & Electronic Co., Ltd	Independent Director	1 April 2013		
Yu Xiaoli	Hangzhou XZB Tech. Co., Ltd	Independent Director	1 December 2013		
Yu Xiaoli	Zhejiang Fenglong Electric Co., Ltd	Independent Director	1 April 2016		
Yu Xiaoli	Hangzhou EVTECH Co., Ltd	Independent Director	1 June 2016		
Lou Diming	Tongji University	Professor, doctoral supervisor	15 April 2000		
Lou Diming	Shanghai Diesel Engine Co., Ltd	Independent Director	20 May 2015		
Lou Diming	Jiangsu Liance Electromechanical Technology Co., Ltd	Independent Director	1 June 2017		
Lou Diming	Kunming Yunnei Power Co., Ltd	Senior consultant	1 August 2018		
Jin Zhangluo	Suzhou Taihu Electric Advanced Material Co., Ltd	Independent Director	4 February 2016		
Jin Zhangluo	Jiangsu Pengyao Environmental Protection Tech. Co., Ltd	Independent Director	1 February 2014		

Xu Xiaofang	Kunlun (Shenzhen) Law Firm	Lawyer	1 September 2004		
Xu Xiaofang	Shenzhen Kaizhong Precision Technology Co., Ltd	Independent Director	1 June 2018		
Explanation on post-holding in other unit	The aforesaid are the independent directors of the Company				

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable     Not applicable

#### IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

1. Decision-making procedure: the remuneration and review committee of the Board shall make proposals according to completion status of the major annual targets, the implementation of which is subject to submission to and approval by the Board;
2. Determination reference: remuneration of directors, supervisors and senior management who receive remuneration from the Company is determined based on the annual operating results assessment measures of senior management and remuneration management rules of senior management as approved at the general meetings. Salary for independent directors of the Company is determined by general meeting which is set at RMB 25,000 per quarter (after tax), and the traveling expense occurred by them arising from attending the Company's board meeting, general meetings and relevant activities will be reimbursed according to the actual conditions.
3. Actual payment: remuneration of directors, supervisors and senior management who receive remuneration from the Company comprises of basic annual pay and performance related annual salary. The basic annual pay shall be determined based on specific positions and paid monthly, while the performance related salary is determined and paid based on satisfaction of the various performance indicators since it is directly linked with the economic benefits of the Company. Remuneration of independent directors will be paid on a quarterly basis.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Chen Xuejun	Chairman	M	51	Currently in office	95	N
Rudolf Maier	Vice Chairman	M	61	Currently in office		Y
Wang Xiaodong	Vice Chairman、GM	M	52	Currently in office	86	N
Ou Jianbin	Director, Deputy General Manager and financing Charger	M	52	Currently in office	72	N

Zhang Xiaogeng	Director	M	55	Currently in office		Y
Chen Yudong	Director	M	57	Currently in office		Y
Hua Wanrong	Director	F	54	Currently in office		Y
Yu Xiaoli	Independent Director	F	55	Currently in office	6	N
Lou Diming	Independent Director	M	55	Currently in office	12	N
Jin Zhangluo	Independent Director	M	68	Currently in office	12	N
Xu Xiaofang	Independent Director	M	55	Currently in office	12	N
Shi Xingyuan	Chairman of the Supervisory Committee	M	56	Currently in office	72	N
Ma Yuzhou	Supervisor	M	44	Currently in office	19	N
Dai Lizhong	Supervisor	M	43	Currently in office	19	N
Miao Yuming	Deputy GM	M	55	Currently in office		Y
Xu Yunfeng	Deputy GM	M	47	Currently in office	72	N
Zhou Weixing	Secretary of the Board	M	55	Currently in office	41	N
Xing Min	Independent Director	M	64	Office leaving	6	N
Zhang Zhenting	Supervisor	M	54	Office leaving	23	N
Liu Jinjun	Supervisor	M	43	Office leaving	19	N
Total	--	--	--	--	566	--

Delegated equity incentive for directors, supervisors and senior executives in reporting period

Applicable  Not applicable

## V. Particulars of workforce

### 1. Number of Employees, Professional composition, Education background

Employee in-post of the parent Company (people)	2,509
Employee in-post of main Subsidiaries (people)	3,013
The total number of current employees (people)	5,522
The total number of current employees to receive pay (people)	5,522
Retired employee's expenses borne by the parent Company and main Subsidiaries (people)	0
Professional composition	
Category of professional composition	
Numbers of professional composition (people)	
Production personnel	3,386
Sales personnel	230
Technical personnel	1,236
Financial personnel	91

Administrative personnel	579
Total	5,522
Education background	
Category of education background	Numbers (people)
Master degree and above	244
Undergraduate	1,317
Junior college	1,202
Other	2,759
Total	5,522

## 2. Remuneration Policy

In 2018, the company further improved the performance management and compensation management system, differentiated the competency evaluation of “people” and the performance evaluation of “things”, established a two-dimensional evaluation system of performance and capability, realized the interaction between organizational performance and employee performance, and optimize the merit pay proportion by taking “one level is responsible for one level” as the standard. Based on the principles of “remuneration market orientation and landscape orientation balance” and combined with external research and internal post analysis, optimized salary strategy and salary model, formed certain market competitiveness, stabilized the core employees of the company’s core positions; gave full play to the role of incentive funds, clarified the objective of struggle, strengthened the incentive effect, and promoted the spirit of “climbing higher than the challenge, challenging the high difficulties” in the employees, which played an incentive role for the realization of the company’s annual goals; explored new welfare mechanisms and piloted the establishment of flexible welfare platform for company employees. The Company arranged social insurance for all of its employees, and continued to make available the complementary annuity and medical and accident commercial insurances, effectively improve the level of employee motivation and managing to activate employees’ enthusiasm and innovation, retain employees, attract high quality elites and strengthen corporate cohesiveness.

## 3. Training programs

In 2018, the Company further increased training to improve the professionalism and expertise of employees. Throughout the year, it held in aggregate 118 internal training with 167 in-house trainers. Besides, it conducted an overall dynamic management against its training courses and trainers in order to achieve constant improvement of internal training quality. A total of about 10,300 people have received relevant training from the Company, among which, internal training accounted for 91%. The major training subjects included development plan for potential elites, establishment and implementation of training plan for core elites. Together with the assessment on effectiveness of training, the Company managed to strengthen training management on application and sharing plans. In addition, the company also tried to design and implemented the “SPACE” model of talent professional skill development and training, solidified the talent development training mode, strengthened the landing of

application, and embodied the training concept of “results oriented, training and fighting combined, interesting and effective” through the course study, rotation practice, application action, self challenge, evaluation improvement.

#### **4. Labor outsourcing**

Applicable     Not applicable

## Section IX. Corporate Governance

### I. Corporate governance of the Company

During the reporting period, the Company earnestly implemented the *Basic Internal Control Standards for Enterprise* and its guidance in strict accordance to the requirements of the *Company Law, Securities Law, Listing Rules of Shenzhen Stock Exchange* as well as *Guidance on Standard Operation of Listed Company on Main Board*, continued to improve and enhance legal person governance structure and internal control system, thus to standardize its operation. The actual status of corporate governance in accordance with the requirements of China Securities Regulatory Commission regulatory documents related to listing Corporation.

The company has established a series of document systems for standardized management including the *Rules of Procedure* of three committees, *Working Rules, internal control system, Evaluation Management System of Internal Control, Information Disclosure Management Approach, Financial Decision-making System of Significant Investment, Related Party Transaction System and Inside Information and Insider Management System*.

According to the *Company Law, Articles of Association* and relevant laws and regulations, the company established a relatively complete organizational control architecture system. The company's board of directors executes the resolution of general meeting of stockholders, takes charge of the company's great decisions, and take responsible for the general meeting of stockholders; the company sets up the general manager according to law to preside over the company's daily production and operation and management, organize and implement the resolutions of the board of directors, and take responsible for the board of directors; the company's board of supervisors is the company's supervisory body, takes responsible for behaviors of the directors and senior management and the supervise the company's financial affairs. The board of directors has four special committees including the strategy committee, remuneration and appraisal committee, audit committee, and nominations committee. The company's general meeting of stockholders, board of directors, board of supervisors, and management layer have clear rights and obligations, perform their own duties, effectively check and balance, scientifically make decisions, coordinate operations, and lay a solid foundation for the company's sustainable, stable and healthy development.

The company's independent directors perform their duties and faithfully and conscientiously fulfill their obligations in strict accordance with relevant regulations of *Articles of Association* and the *Independent Director System*, and actively attend the board meetings and shareholders' meetings, understand and obtain relevant information before meetings; carefully consider each motion, and actively participate in the discussions and make recommendations. Seriously make independent opinions, and effectively protect the interests of the company and shareholders, especially the minority shareholders. Independent directors have no objections on relevant matters of the company.

The company further implements the *Basic Norms of Enterprise Internal Control* and its guidelines, constructs the internal control system in the company headquarters and major subsidiaries, enhance the company's management and control level, optimize the work flow, improve the internal control system, identify and control the operational risks. Please see the detailed contents of *2018 Annual Internal Control Evaluation Report* on [www.cninfo.com.cn](http://www.cninfo.com.cn) which is the information disclosure website designated by Shenzhen Stock Exchange.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes  No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

## **II. Independence of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance**

1. Business: the company has a complete independent research and development, procurement, production and sales systems, the main business does not have horizontal competition with the controlling shareholders. The business is absolutely separated.
2. Personnel: the company has mutual independence with its controlling shareholders in labor, personnel and salary management; there is no mixed operation and management with the controlling shareholders. The company's general manager, vice general manager, financial administrator, secretary of the board, and senior executives don't hold any position in the shareholders' units.
3. Assets: the company's assets are independent and complete, the property relations with the controlling shareholders are clear.
4. Organization: the company has established organization completely independent from its controlling shareholders, the duty and authority of the company's stockholders' meeting, board of directors, board of supervisors and management level are clearly defined, the internal management system can operate independently.
5. Finance: the company has set up an independent financial department, established the independent financial accounting system and financial management system, opened the independent bank account, and paid taxes separately according to law.

## **III. Horizontal competition**

Applicable  Not applicable

## IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

### 1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2017	AGM	42.04%	27 June 2018	28 June 2018	(Notice No.: 2018-021) published on Juchao Website(www.cninfo.com.cn)

### 2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable  Not applicable

## V. Responsibility performance of independent directors

### 1. The attending of independent directors to Board meetings and general meeting

The attending of independent directors to Board Meeting and general meeting							
Independent Director	Times of Board meeting supposed to attend in the report period	Times of Board meeting Presence	Times of attending Board meeting by communication	Times of Board meeting entrusted presence	Times of Board meeting Absence	Absent the Board Meeting for the second time in a row (Y/N)	Times of attending shareholding meeting
Yu Xiaoli	3	1	2	0	0	N	1
Lou Diming	7	2	4	1	0	N	1
Jin Zhanluo	7	3	4	0	0	N	1
Xu Xiaofang	7	3	4	0	0	N	1

Explanation of absent the Board Meeting for the second time in a row

Not applicable

### 2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes  No

Independent directors has no objections for relevant events in reporting period

### 3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes  No

Explanation on advice that accepted/not accepted from independent directors

During the reporting period, the company's independent directors have paid close attention to the company's operations, independently performed their duties, made special opinions on the company's system improvement and daily operating decisions in strict accordance with relevant laws and regulations and the provisions of *Articles of Association*, made independent and just opinions on the matters that need the independent directors' opinions during the reporting period, and played the due role in improving the corporate governance mechanism, maintaining the legitimate rights and interests of the company and all shareholders.

## **VI. Duty performance of the special committees under the board during the reporting period**

1. Two meetings of Audit committee of the Board, deliberated and approved followed: *Financial Result Report of 2017, Annual Report of 2017 and its Summary, Conclusion Report of auditing for year of 2017, Engagement of audit institute for financial report of 2018, Engagement of audit institute for internal control of the Company of 2018 and Semi-Annual Report of 2018 and its Summary* etc.;
2. One meeting of remuneration and appraisal committee of the Board, deliberate and approved the *Remuneration evaluation and payment for senior executive of 2017*;
3. One meeting of strategy committee of the Board, deliberate and approved the *Operation target for year of 2018*.
4. Two meetings of nomination committee of the Company, deliberate the director nominee of 9<sup>th</sup> BOD without objection; and examined the qualification of senior managers and the related situation without objection.

## **VII. Works from Supervisory Committee**

The Company has risks in reporting period that found in supervisory activity from supervisory committee

Yes  No

Supervisory committee has no objection about supervision events in reporting period

## **VIII. Examination and incentives of senior management**

Assessment and incentive of senior management of the Company is conducted pursuant to the *Company Law, Articles of Association, and the Annual Operating Results Assessment Measures of Senior Management and Remuneration Management Rules of Senior Management* as approved at the general meetings. Assessment of operating results of senior management comprises of annual operating results assessment and term-of-service operating results assessment. Assessment on results and procedure was combined, and assessment results were linked to incentives and punishment. With respect to annual operating results review, the remuneration and review committee of the Board made comprehensive assessment on satisfaction of the annual operating targets and determined the annual remuneration, incentives or punishment for senior management based on their review results (which was implemented according to remuneration management rules of senior management), based on the major annual operating targets set by the Board under required procedures and methods through establishment of scientific performance indicators and assessment system and combination of scoring in terms of quantity and

review comments. During the reporting period, the Company made appropriate assessment on its senior management under the performance indicator and assessment system, the results of which had been reflected in the annual performance related remuneration.

Currently, the Company has not exercised any share option scheme.

## IX. Internal Control

### 1. Details of major defects in IC appraisal report that found in reporting period

Yes  No

### 2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	23 April 2019	
Disclosure index of full internal control evaluation report	<i>Self-evaluation report of internal control for 2018</i> , more details found in Juchao website ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) appointed by Shenzhen Stock Exchange	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	100.00%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	100.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	See details in (II) Basis for evaluation of internal controls and defect identification standards of internal controls of III <i>Evaluation of Internal Controls in 2018 Annual Internal Control Self-Evaluation Report</i> disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on April 23, 2019.	See details in (II) Basis for evaluation of internal controls and defect identification standards of internal controls of III <i>Evaluation of Internal Controls in 2018 Annual Internal Control Self-Evaluation Report</i> disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on April 23, 2019.
Quantitative standard	See details in (II) Basis for evaluation of internal controls and defect identification standards of internal controls of III <i>Evaluation of Internal Controls in 2018 Annual Internal Control Self-Evaluation Report</i> disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on April 23, 2019.	See details in (II) Basis for evaluation of internal controls and defect identification standards of internal controls of III <i>Evaluation of Internal Controls in 2018 Annual Internal Control Self-Evaluation Report</i> disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> on April 23, 2019.

Amount of significant defects in financial reports	0
Amount of significant defects in non-financial reports	0
Amount of important defects in financial reports	0
Amount of important defects in non-financial reports	0

## X. Auditing report of internal control

Applicable  Not applicable

Deliberations in Internal Control Audit Report	
Audit institute considers that: according to relevant regulations and <i>Basic Rules of Internal Control for Enterprises</i> , Weifu High-Technology Co., Ltd. in all major aspects, keeps an efficiency of internal control of financial report dated 31 December 2018	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	23 April 2019
Index of audit report of internal control (full-text)	<i>Audit report of internal control for year of 2018</i> , more details found in Juchao website ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) appointed by Shenzhen Stock Exchange
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

Yes  No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

Yes  No

## Section X. Corporate Bond

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

No

## Section XI. Financial Report

### I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	19 April 2019
Name of audit institute	Jiangsu Gongzheng Tianye Certified Public Accountants (Special General Partnership)
Document number of audit report	SGW[2019]No.:A525
Name of CPA	Bo Lingjing, Meng Yin

#### Auditor's Report

**SGW[2019]No.:A525**

To the Shareholders of Weifu High-Technology Group Co., Ltd.:

#### I. Auditing opinions

We have audited the financial statement under the name of Weifu High-Technology Group Co., Ltd. (hereinafter referred to as WFHT), including the consolidated and parent Company's balance sheet of 31 December 2018 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2018 and its operation results and cash flows for the year ended.

#### II. Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the Certified Public Accountants of China's Code of Ethics for Professional Accountants, 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.

#### III. Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

The key audit matter we identified is as follows:

(i) Revenue Recognition

1. Matter description

As carried in the 24. Revenue in Note V and 35. Operation revenue and cost in Note VII, WFHT achieved an operation revenue of 8721.6747 million Yuan for the year of 2018.

As one of the biggest source of profits for WFHT, operation revenue has a significant effect on the general financial statement, in which there are certain of inherent risks existed for the reason that the management manipulate the timing of recognition so as to achieve specific objectives or anticipations. Therefore, we will take the Revenue Recognition Principle as the key auditing matter.

## 2. The solution to the matter in auditing

(1) The Company has tested the design and execution of key internal control related to revenue recycling so as to confirm the validity of internal control; (2) The Company should make sure whether the recognition condition and method of major operating revenue are compliance with the enterprise accounting principle and whether the front phase consistent with the rear phase; it also should pay an attention to that whether the cyclical and occasional revenue is compliance with the decided revenue recognition principle and methods; (3) Combining with status and policies of the industry where WFHT is located, and make a judgment on the rationality of fluctuation; (4) The Company should carry out the procedure of account receivable and income letter of confirmation, and make a judgment on the rationality of the timing of revenue recognition; (5) Combining with the procedure of letter of confirmation, the Company should make a random inspection on sales contracts or orders, delivery lists, logistics bills, customs declaration, sales invoices and other documents related to revenue to verify the authenticity of revenue; and (6) Referring to the recorded revenue before and after the Balance Sheet Date, the Company should select some samples and check out the supportive documents such as delivery lists, customs declaration and receipt forms to make a judgment on whether the income has been recorded at the appropriate accounting period.

## (ii) Impairment of available-for-sale financial assets

### 1. Description of the matter

As stated in Note V, 10 “Financial Instruments” and Note VII, 7 “Available for Sale Financial Assets” of the financial statements, as of December 31, 2018, the book balance of available-for-sale financial assets in the consolidated statements of WFHT was 460,603,200 Yuan, the balance of impairment provision was 204,628,034.04 Yuan, of which the impairment provision calculated in the current period was 145,994,927.09 Yuan. For available-for-sale financial assets, the management of WFHT (hereinafter referred to as the management) considered whether these financial assets had objective evidence showing signs of impairment, the objective evidence of the existence of signs of impairment included the fair value of available-for-sale equity instruments having a serious or non-temporary decline. As the amount of available-for-sale financial assets was significant, the impairment assessment required significant judgment from the management, and the impairment assessment of such assets was recognized as a key audit matter.

### 2. Response to the matter in the audit

(1) Assess and test the validity of the design and operation of the internal control of the process related to the impairment of available-for-sale financial assets; (2) Assess the management's judgment on whether there is any indication of impairment, the assessment is based on the fair value of the financial instrument and the financial condition of the invested enterprise; (3) Assess the rationality of the management's judgment that the financial instrument is serious or non-temporary less than its cost standard; (4) For impairment of available-for-sale financial assets, test the amount of impairment provision accrued by the management. We assessed the basis and parameters (such as market value, financial information of the invested enterprise, etc.) used to calculate the impairment provision during the test.

## IV. Other information

The management of WFHT is responsible for other information which includes the information covered in the Company's 2018 annual report excluding the financial statement and our audit report.

The audit opinion issued by us for the financial statement has not covered other information, for which we do not issue any form of assurance opinions.

Considering our audit on financial statements, we are liable to read other information, during which, we shall consider whether other information differs materially from the financial statements or that we understand during our audit, or whether there is any material misstatement.

Based on the work we have carried out, if we determine that there is a material misstatement of other information, we should report that fact and in this regard we have nothing to report.

#### **V. Responsibilities of management and those charged with governance for the financial statements**

The management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Enterprise to secure a fair presentation, and for the design, establishment and maintenance of the internal control 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 matters related to going concern (if applicable) and using the going concern assumption 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.

#### **VI. Responsibilities of the auditor for 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 audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the CAS, we exercise professional judgment and maintain professional skepticism 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 audit 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 assumption 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 by the CAS to draw users'

attention in audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information obtained up to the date of audit 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.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for 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 communicate with them all relationships and other matters that may reasonably be considered to affect our independence, as well as the relevant precautions (if applicable)

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 the 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 the auditor's report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Jiangsu Gongzheng Tianye CPA

Chinese CPA: Bo Lingjing

(Special Ordinary Partnership)

(engagement partner)

Wuxi, China

Chinese CPA: Meng Yin

19 April 2019

## II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

### 1. Consolidated Balance Sheet

Prepared by Weifu High-Technology Group Co., Ltd.

2018-12-31

In RMB

Item	Ending balance	Opening balance
Current assets:		
Monetary funds	2,616,321,740.73	3,118,709,412.83
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable and account receivable	3,067,900,870.59	3,459,834,765.73
Including: Note receivable	1,148,107,603.68	1,464,256,934.83
Account receivable	1,919,793,266.91	1,995,577,830.90
Account paid in advance	94,651,431.31	97,576,197.88
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other receivables	84,582,246.16	7,496,602.58
Including: Interest receivable	1,842,437.50	2,281,979.17
Dividend receivable		
Buying back the sale of financial assets		
Inventory	1,438,528,714.59	1,478,939,040.70
Assets held for sale		
Non-current asset due within one year		
Other current assets	4,632,137,600.26	3,887,997,290.53
Total current assets	11,934,122,603.64	12,050,553,310.25
Non-current assets:		
Loans and payments on behalf		
Available-for-sale financial assets	255,975,176.91	588,142,869.00

Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	4,976,773,946.74	4,140,064,825.58
Investment real estate	21,906,134.52	23,544,830.78
Fixed assets	2,707,374,678.61	2,584,872,628.54
Construction in progress	166,414,542.18	100,345,461.28
Productive biological assets		
Oil and gas assets		
Intangible assets	324,892,822.75	340,632,143.36
Research and development costs		
Goodwill	1,784,086.79	1,784,086.79
Long-term deferred expenses	16,637,652.31	2,969,770.81
Deferred income tax assets	234,697,139.58	203,007,622.23
Other non-current assets	251,462,676.27	195,088,675.74
Total non-current assets	8,957,918,856.66	8,180,452,914.11
Total assets	20,892,041,460.30	20,231,006,224.36
Current liabilities:		
Short-term borrowings	298,928,213.94	243,000,000.00
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability	490,329.13	
Note payable and account payable	3,065,704,368.40	3,518,932,964.93
Accounts received in advance	41,329,857.80	42,820,236.07
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	312,113,178.24	327,778,677.29
Taxes payable	74,271,613.92	93,869,690.36
Other accounts payable	64,448,723.52	63,339,869.33
Including: Interest payable	517,469.08	401,928.43
Dividend payable		
Reinsurance payable		

Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within one year	15,000,000.00	10,000,000.00
Other current liabilities		
Total current liabilities	3,872,286,284.95	4,299,741,437.98
Non-current liabilities:		
Long-term loans	30,000,000.00	45,000,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable	35,422,354.11	35,761,445.11
Long-term wages payable	74,679,175.36	30,448,132.88
Accrual liabilities		
Deferred income	425,769,854.13	451,281,721.77
Deferred income tax liabilities	1,912,744.40	17,406,622.39
Other non-current liabilities		
Total non-current liabilities	567,784,128.00	579,897,922.15
Total liabilities	4,440,070,412.95	4,879,639,360.13
Owners' equity:		
Share capital	1,008,950,570.00	1,008,950,570.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital reserve	3,416,022,795.14	3,417,841,402.89
Less: Inventory shares		
Other comprehensive income	-19,809,442.95	87,169,455.01
Reasonable reserve	1,618,490.50	2,606.93
Surplus reserve	510,100,496.00	510,100,496.00
Provision of general risk		
Retained profit	10,996,945,870.13	9,811,609,138.92
Total owners' equity attributable to parent company	15,913,828,778.82	14,835,673,669.75
Minority interests	538,142,268.53	515,693,194.48

Total owners' equity	16,451,971,047.35	15,351,366,864.23
Total liabilities and owner's equity	20,892,041,460.30	20,231,006,224.36

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

## 2. Balance Sheet of Parent Company

In RMB

Item	Ending balance	Opening balance
Current assets:		
Monetary funds	1,922,408,227.00	2,460,413,190.84
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable and account receivable	1,006,511,198.29	1,496,222,212.94
Including: Note receivable	264,264,207.30	449,209,323.02
Account receivable	742,246,990.99	1,047,012,889.92
Account paid in advance	59,028,927.25	52,269,971.38
Other receivables	196,849,092.13	50,272,280.93
Including: Interest receivable	188,682.78	97,627.77
Dividend receivable		
Inventory	492,054,274.67	425,577,163.53
Assets held for sale		
Non-current asset due within one year		
Other current assets	4,576,688,553.49	3,876,370,675.52
Total current assets	8,253,540,272.83	8,361,125,495.14
Non-current assets:		
Available-for-sale financial assets	180,035,176.91	512,202,869.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	5,739,110,426.55	4,962,522,689.49
Investment real estate		
Fixed assets	1,534,109,106.80	1,567,315,925.73
Construction in progress	78,673,300.59	29,152,398.74
Productive biological assets		

Oil and gas assets		
Intangible assets	188,101,655.94	196,726,670.75
Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	140,286,756.70	114,706,976.54
Other non-current assets	184,208,090.40	80,866,308.04
Total non-current assets	8,044,524,513.89	7,463,493,838.29
Total assets	16,298,064,786.72	15,824,619,333.43
Current liabilities:		
Short-term borrowings	112,000,000.00	78,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Note payable and account payable	1,154,238,521.88	1,541,969,832.85
Accounts received in advance	6,639,554.63	12,242,442.51
Wage payable	200,205,508.25	216,598,203.73
Taxes payable	39,193,425.15	71,370,793.35
Other accounts payable	12,142,596.68	10,076,446.33
Including: Interest payable	149,966.66	93,777.78
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	1,524,419,606.59	1,930,257,718.77
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	63,962,762.93	16,665,236.81
Accrual liabilities		
Deferred income	381,609,056.40	407,070,636.08

Deferred income tax liabilities		15,382,844.99
Other non-current liabilities		
Total non-current liabilities	445,571,819.33	439,118,717.88
Total liabilities	1,969,991,425.92	2,369,376,436.65
Owners' equity:		
Share capital	1,008,950,570.00	1,008,950,570.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital reserve	3,488,221,286.39	3,488,221,286.39
Less: Inventory shares		
Other comprehensive income	-19,809,442.95	87,169,455.01
Reasonable reserve		
Surplus reserve	510,100,496.00	510,100,496.00
Retained profit	9,340,610,451.36	8,360,801,089.38
Total owners' equity	14,328,073,360.80	13,455,242,896.78
Total liabilities and owner's equity	16,298,064,786.72	15,824,619,333.43

### 3. Consolidated Profit Statement

In RMB

Item	Current period	Last Period
I. Total operating income	8,721,674,671.18	9,017,280,159.80
Including: Operating income	8,721,674,671.18	9,017,280,159.80
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	8,216,834,165.41	8,086,342,833.98
Including: Operating cost	6,691,856,839.97	6,761,729,398.36
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		

Reinsurance expense		
Operating tax and extras	65,388,329.92	72,413,140.48
Sales expenses	237,839,472.28	194,854,780.37
Administration expenses	585,005,385.75	539,493,552.86
R&D expenses	403,263,972.20	391,315,234.75
Financial expenses	-17,393,580.55	7,316,996.79
Including: Interest expenses	17,562,164.63	10,044,328.07
Interest income	34,156,380.22	18,726,974.19
Losses of devaluation of asset	250,873,745.84	119,219,730.37
Add: Other income	48,404,480.99	40,394,724.11
Investment income (Loss is listed with “-”)	1,955,668,055.33	1,853,638,285.20
Including: Investment income on affiliated company and joint venture	1,623,761,059.52	1,604,027,207.30
Income from change of fair value (Loss is listed with “-”)	-490,329.13	
Exchange income (Loss is listed with “-”)		
Income from assets disposal (Loss is listed with “-”)	102,472,995.47	-748,927.63
III. Operating profit (Loss is listed with “-”)	2,610,895,708.43	2,824,221,407.50
Add: Non-operating revenue	1,264,830.90	11,968,167.87
Less: Non-operating expenditure	9,977,159.55	5,773,593.62
IV. Total Profit (Loss is listed with “-”)	2,602,183,379.78	2,830,415,981.75
Less: Income tax expense	135,888,676.31	183,206,057.17
V. Net profit (Net loss is listed with “-”)	2,466,294,703.47	2,647,209,924.58
(i) net profit from continuous operation (Net loss is listed with “-”)	2,466,294,703.47	2,647,209,924.58
(ii) net profit from discontinued operation (Net loss is listed with “-”)		
Net profit attributable to owner's of parent company	2,396,077,415.21	2,571,339,490.04
Minority shareholders' gains and losses	70,217,288.26	75,870,434.54
VI. Net amount of other comprehensive income after-tax	-106,978,897.96	-57,553,372.50
Net after-tax of other comprehensive income attributable to owners of parent company	-106,978,897.96	-57,553,372.50
(i) Other comprehensive income items which will not be reclassified subsequently to profit or loss		
1. Re-measurement of the change of defined benefit plan		
2. Other comprehensive income unable transfer to gain/loss		

under equity method		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss	-106,978,897.96	-57,553,372.50
1. Other comprehensive income able to transfer to gain/loss under equity method		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	-106,978,897.96	-57,553,372.50
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net amount of other comprehensive income after-tax attributable to minority shareholders		
VII. Total comprehensive income	2,359,315,805.51	2,589,656,552.08
Total comprehensive income attributable to owners of parent Company	2,289,098,517.25	2,513,786,117.54
Total comprehensive income attributable to minority shareholders	70,217,288.26	75,870,434.54
VIII. Earnings per share:		
(i) Basic earnings per share	2.37	2.55
(ii) Diluted earnings per share	2.37	2.55

As for the enterprise combined under the same control, net profit of Yuan achieved by the merged party before combination while Yuan achieved last period

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

#### 4. Profit Statement of Parent Company

In RMB

Item	Current period	Last Period
I. Operating income	3,998,191,191.20	3,646,015,253.48
Less: Operating cost	2,878,837,450.12	2,772,717,901.96
Operating tax and extras	35,149,305.22	32,231,401.32
Sales expenses	37,478,558.29	41,447,839.21
Administration expenses	376,379,869.65	264,781,355.23

R&D expenses	177,593,532.59	119,083,205.53
Financial expenses	-21,456,061.70	612,009.78
Including: Interest expenses	7,628,727.78	10,044,328.07
Interest income	28,648,955.90	18,726,974.19
Losses of devaluation of asset	175,101,684.40	32,483,156.75
Add: Other income	29,495,580.27	29,394,763.19
Investment income (Loss is listed with “-”)	1,936,311,115.66	2,684,760,048.35
Including: Investment income on affiliated company and joint venture	1,529,792,676.71	1,470,504,861.61
Income from change of fair value (Loss is listed with “-”)		
Income from assets disposal (Loss is listed with “-”)	378,212.58	-712,637.95
II. Operating profit (Loss is listed with “-”)	2,305,291,761.14	3,096,100,557.29
Add: Non-operating revenue	207,671.23	3,830,135.74
Less: Non-operating expenditure	7,273,534.03	2,394,121.52
III. Total Profit (Total loss is listed with “-”)	2,298,225,898.34	3,097,536,571.51
Less: Income tax expense	106,753,611.42	96,268,627.83
IV. Net profit(Net loss is listed with “-”)	2,190,550,045.98	3,001,267,943.68
(i) net profit from continuous operation (Net loss is listed with “-”)	2,190,550,045.98	3,001,267,943.68
(ii) net profit from discontinued operation (Net loss is listed with “-”)		
V. Net amount of other comprehensive income after-tax	-106,978,897.96	-57,553,372.50
(i) Other comprehensive income items which will not be reclassified subsequently to profit or loss		
1.Re-measurement of the change of defined benefit plan		
2.Other comprehensive income unable transfer to gain/loss under equity method		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss	-106,978,897.96	-57,553,372.50
1.Other comprehensive income able to transfer to gain/loss under equity method		
2.Gains or losses arising from changes in fair value of available-for-sale financial assets	-106,978,897.96	-57,553,372.50
3.Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		

4.The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5.Translation differences arising on translation of foreign currency financial statements		
6.Other		
VI. Total comprehensive income	2,083,571,148.02	2,943,714,571.18
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

In RMB

Item	Current period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	7,999,323,110.21	7,754,845,248.56
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	74,874,331.14	43,620,789.57
Other cash received concerning operating activities	118,177,755.39	65,978,678.90
Subtotal of cash inflow arising from operating activities	8,192,375,196.74	7,864,444,717.03
Cash paid for purchasing commodities and receiving labor service	4,916,153,332.79	4,582,582,669.13
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		

Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	1,258,270,424.72	1,160,114,421.44
Taxes paid	584,432,693.90	616,431,389.37
Other cash paid concerning operating activities	559,137,218.70	547,618,336.02
Subtotal of cash outflow arising from operating activities	7,317,993,670.11	6,906,746,815.96
Net cash flows arising from operating activities	874,381,526.63	957,697,901.07
<b>II. Cash flows arising from investing activities:</b>		
Cash received from recovering investment	11,441,378,669.57	9,448,612,477.03
Cash received from investment income	1,161,469,760.54	1,098,610,121.87
Net cash received from disposal of fixed, intangible and other long-term assets	79,188,658.88	57,287,480.01
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		4,559,984.34
Subtotal of cash inflow from investing activities	12,682,037,088.99	10,609,070,063.25
Cash paid for purchasing fixed, intangible and other long-term assets	642,108,805.53	469,961,718.71
Cash paid for investment	12,245,264,000.00	11,389,400,000.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	1,090,775.32	
Subtotal of cash outflow from investing activities	12,888,463,580.85	11,859,361,718.71
Net cash flows arising from investing activities	-206,426,491.86	-1,250,291,655.46
<b>III. Cash flows arising from financing activities:</b>		
Cash received from absorbing investment	800,000.00	9,520,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	800,000.00	9,520,000.00
Cash received from loans	464,928,213.94	245,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities	5,470,000.00	
Subtotal of cash inflow from financing activities	471,198,213.94	254,520,000.00
Cash paid for settling debts	419,000,000.00	157,000,000.00
Cash paid for dividend and profit distributing or interest paying	1,251,137,878.98	640,733,312.09
Including: Dividend and profit of minority shareholder paid by subsidiaries	22,543,737.00	25,491,872.94

Other cash paid concerning financing activities	15,909,091.00	1,388,802.28
Subtotal of cash outflow from financing activities	1,686,046,969.98	799,122,114.37
Net cash flows arising from financing activities	-1,214,848,756.04	-544,602,114.37
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	3,128,506.54	-9,588,455.13
V. Net increase of cash and cash equivalents	-543,765,214.73	-846,784,323.89
Add: Balance of cash and cash equivalents at the period-begin	2,948,439,354.22	3,795,223,678.11
VI. Balance of cash and cash equivalents at the period-end	2,404,674,139.49	2,948,439,354.22

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Current period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	4,733,753,801.62	3,416,825,598.91
Write-back of tax received		
Other cash received concerning operating activities	41,027,003.47	517,431,460.97
Subtotal of cash inflow arising from operating activities	4,774,780,805.09	3,934,257,059.88
Cash paid for purchasing commodities and receiving labor service	2,886,319,248.71	2,151,676,404.43
Cash paid to/for staff and workers	680,624,287.14	536,335,082.41
Taxes paid	394,154,946.50	286,855,287.15
Other cash paid concerning operating activities	190,629,457.19	122,961,088.23
Subtotal of cash outflow arising from operating activities	4,151,727,939.54	3,097,827,862.22
Net cash flows arising from operating activities	623,052,865.55	836,429,197.66
II. Cash flows arising from investing activities:		
Cash received from recovering investment	10,801,378,669.57	8,859,701,492.00
Cash received from investment income	1,209,267,861.85	1,994,517,515.08
Net cash received from disposal of fixed, intangible and other long-term assets	39,600,092.79	52,607,353.75
Net cash received from disposal of subsidiaries and other units		2,410,502.57
Other cash received concerning investing activities	208,164,304.89	203,883,811.97
Subtotal of cash inflow from investing activities	12,258,410,929.10	11,113,120,675.37
Cash paid for purchasing fixed, intangible and other long-term assets	374,303,391.72	171,633,121.17
Cash paid for investment	11,561,834,000.00	10,801,729,258.63

Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	298,197,471.87	47,000,000.00
Subtotal of cash outflow from investing activities	12,234,334,863.59	11,020,362,379.80
Net cash flows arising from investing activities	24,076,065.51	92,758,295.57
<b>III. Cash flows arising from financing activities:</b>		
Cash received from absorbing investment		
Cash received from loans	212,000,000.00	80,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	212,000,000.00	80,000,000.00
Cash paid for settling debts	178,000,000.00	82,000,000.00
Cash paid for dividend and profit distributing or interest paying	1,218,313,222.90	607,280,892.11
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	1,396,313,222.90	689,280,892.11
Net cash flows arising from financing activities	-1,184,313,222.90	-609,280,892.11
<b>IV. Influence on cash and cash equivalents due to fluctuation in exchange rate</b>	2,563,681.07	-8,586,691.91
<b>V. Net increase of cash and cash equivalents</b>	-534,620,610.77	311,319,909.21
Add: Balance of cash and cash equivalents at the period-begin	2,454,696,969.20	2,143,377,059.99
<b>VI. Balance of cash and cash equivalents at the period-end</b>	1,920,076,358.43	2,454,696,969.20

## 7. Statement of Changes in Owners' Equity (Consolidated)

Current period

In RMB

Item	Current period											Minority interests	Total owners' equity		
	Owners' equity attributable to parent company														
	Share capital	Other equity instrument			Capital reserve	Less: Inventor y shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provisio n of general risk	Retained profit				
		Prefer red stock	Perpetual capital securities	Other											
I. Balance at the end of the last year	1,008,950,570.00				3,417,841,402.89		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92	515,693,194.48	15,351,366,864.23		
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															
II. Balance at the beginning of this year	1,008,950,570.00				3,417,841,402.89		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92	515,693,194.48	15,351,366,864.23		
III. Increase/ Decrease					-1,818,607.75		-106,978,897.	1,615,883.5			1,185,336,731.21	22,449,074.05	1,100,604,183.12		

in this year (Decrease is listed with “-”)						96	7					
(i) Total comprehensive income						-106,978,897. 96			2,396,077,415.21	70,217,288.26	2,359,315,805.51	
(ii) Owners' devoted and decreased capital					-1,818,607.75		7,024.21			-12,958,416.46	-14,770,000.00	
1. Common shares invested by owners										800,000.00	800,000.00	
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other					-1,818,607.75		7,024.21			-13,758,416.46	-15,570,000.00	
(III) Profit distribution									-1,210,740,684.00	-35,204,600.00	-1,245,945,284.00	
1. Withdrawal of surplus reserves												
2. Withdrawal of general risk provisions												
3. Distribution for owners (or shareholders)									-1,210,740,684.00	-35,204,600.00	-1,245,945,284.00	
4. Other												
(IV) Carrying forward internal owners' equity												

1. Capital reserves converted to capital (share capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remediying loss with surplus reserve												
4. Change amount of defined benefit plans that carry forward retained earnings												
5. Other												
(v) Reasonable reserve						1,608,859.3 6				394,802.25	2,003,661.61	
1. Withdrawal in the report period						20,133,398. 64				2,758,918.74	22,892,317.38	
2. Usage in the report period						18,524,539. 28				2,364,116.49	20,888,655.77	
(vi)Other												
IV. Balance at the end of the report period	1,008, 950,57 0.00			3,416,022,795.14		-19,809,442.9 5	1,618,490.5 0	510,100,496.00		10,996,945,870.13	538,142,268.53	16,451,971,047.35

Last period

In RMB

Item	Last period											Minority interests	Total owners' equity		
	Owners' equity attributable to parent company														
	Share capital	Other equity instrument			Capital reserve	Less: Inventor y shares	Other comprehensive income	Reasonabl e reserve	Surplus reserve	Provisio n of general risk	Retained profit				
		Prefer red stock	Perpetua l capital securities	Other											
I. Balance at the end of the last year	1,008,950,570.00				3,417,841,402.89		144,722,827.51	89,005.19	510,100,496.00		7,845,639,990.88	471,086,098.05	13,398,430,390.52		
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															
II. Balance at the beginning of this year	1,008,950,570.00				3,417,841,402.89		144,722,827.51	89,005.19	510,100,496.00		7,845,639,990.88	471,086,098.05	13,398,430,390.52		
III. Increase/ Decrease in this year (Decrease is listed with “-”)							-57,553,372.50	-86,398.26			1,965,969,148.04	44,607,096.43	1,952,936,473.71		
(i) Total							-57,553,372.5				2,571,339,490.04	75,870,434.54	2,589,656,552.08		

comprehensive income						0					
(ii) Owners' devoted and decreased capital										8,480,761.72	8,480,761.72
1. Common shares invested by owners										9,520,000.00	9,520,000.00
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other										-1,039,238.28	-1,039,238.28
(III) Profit distribution										-605,370,342.00	-39,650,290.00
1. Withdrawal of surplus reserves											
2. Withdrawal of general risk provisions											
3. Distribution for owners (or shareholders)										-605,370,342.00	-39,650,290.00
4. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											

2. Surplus reserves converted to capital (share capital)												
3. Remedyng loss with surplus reserve												
4. Change amount of defined benefit plans that carry forward retained earnings												
5. Other												
(v)Reasonable reserve						-86,398.26				-93,809.83	-180,208.09	
1. Withdrawal in the report period						17,947,66 1.67				2,379,810.36	20,327,472.03	
2. Usage in the report period						18,034,05 9.93				2,473,620.19	20,507,680.12	
(vi)Other												
IV. Balance at the end of the report period	1,008, 950,57 0.00			3,417,841,402.8 9		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92	515,693,194.48	15,351,366,864.23

## 8. Statement of Changes in Owners' Equity (Parent Company)

Current period

In RMB

Item	Current period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventor y shares	Other comprehensiv e income	Reasonabl e reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	1,008,950,570.00				3,488,221,286.39		87,169,455.01		510,100,496.00	8,360,801,089.38	13,455,242,896.78
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	1,008,950,570.00				3,488,221,286.39		87,169,455.01		510,100,496.00	8,360,801,089.38	13,455,242,896.78
III. Increase/ Decrease in this year (Decrease is listed with “-”)							-106,978,897. 96			979,809,361.98	872,830,464.02
(i) Total comprehensive income							-106,978,897. 96			2,190,550,045.98	2,083,571,148.02
(ii) Owners' devoted and decreased capital											
1. Common shares											

invested by owners										
2. Capital invested by holders of other equity instruments										
3. Amount reckoned into owners equity with share-based payment										
4. Other										
(III) Profit distribution									-1,210,740,684.00	-1,210,740,684.00
1. Withdrawal of surplus reserves										
2. Distribution for owners (or shareholders)									-1,210,740,684.00	-1,210,740,684.00
3. Other										
(IV) Carrying forward internal owners' equity										
1. Capital reserves conversed to capital (share capital)										
2. Surplus reserves conversed to capital (share capital)										
3. Remedy loss with surplus reserve										
4. Change amount of defined benefit plans that										

carry forward retained earnings											
5. Other											
(v) Reasonable reserve											
1. Withdrawal in the report period							7,503,921.32				7,503,921.32
2. Usage in the report period							7,503,921.32				7,503,921.32
(vi) Other											
IV. Balance at the end of the report period	1,008,950,570.00				3,488,221,286.39		-19,809,442.95		510,100,496.00	9,340,610,451.36	14,328,073,360.80

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventor y shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	1,008,950,570.00				3,448,408,786.39		144,722,827.51		510,100,496.00	5,525,644,079.79	10,637,826,759.69
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the	1,008,950,570.00				3,448,408,786.39		144,722,827.51		510,100,496.00	5,525,644,079.79	10,637,826,759.69

beginning of this year										
III. Increase/ Decrease in this year (Decrease is listed with “-”)				39,812,500.00		-57,553,372.50			2,835,157,009.59	2,817,416,137.09
(i) Total comprehensive income						-57,553,372.50			3,001,267,943.68	2,943,714,571.18
(ii) Owners' devoted and decreased capital										
1. Common shares invested by owners										
2. Capital invested by holders of other equity instruments										
3. Amount reckoned into owners equity with share-based payment										
4. Other										
(III) Profit distribution									-605,370,342.00	-605,370,342.00
1. Withdrawal of surplus reserves										
2. Distribution for owners (or shareholders)									-605,370,342.00	-605,370,342.00
3. Other										
(IV) Carrying forward internal owners' equity										
1. Capital reserves										

conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedyng loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. Other											
(v)Reasonable reserve											
1. Withdrawal in the report period							4,785,959. 00			4,785,959.00	
2. Usage in the report period							4,785,959. 00			4,785,959.00	
(vi)Other					39,812,500.00				439,259,407.91	479,071,907.91	
IV. Balance at the end of the report period	1,008,950,570.00				3,488,221,286.39		87,169,455.01		510,100,496.00	8,360,801,089.38	13,455,242,896.78

### III. Basic information of the Company

#### 1. Historical origin of the Company

By the approval of STGS (1992) No. 130 issued by Jiangsu Economic Restructuring Committee, Weifu High-Technology Group Co., Ltd. (hereinafter referred to “the Company” or “Company”) was established as a company of limited liability with funds raised from targeted sources, and registered at Wuxi Administration for Industry & Commerce in October 1992. The original share capital of the Company totaled RMB 115.4355 million, including state-owned share capital amounting to RMB 92.4355 million, public corporate share capital amounting to RMB 8 million and inner employee share capital amounting to RMB 15 million.

Between year of 1994 and 1995, the Company was restructured and became a holding subsidiary of Wuxi Weifu Group Co., Ltd (hereinafter referred to as “Weifu Group”).

By the approval of Jiangsu ERC and Shenzhen Securities Administration Office in August 1995, the Company issued 68 million special ordinary shares (B-share) with value of RMB 1.00 for each, and the total value of those shares amounted to RMB 68 million. After the issuance, the Company’s total share capital increased to RMB 183.4355 million.

By the approval of CSRC in June 1998, the Company issued 120 million RMB ordinary shares (A-share) at Shenzhen Stock Exchange through on-line pricing and issuing. After the issuance, the total share capital of the Company amounted to RMB 303.4355 million.

In the middle of 1999, deliberated and approved by the Board and Shareholders’ General Meeting, the Company implemented the plan of granting 3 bonus shares for each 10 shares. After that, the total share capital of the Company amounted to RMB 394.46615 million, of which state-owned shares amounted to RMB 120.16615 million, public corporate shares RMB 10.4 million, foreign-funded shares (B-share) RMB 88.40 million, RMB ordinary shares (A-share) RMB 156 million and inner employee shares RMB 19.5 million.

In the year 2000, by the approval of the CSRC and based upon the total share capital of 303.4355 million shares after the issuance of A-share in June 1998, the Company allotted 3 shares for each 10 shares, with a price of RMB 10 for each allotted share. Actually 41.9 million shares was allotted, and the total share capital after the allotment increased to RMB 436.36615 million, of which state-owned corporate shares amounted to RMB 121.56615 million, public corporate shares RMB 10.4 million, foreign-funded shares (B-share) RMB 88.4 million and RMB ordinary shares (A-share) RMB 216 million.

In April 2005, Board of Directors of the Company has examined and approved 2004 Profit Pre-distribution Plan, and examined and approved by 2004 Shareholders’ General Meeting , the Company distributed 3 shares for each 10 shares to the whole shareholders totaling to 130,909,845 shares in 2005.

According to the Share Merger Reform Scheme of the Company that passed by related shareholders' meeting of Share Merger Reform and SGZF [2006] No.61 Reply on Questions about State-owned Equity Management in Share Merger Reform of Weifu High-Technology Co., Ltd. issued by State-owned Assets Supervision & Administration Commission of Jiangsu Province, the Weifu Group etc. 8 non-circulating shareholders arranged pricing with granting 1.7 shares for each 10 shares to circulating A-share shareholders (totally granted 47,736,000 shares), so as to realize the originally non-circulating shares can be traded on market when satisfied certain conditions, the scheme has been implemented on April 5, 2006.

On 27 May 2009, Weifu Group satisfied the consideration arrangement by dispatching 0.5 shares for each 10 shares based on the number of circulating A share as prior to Share Merger Reform, according to the aforesaid Share Merger Reform, with an aggregate of 14,039,979 shares dispatched. Subsequent to implementation of dispatch of consideration shares, Weifu Group then held 100,021,999 shares of the Company, representing 17.63% of the total share capital of the Company.

Pursuant to the document (XGZQ(2009)No.46) about *Approval for Merger of Wuxi Weifu Group Co., Ltd. by Wuxi Industry Development Group Co., Ltd.* issued by the State-owned Assets Supervision and Administration Commission of Wuxi City Government, Wuxi Industry Development Group Co., Ltd. (hereinafter referred to as Wuxi Industry Group) acquired Weifu Group. After the merger, Weifu Group was then revoked, and its assets and credits & debts were transferred to be under the name of Wuxi Industry Group. Accordingly, Wuxi Industry Group became the first largest shareholder of the Company since then.

In accordance with the resolutions of shareholders' meeting and provisions of amended constitution, and approved by [2012] No. 109 document of China Securities Regulatory Commission, in Feb., the Company issued RMB ordinary shares (A-share) of 112,858,000 shares to Wuxi Industry Groups and overseas strategic investor, Robert Bosch Co., Ltd. (ROBERT BOSCHGMBH) (hereinafter referred to as Robert Bosch Company), face value was ONE Yuan per share, added registered capital of RMB 112,858,000, and the registered capital after change was RMB 680,133,995. Wuxi Industry Group is the first majority shareholder of the Company, and Robert Bosch Company is the second majority shareholder of the Company.

In March 2013, the profit distribution pre-plan for year of 2012 was deliberated and approved by the Board, and also passed in Annual General Meeting 2012 of the Company in May 2013. On basis of total share capital 680,133,995 shares, distribute 5-share for every 10 shares held by whole shareholders, 340,066,997 shares in total are distributed. Total share capital of the Company amounting RMB 1,020,200,992 up to 31 December 2013.

Deliberated and approved by the company's first extraordinary general meeting in 2015, the company has repurchased 11,250,422 shares of A shares from August 26, 2015 to September 8, 2015, and has finished the cancellation procedures for above repurchase shares in China Securities Depository and Clearing Corporation Limited Shenzhen Branch on September 16, 2015; after the cancellation of repurchase shares, the company's paid-up capital (share capital) becomes 1,008,950,570 Yuan after the change.

## 2. Registered place, organization structure and head office of the Company

Registered place and head office of the Company: No. 5 Huashan Road, New District, Wuxi

Unified social credit code: 91320200250456967N

The Company sets up Shareholders' General Meeting, the Board of Directors and the Supervisory Committee.

The Company sets up Administration Department, Technology Centre, organization & personnel department, Office of the Board, compliance department, IT department, Market & Strategy Department, Party-masses Department, Finance Department, Purchase Department, Manufacturing Quality Department, MS (Mechanical System) division, AC(Automobile Components) division and DS (Diesel System ) division etc. and subsidiaries such as Wuxi Weifu Leader Catalytic Converter Co., Ltd. and Nanjing Weifu Jinning Co., Ltd.

## 3. Business nature and major operation activities of the Company

Operation scope of parent company: Technology development and consulting service in the machinery industry; manufacture of engine fuel oil system products, fuel oil system testers and equipment, manufacturing of auto electronic parts, automotive electrical components, non-standard equipment, non-standard knife tool and exhaust after-treatment system; sales of the general machinery, hardware & electrical equipment, chemical products & raw materials (excluding hazardous chemicals), automobile components and vehicles (excluding nine-seat passenger car); internal combustion engine maintenance; leasing of the own houses; import and export business in respect of diversified commodities and technologies (other than those commodities and technologies limited or forbidden by the State for import and export) by self-operation and works as agent for such business. (any projects that needs to be approved by laws can only be carried out after getting approval by relevant authorities)

Major subsidiaries respectively activate in production and sales of engine accessories, automobile components, mufflers, and purifiers.

## 4. Relevant party offering approval reporting of financial statements and date thereof

Financial statements of the Company were approved by the Board of Directors for reporting dated 19 April 2019.

## 5. Scope of consolidate financial statement

Name of subsidiary	Short name of subsidiary	Shareholding ratio (%)		Proportion of votes (%)	Registered capital (in 10 thousand Yuan)	Business scope	Statement consolidate (Y/N)
		Directly	Indirectly				
Nanjing Weifu Jinning Co., Ltd.	Weifu Jinning	80.00	--	80.00	34,628.70	Internal-combustion engine accessories	Y
Wuxi Weifu Leader Catalytic Converter Co., Ltd.	Weifu Leader	94.81	--	94.81	50,259.63	Purifier and muffler	Y
Weifu Mashan Pump Glib Co., Ltd.	Weifu Mashan	100.00	--	100.00	16,500	Internal-combustion engine	Y

						accessories	
Wuxi Weifu Chang'an Co., Ltd.	Weifu Chang'an	100.00	--	100.00	21,000	Internal-combustion engine accessories	Y
Wuxi Weifu International Trade Co. Ltd.	Weifu International Trade	100.00	--	100.00	3,000	Trade	Y
Wuxi Weifu ITM Supercharging Technique Co., Ltd.	Weifu ITM	100.00	--	100.00	16,000	Internal-combustion engine accessories	Y
Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.	Weifu Schmidt	66.00	--	66.00	7,600	Internal-combustion engine accessories	Y
Ningbo Weifu Tianli Supercharging Technique Co., Ltd.	Weifu Tianli	54.2295	--	54.2295	11,136	Internal-combustion engine accessories	Y
Wuxi Weifu-Autocam Fine Machinery Co. Ltd.	Weifu Autocam	51.00	--	51.00	US\$ 2,110	Automobile components	Y
Wuxi Weifu Leader Catalytic Converter (Wuhan) Co., Ltd.	Weifu Leader (Wuhan)	--	60.00	60.00	1,000	Purifier and muffler	Y
Weifu Leader(Chongqing)Automobile components Co., Ltd.	Weifu Leader (Chongqing)	--	100.00	100.00	5,000	Purifier and muffler	Y
Nanchang Weifu Leader Auto Parts & Components Co., Ltd.	Weifu Leader (Nanchang)	--	100.00	100.00	5,000	Purifier and muffler	Y

The entity included in consolidate scope has Weifu Leader (Nanchang) newly added by compare with last period. Found more in description carried in 5- Other change of consolidate scope in Note VIII.

## IV. Basis of preparation of financial statements

### 1. Preparation base

The financial statement were stated in compliance with *Accounting Standard for Business Enterprises –Basic Norms* issued by Ministry of Finance, the specific 42 accounting rules revised and issued dated 15 February 2006 and later, the Application Instruments of Accounting Standards and interpretation on Accounting standards and other relevant regulations (together as “Accounting Standards for Business Enterprise”), as well as the *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provision of Financial Report* (Amended in 2014) issued by CSRC in respect of the actual transactions and

proceedings, on a basis of ongoing operation.

In line with relevant regulations of Accounting Standards of Business Enterprise, accounting of the Company is on accrual basis. Except for certain financial instruments, the financial statement measured on historical cost. Assets have impairment been found, corresponding depreciation reserves shall accrual according to relevant rules.

## **2. Going concern**

The Company comprehensively assessed the available information, and there are no obvious factors that impact sustainable operation ability of the Company within 12 months since end of the reporting period.

## **V. Major Accounting Policies and Estimation**

Whether the Company needs to comply with the disclosure requirement of special industry

No

Specific accounting policies and estimation attention:

The Company and its subsidiaries are mainly engaged in the manufacture and sales of engine fuel oil system products, automobile components, mufflers and purifiers etc., in line with the real operational characteristics and relevant accounting standards, many specific accounting policies and estimation have been formulated for the transactions and events with revenue recognized concerned. As for the explanation on major accounting judgment and estimation, found more in Note V-28- Other major accounting policy and accounting estimation.

### **1. Statement on observation of Accounting Standard for Business Enterprises**

Financial statements prepared by the Company were in accordance with requirements of Accounting Standard for Business Enterprises, which truly and completely reflected the financial information of the Company dated 31 December 2018, such as financial position, operation achievements and cash flow for the year of 2018.

### **2. Accounting period**

Accounting period of the Company consist of annual and mid-term, mid-term refers to the reporting period shorter than one annual accounting year. The company adopts Gregorian calendar as accounting period, namely from each 1 January to 31 December.

### **3. Business cycles**

Normal business cycle is the period from purchasing assets used for process by the Company to the cash and cash equivalent achieved. The Company's normal business cycle was one-year (12 months).

### **4. Recording currency**

The Company's reporting currency is the RMB Yuan.

## 5. Accounting Treatment Method for Business Combinations under the same/different control

Business combination is the transaction or events that two or two above independent enterprises combined as a reporting entity. Business combination including enterprise combined under the same control and business combined under different control.

### (1) The business combination under the same control

Enterprise combination under the same control is the enterprise who take part in the combination are have the same ultimate controller or under the same controller, the control is not temporary. The assets and liability acquired by combining party are measured by book value of the combined party on combination date. Balance of net asset's book value acquired by combining party and combine consideration paid (or total book value of the shares issued), shall adjusted capital reserve (share premium); if the capital reserves (share premium) is not enough for deducted, adjusted for retained earnings. Vary directly expenses occurred for enterprise combination, the combining party shall reckoned into current gains/losses while occurring. Combination day is the date when combining party obtained controlling rights from the combined party.

### (2) Combine not under the same control

A business combination not involving entities 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. As a purchaser, fair value of the assets (equity of purchaser held before the date of purchasing included) for purchasing controlling right from the purchaser, the liability occurred or undertake on purchasing date less the fair value of identifiable net assets of the purchaser obtained in combination, recognized as goodwill if the results is positive; if the number is negative, the acquirer shall firstly review the measurement of the fair value of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. After that, if the combination costs are still lower than the fair value of the identifiable net assets obtained, the acquirer shall recognize the difference as the profit or loss in the current period. Other directly expenses cost for combination shall be reckoned into current gains/losses. Difference of the fair value of assets paid and its book values, reckoned into current gains/losses. On purchasing date, the identifiable assets, liability or contingency of the purchaser obtained by the Company recognized by fair value, that required identification conditions; Acquisition date refers to the date on which the acquirer effectively obtains control of the purchaser.

## 6. Preparation method for consolidated financial statement

### (1) Recognition principle of consolidated scope

On basis of the financial statement of the parent company and owned subsidiaries, prepared consolidated statement in line with relevant information. The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Once certain elements involved in the above definition of control change due to changes of relevant facts or circumstances, the Company will make separate assessment.

### (2) Basis of control

Control is the right to govern an invested party so as to obtain variable return through participating in the invested party's relevant activities and the ability to affect such return by use of the aforesaid right over the invested party. Relevant activates refers to activates have major influence on return of the invested party's.

### (3) Consolidation process

Subsidiaries are consolidated from the date on which the company obtains their actual control, and are de-consolidated from the date that such control ceases. All significant inter-group balances, investment, transactions and unrealized profits are eliminated in the consolidated financial statements. For subsidiaries being

disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods are inconsistent between the company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the company.

Concerning the subsidiary obtained under combination with different control, adjusted several financial statement of the subsidiary based on the fair value of recognizable net assets on purchased day while financial statement consolidation; concerning the subsidiary obtained under combination with same control, considered current status of being control by ultimate controller for consolidation while financial statement consolidation.

The unrealized gains and losses from the internal transactions occurred in the assets the Company sold to the subsidiaries fully offset "the net profit attributable to the owners of the parent company". The unrealized gains and losses from the internal transactions occurred in the assets the subsidiaries sold to the Company are distributed and offset between "the net profit attributable to the owners of the parent company" and "minority interest" according to the distribution ratio of the Company to the subsidiary. The unrealized gains and losses from the internal transactions occurred in the assets sold among the subsidiaries are distributed and offset between "the net profit attributable to the owners of the parent company" and "minority interest" according to the distribution ratio of the Company to the subsidiary of the seller.

The share of the subsidiary's ownership interest not attributable to the Company is listed as "minority interest" item under the ownership interest in the consolidated balance sheet. The share of the subsidiary's current profit or loss attributable to the minority interests is listed as "minority interest" item under the net profit item in the consolidated income statement. The share of the subsidiary's current consolidated income attributable to the minority interests is listed as the "total consolidated income attributable to the minority shareholders" item under the total consolidated income item in the consolidated income statement. If there are minority shareholders, add the "minority interests" item in the consolidated statement of change in equity to reflect the changes of the minority interests. If the losses of the current period shared by a subsidiary's minority shareholders exceed the share that the minority shareholders hold in the subsidiary ownership interest in the beginning of the period, the balance still charges against the minority interests.

When the control over a subsidiary is ceased due to disposal of a portion of an interest in a subsidiary, the fair value of the remaining equity interest is re-measured on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the company since the acquisition date, is recognized as the investment income from the loss of control. Other comprehensive income relating to original equity investment in subsidiaries shall be treated on the same basis as if the relevant assets or liabilities were disposed of by the purchaser directly when the control is lost, namely be transferred to current investment income other than the relevant part of the movement arising from re-measuring net liabilities or net assets under defined benefit scheme

by the original subsidiary. Subsequent measurement of the remaining equity interests shall be in accordance with relevant accounting standards such as *Accounting Standards for business Enterprises 2 – Long-term Equity Investments* or *Accounting Standards for business Enterprises 22 – Financial Instruments Recognition and Measurement*.

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: ①The transactions are entered into after considering the mutual consequences of each individual transaction; ② The transactions need to be considered as a whole in order to achieve a deal in commercial sense; ③The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; ④ The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as “disposal of a portion of an interest in a subsidiary which does not lead to loss of control” and “disposal of a portion of an interest in a subsidiary which lead to loss of control”. When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transactions before loss of control shall be recognized as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

## 7. Joint arrangement classification and accounting treatment for joint operations

In accordance with the Company's rights and obligation under a joint arrangement, the Company classifies joint arrangements into: joint ventures and joint operations.

The company confirms the following items related to the share of interests in its joint operations, and in accordance with the provisions of the relevant accounting standards for accounting treatment:

- (1) Recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company;
- (2) Recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share of the Company;
- (3) Recognize revenue from disposal of the share of joint operations of the Company;
- (4) Recognize fees solely occurred by Company;
- (5) Recognize fees from joint operations in appropriation to the share of the Company.

## 8. Determining standards for cash and cash equivalent

Cash refers to stock cash, savings available for paid at any time; cash and cash equivalent refers to the cash held by the Company with short terms(expired within 3 months since purchased), and liquid and easy to transfer as known amount and investment with minor variation in risks.

## 9. Foreign currency business and conversion

The occurred foreign currency transactions are converted into the recording currency in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the transaction date. Thereinto,

the occurred foreign currency exchange or transactions involved in the foreign currency exchange are converted in accordance with the actual exchange rate in the transactions.

At the balance sheet date, the account balance of the foreign currency monetary assets and liabilities is converted into the recording currency amount in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the transaction date. The balance between the recording currency amount converted according to exchange rate at the balance sheet date and the original recording currency amount is disposed as the exchange gains or losses. Thereinto, the exchange gains or losses occurred in the foreign currency loans related to the purchase and construction of fixed assets are disposed according to the principle of capitalization of borrowing costs; the exchange gains and losses occurred during the start-up are included in the start-up costs; the rest is included in the current financial expenses.

At the balance sheet date, the foreign currency non-monetary items measured with the historical costs are converted in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the transaction date without changing its original recording currency amount; the foreign currency non-monetary items measured with the fair value are converted in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the fair value date, and the generated exchange gains and losses are included in the current profits and losses as the gains and losses from changes in fair value.

The following displays the methods for translating financial statements involving foreign operations into the statements in RMB: The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the average exchange rates of the transaction dates. The exchange difference arising from the above mentioned translation are recognized in other comprehensive income and is shown separately under owner' equity in the balance sheet; such exchange difference will be reclassified to profit or loss in current year when the foreign operation is disposed according to the proportion of disposal.

The cash flows of overseas operations are translated at the average exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

## 10. Financial instrument

Financial instrument is the contract that taken shape of the financial asses for an enterprise and of the financial liability or equity instrument for other units.

### (1) Classification and measurement on financial assets and financial liability

In terms of investment purposes and economic natures, the Company divides its financial assets into financial assets( with its variation of fair value reckoned into current gains/losses), financial assets available for sale, account receivables and held-to-maturity investments, among which, transactional financial asset is measured at fair value and movement of its fair value is recorded in current gains and losses; financial asset available for sale is measured at fair value and movement of its fair value is recorded in owners' equity; account receivables and held-to-maturity investments are measured at amortized cost.

In terms of economic nature, the Company divides its financial liabilities into two groups, namely financial

liabilities at fair value through gains and losses and other financial liabilities at amortized cost.

#### (2) Determination of fair values for financial assets and financial liabilities

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organizations and price fixing service organizations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

As for the equity investment of the invested party held by the Company, which has no controlling rights, common control or significant influence (that is under the major influence), has no quota in an active market and the fair value cannot be measured reasonably, than divided into financial assets available for sale and measured by cost.

#### (3) Recognition basis and measurement for transfer of financial assets

That the Company grants or delivers financial assets to party other than the issuer of such financial assets equals transfer of financial assets. Financial assets transferred could be the entire or part of such financial assets. Two forms are listed as follows:

- ① Transfer of right for collecting cash flow of financial assets to another party;
- ② Transfer financial assets to another party, while the aforementioned right is retained, with obligation of paying such cash flow to final collector

When that the Company has transferred almost all risks and remunerations arising from ownership of all or part financial assets to another party, accordingly, recognition for such entire or part financial assets shall be ceased. Gains and losses are determined by the received consideration less the carrying value of the transferred financial assets. Meanwhile, the original accumulated gains or losses of financial assets recognized in the owners' equity shall be transferred to gains and losses; when all risks and remunerations attached to ownership are retained, recognition for such entire or part financial assets shall continue, and the consideration received shall be viewed as financial liabilities.

As for the financial assets which the Company has neither transferred nor retained all risks and remunerations attached to ownership of such financial assets, while control upon such financial assets still exists, recognition shall be conducted in light of the degree of its continuous involvement in the transferred financial assets. Accordingly, relevant liabilities shall be recognized.

#### (4) Recognition for termination of financial assets and liability

Upon satisfaction of one of the following condition, financial assets will immediately experience discontinued recognition:

- ① Right entitled by contract in respect of collection of cash flow from such financial asset terminates.
- ② Such financial assets have been transferred and meet discontinued recognition condition for financial assets as

regulated by Accounting Standard for Enterprise No.23-Transfer of Financial Assets.

Only when present obligations under financial liability have been released entirely or partly, could cease recognition of such financial liability or part thereof.

#### (5) Impairment of financial assets

The Company conducts inspection on carrying values of financial assets, except for transactional financial assets, as at balance sheet date. If there is objective evidence indicating that impairment has happened to financial assets, impairment reserve then shall be provided. Financial asset with great amount in single item is subject to separate impairment test. In case of any objective evidence indicating that impairment has happened to such financial asset, impairment loss shall be recognized and recorded in current gains and losses. As for the financial assets with no great amount in single item and those which prove to be not impaired after separate test, the Company will conduct impairment test on basis of credit portfolio which is determined in light of customers' credit records and historical bad debts, so as to recognize impairment loss.

Objective evidence indicating impairment happens to financial assets means the proceedings meeting the three characteristics: actually occurred subsequent to initial recognition of such financial assets, bring influence over the estimated future cash flow of such financial assets, and such influence could be reliably measured by the Company.

The followings are included in objective evidences indicating impairment happens to financial assets:

- ① Serious financial difficulty happens to issuer or debtor;
- ② Breach of terms of contract by debtor, such as breach or overdue in repaying interest or principal;
- ③ Creditor makes concession for debtors who experience financial trouble in light of consideration for economy or laws;
- ④ Debtor is very likely to experience bankrupt or financial reorganization;
- ⑤ Financial assets are not able to be traded in active market since material financial difficulty happens to issuer;
- ⑥ It is unable to judge whether cash flow from certain asset in a group of financial assets has decreased, while it is finally found that the estimated future cash flow of such financial asset has actually decreased since its initial recognition and the decrease can be reliably measured by reference to the general valuation based on open data. For example, payment capacity of debtor of such financial assets portfolio gradually worsens, or unemployment in country or region where the debtor locates risen, price of guaranty falls greatly in the place where it locate, and the industry in which it belongs to is unpromising;
- ⑦ Material negative changes happen to technologies, markets, economy or law environment in which debtor operates, which leads to that equity instrument investor is not likely to be able to recover investment cost;
- ⑧ Fair value of equity instrument investment experiences severe or non-temporary falling;
- ⑨ Other objective evidence indicating impairment happens to financial assets.

In the event of impairment in financial asset at amortized cost, impairment loss is calculated based on the difference between carrying value and present value of estimated future cash flow discounted at effective interest rate.

After impairment loss is recognized for financial asset at amortized cost, if there is objective evidence indicating value of such financial asset has recovered, which is objectively related to proceedings occurred after recognition of such loss, the original impairment loss shall be reversed and recorded in current gains and losses. However, the

carrying value subsequent to such reversal shall not exceed the amortized cost of such financial asset as at the reversal date on assumption that such impairment loss had not been provided.

Impairment of available-for-sale financial assets: in the event that decline in fair value of the available-for-sale equity instrument is regarded as “severe decline” or “non-temporary decline” on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument. In particular, “severe decline” refers to fair value is lower than 50% of the cost price and last for over one year. “Non-temporary decline” refers to fair value fell for over 6-month sessions.

When the available-for-sale financial assets impair, the accumulated loss originally included in the other comprehensive income arising from the decrease in fair value was transferred out from the capital reserve and included in the profit or loss for the period. The accumulated loss that transferred out from the capital reserve is the balance of the acquired initial cost of asset, after deduction of the principal recovered, amortized amounts, current fair value and the impairment loss originally included in the profit or loss.

After recognition of the impairment loss, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition in subsequent periods, the impairment loss originally recognized shall be reversed. The impairment loss reversal of the available-for-sale equity instrument will be recognized as other comprehensive income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

When an equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, or the impairment loss of a derivative financial asset linked to the equity instrument that shall be settled by delivery of that equity instrument, then it will not be reversed.

## 11. Note receivable and account receivable

### (1) Account Receivable withdrawal on single significant amount and with bad debt provision accrued for single item

Determine basis or amount standards for single significant amount	The Company's account receivables with above RMB 1 million in single item is defined as account receivables with significant amount in single item.
Withdrawal method for account with single significant amount and withdrawal single item bad debt provision	In line with the difference of present value of future cash flow lower its book value, carried out impairment test independently and withdrawal the bad debt reserves

### (2) Receivables with bad debt provision accrual by credit portfolio

Combination	Bad debt provision accrual
Classify to many combination based on credit portfolio for those receivables with minor account singly and those with major amount but has no impairment been found after testing independently; base on the actual loss ratio of the receivables of previous years, with same or similar credit portfolio, and combining actual condition accrual bad debt reserves.	Age analysis method

In combination, accounts whose bad debts provision was accrued by age analysis:

Applicable  Not applicable

Account age	Accrual ratio for account receivable	Accrual ratio for other receivables
Within 6 months		

6 months to one year	10.00%	10.00%
1—2 years	20.00%	20.00%
2—3 years	40.00%	40.00%
Over 3 years	100.00%	100.00%
3—4 years	100.00%	100.00%
4—5 years	100.00%	100.00%
Over 5 years	100.00%	100.00%

In combination, withdrawal proportion of bad debt provision based on balance proportion

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods:

Applicable  Not applicable

### **(3) Account receivable with minor single amount but with withdrawal bad debt provision for single item**

Reasons for withdrawal single item bad debt provision	The present value of future cash flow has major difference with the receivable group's present value of future cash flow
Withdrawal method for bad debt provision	Carried out impairment test independently, accrual bad debt reserves according to the difference of present value of future cash flow lower its book value

## **12. Inventory**

Whether the Company needs to comply with the disclosure requirement of special industry

N

### **(1) Classification of inventories**

The Company's inventories are categorized into stock materials, product in process and stock goods etc.

### **(2) Pricing for delivered inventories**

A. Generally, stock materials are calculated at planned cost. Material cost difference is individually set according to classification of grant types. Pursuant to the difference between the planned cost of the received or delivered raw materials and the material cost the aforesaid cost should share after carrying forward at period-end, the Company adjusts the planned cost to effective cost; finished products are priced at effective costs, and carried forward to operating cost by weighted average method when being delivered;

B. Products in process are priced at effective costs, and carried forward to finished products at actually occurred cost;

C. Finished self-produced products are priced at effective costs, and carried forward to operating cost by weighted average method; external purchase goods (from import and export trades) are carried forward to sales cost by individual pricing method.

### **(3) Recognition evidence for net realizable value of inventories and withdrawal method for inventory impairment provision**

Inventories as at period-end are priced at the lower of costs and net realizable values; at period end, on the basis of overall clearance about inventories, inventory impairment provision is withdrawn for uncollectible part of costs of inventories which result from destruction of inventories, out-of-time of all and part inventories, or sales price lower than cost. Inventory impairment provision for stock goods and quantity of raw materials is subject to the difference between costs of single inventory item over its net realizable value. As for other raw materials with large quantity and comparatively low unit prices, inventory impairment provision is withdrawn pursuant to categories.

As for finished goods, commodities and materials available for direct sales, their net realizable values are determined by their estimated selling prices less estimated sales expenses and relevant taxes. For material inventories held for purpose of production, their net realizable values are determined by the estimated selling prices of finished products less estimated costs, estimated sales expenses and relevant taxes accumulated till completion of production. As for inventories held for implementation of sales contracts or service contracts, their net realizable values are calculated on the basis of contract prices. In the event that inventories held by a company exceed order amount as agreed in sales contracts, net realizable values of the surplus part are calculated on the basis of normal sale price.

#### (4) Inventory system

Perpetual Inventory System is adopted by the Company and takes a physical inventory.

#### (5) Amortization of low-value consumables and wrappage

##### ① Low-value consumables

The Company adopts one-off amortization method to amortize the low-value consumables.

##### ② Wrappage

The Company adopts one-off amortization method to amortize the wrappage at the time of receipt.

### **13. Assets held for sale**

The Company classifies non-current assets or disposal groups that meet all of the following conditions as held-for-sale: according to the practice of selling this type of assets or disposal groups in a similar transaction, the non-current assets or disposal group can be sold immediately at its current condition; The sale is likely to occur, that is, the Company has made resolution on the selling plan and obtained definite purchase commitment, the selling is estimated to be completed within one year. Those assets whose disposal is subject to approval from relevant authority or supervisory department under relevant requirements are subject to that approval.

Where the Company loses control over its subsidiary due to disposal of investment in the subsidiary, whether or not the Company retains part equity investment after such disposal, investment in the subsidiary shall be classified in its entirety as held for sale in the separate financial statement of the parent company subject to that the investment in the subsidiary proposed to be disposed satisfies the conditions for being classified as held for sale, and all the assets and liabilities of the subsidiary shall be classified as held for sale in consolidated financial statement.

The purchase commitment identified refers to the legally binding purchase agreement entered into between the Company and other parties, which sets out certain major terms relating to transaction price, time and adequately

stringent punishment for default, which render an extremely minor possibility for material adjustment or revocation of the agreement.

Assets held for sale are measured at the lower of their carrying value and fair value less selling expense. If the carrying value is higher than fair value less selling expense, the excess shall be recognized as impairment loss and recorded in profit or loss for the period, and allowance for impairment shall be provided for in respect of the assets. In respect of impairment loss recognized for disposal group held for sale, carrying value of the goodwill in the disposal group shall be deducted first, and then deduct the carrying value of the non-current assets within the disposal group applicable to this measurement standard on a pro rata basis according to the proportion taken by their carrying value.

If the net amount of fair value of non-current assets held for sale less sales expense on subsequent balance sheet date increases, the amount previously reduced for accounting shall be recovered and reverted from the impairment loss recognized after the asset is classified under the category of held for sale, with the amount reverted recorded in profit or loss for the period. Impairment loss recognized before the asset is classified under the category of held for sale shall not be reverted. If the net amount of fair value of the disposal group held for sale on the subsequent balance sheet date less sales expenses increases, the amount reduced for accounting in previous periods shall be restored, and shall be reverted in the impairment loss recognized in respect of the non-current assets which are applicable to relevant measurement provisions after classification into the category of held for sale, with the reverted amount charged in profit or loss for the current period. The written-off carrying value of goodwill shall not be reverted.

The non-current assets in the non-current assets or disposal group held for sale is not depreciated or amortized, and the debt interests and other fees in the disposal group held for sale continue to be recognized.

If the non-current assets or disposal group are no longer classified as held for sale since they no longer meet the condition of being classified as held for sale or the non-current assets are removed from the disposal group held for sale, they will be measured at the lower of the following:

- (i) The amount after their book value before they are classified as held for sale is adjusted based on the depreciation, amortization or impairment that should have been recognized given they are not classified as held for sale;
- (ii) The recoverable amount.

## **14.Long-term equity investments**

Long-term equity investments refer to long-term equity investments in which the Company has control, joint control or significant influence over the invested party. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss.

### **(1) Determination of initial investment cost**

Investment costs of the long-term equity investment are recognized by the following according to different way of acquisition:

- ① For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate

controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. (For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for available-for-sale financial assets will not be accounted for.)

②For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. (For business combination resulted in an enterprise not under common control by acquiring equity of the acquire under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquire and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.) plus the combination cost measured by costs which have directly connection with acquisition are considered as initial investment cost of such long-term equity investment. Realizable assets and liabilities undertaken by such assets (including contingent liabilities) of the party being combined as at the combination date are all measured at fair values, without consideration to amount of minority interests. The surplus of combination cost less fair value net realizable assets of the party being combined is recorded as goodwill, and the deficit is directly recognized in the consolidated statement of gains and losses.

③Long-term investments obtained through other ways:

A. Initial investment cost of long-term equity investment obtained through cash payment is determined according to actual payment for purchase;

- B. Initial investment cost of long-term equity investment obtained through issuance of equity securities is determined at fair value of such securities;
- C. Initial investment cost of long-term equity investment (exchanged-in) obtained through exchange with non-monetary assets, which is of commercial nature, is determined at fair value of the assets exchanged-out; otherwise determined at carrying value of the assets exchanged-out if it is not of commercial nature;
- D. Initial investment cost of long-term equity investment obtained through debt reorganization is determined at fair value of such investment.

(2) Subsequent measurement on long-term equity investment

- ① Presented controlling ability on invested party, the investment shall use cost method for measurement.
- ② Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the invested party are accounted for using equity method.

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

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group's share of the net profits or losses and other comprehensive income made by the invested party, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the invested party. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of invested party, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the invested party's net profits or losses based on the fair values of the invested party's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the invested party and the Company, the financial statements of the invested party shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealized gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an invested party is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of

consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with “Accounting Standards for Business Enterprises No. 20 “Business combination”. All profit or loss related to the transaction shall be accounted for.

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

#### ③ Acquisition of minority interest

Upon the preparation of the consolidated financial statements, since acquisition of minority interest increased of long-term equity investment which was compared to fair value of identifiable net assets recognized which are measured based on the continuous measurement since the acquisition date (or combination date) of subsidiaries attributable to the Group calculated according to the proportion of newly acquired shares, the difference of which recognized as adjusted capital surplus, capital surplus insufficient to set off impairment and adjusted retained earnings.

#### ④ Disposal of long-term equity investments

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners’ equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a change in control, it shall be accounted for in accordance with the relevant accounting policies as described in Note V.- 6 “Preparation Method of the Consolidated Financial Statements”.

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

In respect of long-term equity investment accounted for using equity method with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners’ equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party on pro rata basis at the time of disposal. The owners’ equity recognized for the movement of other owners’ equity (excluding net profit or loss, other comprehensive income and profit distribution of invested party) shall be transferred to profit or loss for the current period on pro rata basis.

In respect of long-term equity investment accounted for using cost method with the remaining equity interest after disposal also accounted for cost equity method, other comprehensive income measured and reckoned under equity method or financial instrument before control of the invested party unit acquired shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party on pro rata basis at the time of disposal and shall be transferred to profit or loss for the current period on pro rata basis; among the net assets of invested party unit recognized by equity method (excluding net profit or loss, other

comprehensive income and profit distribution of invested party) shall be transferred to profit or loss for the current period on pro rata basis.

In the event of loss of control over invested party due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the invested party after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the invested party after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognized using equity method or the recognition and measurement standard of financial instruments before the Group obtained control over the invested party, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party at the time when the control over invested party is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of invested party accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when the control over invested party is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

In the event of loss of common control or significant influence over invested party due to partial disposal of equity investment by the Group, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing common control or significant influence shall be included in profit or loss for the current period. In respect of other comprehensive income recognized under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party at the time when equity method was ceased to be used. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of invested party accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

The Group disposes its equity investment in subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost. If the said transactions belong to "transactions in a basket", each transaction shall be accounted for as a single transaction of disposing equity investment of subsidiary and loss of control. The difference between the disposal consideration for each transaction and the carrying amount of the corresponding long-term equity investment of disposed equity interest before loss of control shall initially recognized as other comprehensive income, and subsequently transferred to profit or loss arising from loss of control for the current period upon loss of control.

### (3) Impairment test method and withdrawal method for impairment provision

Found more in Note V-20-”impairment of long-term investment”

### (4) Criteria of Joint control and significant influence

Joint control is the Company's contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. All the participants or participant group whether have controlling over such arrangement as a group or not shall be judge firstly, than judge that whether the decision-making for such arrangement are agreed unanimity by the participants or not.

Significant influence is the power of the Company to participate in the financial and operating policy decisions of an invested party, but to fail to control or joint control the formulation of such policies together with other parties. While recognizing whether have significant influence by invested party, the potential factors of voting power as current convertible bonds and current executable warrant of the invested party held by investors and other parties shall be thank over.

## 15. Investment real estate

Measurement mode

Measured by cost method

Depreciation or amortization method

Investment real estate is stated at cost. During which, the cost of externally purchased properties held-for-investment includes purchasing price, relevant taxes and surcharges and other expenses which are directly attributable to the asset. Cost of self construction of properties held for investment is composed of necessary expenses occurred for constructing those assets to a state expected to be available for use. Properties held for investment by investors are stated at the value agreed in an investment contract or agreement, but those under contract or agreement without fair value are stated at fair value.

The Company adopts cost methodology amid subsequent measurement of properties held for investment, while depreciation and amortization is calculated using the straight-line method according to their estimated useful lives.

The basis of provision for impairment of properties held for investment is referred to Note V-20-“Impairment of long-term assets”

## 16. Fixed assets

### (1) Confirmation conditions

Fixed assets refer to the tangible assets for production of products, provision of labor, lease or operation, with a service life excess one year and has more unit value.

### (2) Depreciation methods

Categories	Method	Years of depreciation	Scrap value rate	Yearly depreciation rate
House and Building	Straight-line depreciation	20~35	5	2.71~4.75
Machinery equipment	Straight-line depreciation	10	5	9.50
Transportation equipment	Straight-line depreciation	4~5	5	19.00~23.75
Electronic and other equipment	Straight-line depreciation	3~10	5	9.50~31.67

As for the fixed assets with impairment accrual, calculated depreciation amount based on the accumulative number of impairment of fixed assets accrual.

### **(3) Recognition basis, valuation and depreciation method for financial lease assets**

The Company affirms those that conform to below one or several criteria as the finance lease fixed assets:

- ① Agreed in the lease contract (or made a reasonable judgment according to the correlated conditions on the lease commencement date), the ownership of lease fixed assets can be transferred to the Company after the expiry of the lease period;
- ② The Company has the option to purchase or lease the fixed assets, and the purchase price is estimated to be much less than the fair value of the lease of fixed assets when exercises the options, so whether the Company will exercise the option can be reasonably determined on the lease commencement date;
- ③ Even though the fixed asset ownership is not transferred, the lease term accounts for 75% of the service life of the lease fixed assets;
- ④ The present value of the Company's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date; the present value of the leaser's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date;
- ⑤ The leased assets with special properties can only be used by the Company without major modifications. The fixed assets rented by finance leases is calculated as the book value according to the lower one between the fair value of leased assets on the lease commencement date and the present value of the minimum lease payments.

(4) The impairment test method of fixed assets and the method of provision for impairment see Note V-20-“Long term asset impairment”.

### **17. Construction in progress**

Whether the Company needs to comply with the disclosure requirement of special industry

No

From the date on which the fixed assets built by the Company come into an expected usable state, the projects under construction are converted into fixed assets on the basis of the estimated value of project estimates or pricing or project actual costs, etc. Depreciation is calculated from the next month. Further adjustments are made to the difference of the original value of fixed assets after final accounting is completed upon completion of projects.

The basis of provision for impairment of properties held for construction in process is referred to Note V-20-“Impairment of long-term assets”

## 18. Borrowing costs

### (1) Recognition of capitalization of borrowing costs

Borrowing costs comprise interest occurred, amortization of discounts or premiums, ancillary costs and exchange differences in connection with foreign currency borrowings. The borrowing costs of the Company, which incur from the special borrowings occupied by the fixed assets that need more than one year (including one year) for construction, development of investment properties or inventories or from general borrowings, are capitalized and recorded in relevant assets costs; other borrowing costs are recognized as expenses and recorded in the profit or loss in the period when they are occurred. Relevant borrowing costs start to be capitalized when all of the following three conditions are met:

- ① Capital expenditure has been occurred;
- ② Borrowing costs have been occurred;
- ③ Acquisition or construction necessary for the assets to come into an expected usable state has been carried out.

### (2) Period of capitalization of borrowing costs

Borrowing costs arising from purchasing fixed asset, investment real estate and inventory, and occurred after such assets reached to its intended use of status or sales, than reckoned into assets costs while satisfy the above mentioned capitalization condition; capitalization of borrowing costs shall be suspended and recognized as current expenditure during periods in which construction of fixed assets, investment real estate and inventory are interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed; capitalization shall discontinue when the qualifying asset is ready for its intended use or sale, the borrowing costs occurred subsequently shall reckoned into financial expenses while occurring for the current period.

### (3) Measure of capitalization for borrowing cost

In respect of the special borrowings borrowed for acquisition, construction or production and development of the assets qualified for capitalization, the amount of interests expenses of the special borrowings actually occurred in the period less interest income derived from unused borrowings deposited in banks or less investment income derived from provisional investment, are recognized.

With respect to the general borrowings occupied for acquisition, construction or production and development of the assets qualified for capitalization, the capitalized interest amount for general borrowings is calculated and recognized by multiplying a weighted average of the accumulated expenditure on the assets in excess of the expenditure on the some assets of the special borrowings, by a capitalization rate for general borrowings. The capitalization rate is determined by calculation of the weighted average interest rate of the general borrowings.

## 19. Intangible assets

### (1) Measurement, use of life and impairment testing

#### ① Measurement of intangible assets

The intangible assets of the Company including land use rights, patented technology and non-patents technology etc.

The cost of a purchased intangible asset shall be determined by the expenditure actually occurred and other related costs.

The cost of an intangible asset contributed by an investor shall be determined in accordance with the value stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair.

The intangible assets acquired through exchange of non-monetary assets, which is commercial in substance, is carried at the fair value of the assets exchanged out; for those not commercial in substance, they are carried at the carrying amount of the assets exchanged out.

The intangible assets acquired through debt reorganization, are recognized at the fair value.

② Amortization methods and time limit for intangible assets:

Land use right of the company had average amortization by the transfer years from the beginning date of transfer (date of getting land use right); Patented technology, non-patented technology and other intangible assets of the Company are amortized evenly with the shortest terms among expected useful life, benefit years regulated in the contract and effective age regulated by the laws. The amortization amount shall count in relevant assets costs and current gains/losses according to the benefit object.

As for the intangible assets as trademark, with uncertain benefit terms, amortization shall not be carried.

Impairment testing methods and accrual for depreciation reserves for the intangible assets found more in Note V-20-“Long-term assets impairment”.

**(2) Internal accounting policies relating to research and development expenditures**

Expenses incurred during the research phase are recognized as profit or loss in the current period; expenses incurred during the development phase that satisfy the following conditions are recognized as intangible assets (patented technology and non-patents technology):

- ① It is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ The products produced using the intangible asset has a market or the intangible asset itself has a market;
- ④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ the expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenses incurred during the development phase did not qualify the above mentioned conditions, such expenses incurred are accounted for in the profit or loss for the current period. The development expenditure reckoned in gains/losses previously shall not be recognized as assets in later period. The capitalized expenses in development stage listed as development expenditure in balance sheet, and shall be transfer as intangible assets since such item reached its expected conditions for service.

**20. Impairment of long-term asset**

The Company will judge if there is any indication of impairment as at the balance sheet date in respect of non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint controlled entities and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets

beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or group of assets benefiting from synergy of business combination. If the recoverable amount is less than the carrying amount, the Group shall recognize an impairment loss. The amount of impairment loss shall first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

An impairment loss recognized on the aforesaid assets shall not be reversed in a subsequent period in respect of the part whose value can be recovered.

## **21. Long-term deferred expenses**

Long-term expenses to be amortized of the Company the expenses that are already charged and with the beneficial term of more than one year are evenly amortized over the beneficial term. For the long-term deferred expense items cannot benefit the subsequent accounting periods, the amortized value of such items is all recorded in the profit or loss during recognition.

## **22. Employee compensation**

### **(1) Accounting treatment for short-term compensation**

During the accounting period when the staff providing service to the Company, the short-term remuneration actual occurred shall recognized as liability and reckoned into current gains/losses. During the accounting period when staff providing service to the Company, the actual short-term compensation occurred shall recognized as liabilities and reckoned into current gains/losses, except for those in line with accounting standards or allow to reckoned into capital costs; the welfare occurred shall reckoned into current gains/losses or relevant asses costs while actually occurred. The employee compensation shall recognize as liabilities and reckoned into current gains/losses or relevant assets costs while actually occurred. The employee benefits that belong to non-monetary benefits are

measured in accordance with the fair value; the social insurances including the medical insurance, work-injury insurance and maternity insurance and the housing fund that the enterprise pays for the employees as well as the labor union expenditure and employee education funds withdrawn by rule should be calculated and determined as the corresponding compensation amount and determined the corresponding liabilities in accordance with the specified withdrawing basis and proportion, and reckoned in the current profits and losses or relevant asset costs in the accounting period that the employees provide services.

## **(2) Accounting treatment for post-employment benefit**

The post-employment benefit included the defined contribution plans and defined benefit plans. Post-employment benefits plan refers to the agreement about the post-employment benefits between the enterprise and employees, or the regulations or measures the enterprise established for providing post-employment benefits to employees. Thereinto, the defined contribution plan refers to the post-employment benefits plan that the enterprise doesn't undertake the obligation of payment after depositing the fixed charges to the independent fund; the defined benefit plans refers to post-employment benefits plans except the defined contribution plan.

## **(3) Accounting for retirement benefits**

When the Company terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognize employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labor relationship plans and employee redundant proposals; and the Company recognize cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier. The early retirement plan shall be accounted for in accordance with the accounting principles for compensation for termination of employment. The salaries or wages and the social contributions to be paid for the employees who retire before schedule from the date on which the employees stop rendering services to the scheduled retirement date, shall be recognized (as compensation for termination of employment) in the current profit or loss by the Group if the recognition principles for provisions are satisfied.

## **(4) Accounting for other long-term employee benefits**

Except for the compulsory insurance, the Company provides the supplementary retirement benefits to the employees satisfying some conditions, the supplementary retirement benefits belong to the defined benefit plans, and the defined benefit liability confirmed on the balance sheet is the value by subtracting the fair value of plan assets from the present value of defined benefit obligation. The defined benefit obligation is annually calculated in accordance with the expected accumulated welfare unit method by the independent actuary by adopting the treasury bond rate with similar obligation term and currency. The service charges related to the supplementary retirement benefits (including the service costs of the current period, the previous service costs, and the settlement gains or losses) and the net interest are reckoned in the current profits and losses or other asset costs, the changes generated by recalculating the net liabilities of defined benefit plans or net assets should be reckoned in other consolidated income.

## 23. Accrual liabilities

### (1) Recognition principle

An obligation related to a contingency, such as guarantees provided to outsiders, pending litigation or arbitration, product warranties, redundancy plans, onerous contracts, reconstructing, expected disposal of fixed assets, etc. shall be recognized as an estimated liability when all of the following conditions are satisfied:

- ① the obligation is a present obligation of the Company;
- ② it is Contingent that an outflow of economic benefits will be required to settle the obligation;
- ③ the amount of the obligation can be measured reliably.

(2) Measurement method: Measure on the basis of the best estimates of the expenses necessary for paying off the contingencies

## 24. Revenue

Whether the Company needs to comply with the disclosure requirement of special industry

No

### (1) Concrete judging criteria for time of recognized

The major risks and remuneration entitled to the ownership of goods are transferred to buyer; neither retain the continued management right generally related to ownership, nor exercise effective control over the sold products; the relevant economic benefits are probable to flow into the Company; the relevant income and costs can be measured reliably.

Concrete judging criteria for time of recognized the income from goods sales:

The Company's domestic sales revenue recognition time: The company delivers goods as agreed, checks the goods that the buyers have received and inspected during the period of the last reconciliation date and this reconciliation date with the buyers on the reconciliation date as agreed, and transfers the risks and remunerations to the buyers after checking, the Company issues the invoices to the buyers in accordance with the recognized varieties, quantities and amounts and affirms the sales revenue realization on the reconciliation date.

The Company's overseas sales revenue recognition time: After checking by the customs, the Company affirms the sales revenue realization according to the date of departure on the customs declaration.

### (2) Recognition of revenue of assets using right alienation

Revenue from use by others of enterprise assets shall be recognized only when the associated economic benefit can flow into the Company, and the amount of revenue can be measured reliably, revenue measured by the follow:

- ① Interest income amount: calculated and determined in accordance with the time that others use the enterprises cash and the actual interest rate.
- ② Royalty revenue amount: calculated and determined in accordance with the charging time and method of the relevant contract or agreement as agreed.

The basis that the Company confirms the revenue from transferring the right to use assets.

Rental income: the revenue realization is confirmed after collecting the rent on the date as agreed in the rental contract (or agreement). For the rent not received on the date as agreed in the contract or agreement but can be received, and of which the amount of revenue can be measured reliably can also be recognized as revenue.

(3) When confirming the incomes of labor services and construction contracts according to the percentage of completion method, determine the basis and method of the contract completion plan.

For the service transaction results can be estimated reliably on the balance sheet date, the service revenue is determined and recognized by adopting the percentage of completion method. The completion progress of service

transaction is determined by the proportion of incurred costs in the estimated total cost.

The total service revenue is determined by the received or receivable contract or agreement costs, except that the received or receivable contract or agreement costs are not fair. On the balance sheet date, the service revenue of the current period is determined by multiplying the total service revenue by the completion progress and deducting the amount accumulated in the previous accounting period and confirmed to render the service revenue. Meanwhile, the labor costs of the current period are carried forward by multiplying the total estimated costs of labor services by the completion progress and deducting the amount accumulated in the previous accounting period with confirmed service costs.

For the service transaction results cannot be estimated reliably on the balance sheet date, respectively dispose as following circumstances:

- ① The incurred labor costs estimated to be compensated are confirmed to render the service revenue according to the incurred labor costs, and are carried forward by the equivalent amount.
- ② The incurred labor costs estimated not to be compensated are reckoned in the current profits or losses, and are not confirmed to render the service revenue.

## 25. Government Grants

### (1) Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration. Government grants are classified into government grants related to assets and government grants related to income.

As for the assistance object not well-defined in government's documents, the classification criteria for assets-related or income-related grants are as: whether the grants turn to long-term assets due to purchasing for construction or other means.

### (2) Recognition and measure

The government grants shall be recognized while meet the additional conditions of the grants and amount is actually can be obtained.

If a government grant is in the form of a transfer of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, the item shall be measured at fair value. If the fair value can not be reliably acquired, than measured by nominal amount.

### (3) Accounting treatment

A government grant related to an asset shall be recognized as deferred income, and reckoned into current gains/losses according to the depreciation process in use life of such assets.

A government grant related to income, if they making up relevant expenses and losses for later period, than recognized deferred income, and should reckoned into current gain/loss during the period while relevant expenses are recognized; if they making up relevant expenses and losses that occurred, than reckoned into current gains/losses.

A government grant related to daily operation activity of the Company should reckoned into other income; those without related to daily operation activity should reckoned into non-operation income and expenses.

The financial discount funds received by the Company shall write down relevant borrowing costs.

## 26. Deferred income tax assets/Deferred income tax liabilities

### (1) Deferred income tax assets or deferred income tax liabilities are realized based on the difference between the

carrying values of assets and liabilities and their taxation bases (as for the ones did not recognized as assets and liability and with taxation basis recognized in line with tax regulations, different between tax base and its book value) at the tax rates applicable in the periods when the Company recovers such assets or settles such liabilities.

(2) Deferred income tax assets are realized to the extent that it is probable to obtain such taxable income which is used to set off the deductible temporary difference. As at the balance sheet date, if there is obvious evidence showing that it is probable to obtain sufficient taxable income to set off the deductible temporary difference in future periods, deferred income tax assets not realized in previous accounting periods shall be realized.

(3) On balance sheet date, re-review shall be made in respect of the carrying value of deferred income tax assets. If it is impossible to obtain sufficient taxable income to set off the benefits of deferred income tax assets in future periods, then the carrying value of deferred income tax assets shall be reduced accordingly. If it is probable to obtain sufficient taxable income, then the amount reduced shall be switched back.

(4) Current income tax and deferred income tax considered as income tax expenses or incomes reckoned into current gains/losses, excluding the follow income tax:

- ①Enterprise combination;
- ②Transactions or events recognized in owner's equity directly

## 27. Lease

### (1) Accounting for operating lease

The rental fee paid for renting the properties by the company are amortized by the straight-line method and reckoned in the current expenses throughout the lease term without deducting rent-free period. The initial direct costs related to the lease transactions paid by the company are reckoned in the current expenses.

When the lessor undertakes the expenses related to the lease that should be undertaken by the company, the company shall deduct the expenses from the total rental costs, share by the deducted rental costs during the lease term, and reckon in the current expenses.

Rental obtained from assets leasing, during the whole leasing period without rent-free period excluded, shall be amortized by straight-line method and recognized as leasing revenue. The initial direct costs paid with leasing transaction concerned are reckoned into current expenditure; the amount is larger is capitalized when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period.

When the company undertakes the expenses related to the lease that should be undertaken by the lessor, the company shall deduct the expenses from the total rental income, and distribute by the deducted rental costs during the lease term.

### (2) Accounting for financing lease

Assets lease-in by financing: On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognized as unrecognized financing expenses. Unrecognized financing expenses shall be reckoned in financial

expenses and amortized and using effective interest method during the leasing period. The initial direct costs incurred by the Company shall be reckoned into value of assets lease-in.

Finance leased assets: on the lease commencement date, the company affirms the balance among the finance lease receivables, the sum of unguaranteed residual value and its present value as the unrealized financing income, and recognizes it as the rental income during the period of receiving the rent. For the initial direct costs related to the rental transaction, the company reckons in the initial measurement of the finance lease receivables, and reduces the amount of income confirmed in the lease term.

## 28. Other important accounting policy and accounting estimation

In the process of applying the Company's accounting policies, due to the inherent uncertainty of business activities, the Company needs to judge, estimate and assume the book value of the report items cannot be accurately measured. These judgments, estimates and assumptions are made on the basis of the historical experience of the Company's management and by considering other relevant factors, which shall impact the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the estimated uncertainties may differ from the management's current estimates of the Company so as to carry out the significant adjustments to the book value of the assets or liabilities to be affected.

The Company regularly reviews the aforementioned judgments, estimates and assumptions on the basis of continuing operations, the changes in accounting estimates only affect the current period, of which the impacts are recognized in the current period; the changes in accounting estimates not only affect the current period but also the future periods, of which the impacts are recognized in the current and future periods.

On the balance sheet date, the important areas of the financial statements that the Company needs to judge, estimate and assume are as follows:

### (1) Provision for bad debts

According to the accounting policies of the accounts receivable, the Company adopts the allowance method to calculate the bad debt losses. The impairment of receivables is based on the assessment to the collectability of the accounts receivable. The impairment of accounts receivable requires the management's judgments and estimates. The actual results and the differences between the previously estimated results shall affect the book value of accounts receivable and the provision or return of the receivables' bad debt reserves during the period estimated to be changed.

### (2) Inventory impairment

According to the inventory accounting policies, the Company measures by the comparison between the cost and the net realizable value, if the cost is higher than the net realizable value and the old and unsalable inventories, the Company calculates and withdraws the inventory impairment. The inventory devalues to the net realizable value by evaluating the inventory's vendibility and net realizable value. To identify the inventory impairment, the management needs to obtain the unambiguous evidences, and consider the purpose to hold the inventory, and judge and estimate the impacts of events after the balance sheet date. The actual results and the differences between the previously estimated results shall affect the book value of inventory and the provision or return of the inventory impairment during the period estimated to be changed.

### (3) Held-to-maturity investments

The Company classifies the non-derivative financial assets that meet the requirements, have the fixed or ascertainable repayment amount and fixed due date, and that the Company has the positive intention and ability to hold to maturity as the held-to-maturity investment. This classification involves a lot of judgments. In the process of making the judgments, the Company will evaluate its willingness and ability to this held-to-maturity investment. Except in certain cases (such as the investments with insignificant sales amount when the maturity date comes), if the Company fails to hold these investments till the maturity date, then all the investments shall be reclassified to the available-for-sale financial assets which cannot be classified as the held-to-maturity investments in this fiscal year and the next two fiscal years. This kind of case may have a significant impact on the relevant financial assets value listed on the financial statements, and may affect the Company's financial instruments risk management strategy.

### (4) Impairment of held-to-maturity investments

The Company determines that the impairment of held-to-maturity investments largely relies on management's judgments. The objective evidences of impairment include that the issuer has serious financial difficulties so that the financial assets cannot continue to be traded in an active market, or cannot be able to fulfill the contract terms (for example, breach the contract of paying the interests or principal), etc. In the process of making the judgments, the Company needs to evaluate the impact of the objective evidence of impairment to the expected future cash flows of the investment.

### (5) Impairment of financial assets available for sale

The Company determines that the impairment of held-to-maturity investments largely relies on management's judgments and assumptions so as to determine whether it is needed to affirm its impairment loss in the profit statement. In the process of making the judgments and assumptions, the Company needs to evaluate the extent and duration when the fair value of the investment is less than the cost, as well as the financial situation and short-term business prospects of the invested party, including the industry conditions, technological change, credit rating, default rates, and risks of the counter party.

### (6) Preparation for the impairment of non-financial & non-current assets

The Company checks whether the non-current assets except for the financial assets may decrease in value at the balance sheet date. For the intangible assets with indefinite service life, in addition to the annual impairment test, the impairment test is also needed when there is a sign of impairment. For the other non-current assets except for the financial assets, the impairment test is needed when it indicates that the book amounts may not be recoverable.

When the book value of the asset or group of assets exceeds its recoverable amount, i.e. the higher between the net amount by subtracting the disposal costs from the fair value and the present value of expected future cash flows, it indicates the impairment.

As for the net amount by subtracting the disposal costs from the fair value, refer to the sales agreement price similar to the assets in the fair trade or the observable market price, and subtract the incremental costs determination directly attributable to the disposal of the asset.

When estimating the present value of the future cash flow, the Company needs to make significant judgments to the output, price, and related operating expenses of the asset (or asset group) and the discount rate used for calculating

the present value. When estimating the recoverable amount, the Company shall adopt all the relevant information can be obtained, including the prediction related to the output, price, and related operating expenses based on the reasonable and supportable assumptions.

The Company tests whether its business reputation decreases in value every year, which requires to estimating the present value of the asset group allocated with goodwill or the future cash flow combined by the asset group. When estimating the present value of the future cash flow, the Company needs to estimate the future cash flows generated by the asset group or the combination of asset group, and select the proper discount rate to determine the present value of the future cash flows.

#### (7) Depreciation and amortization

The Company depreciates and amortizes the investment property, fixed assets and intangible assets according to the straight-line method in the service life after considering the residual value. The Company regularly reviews the service life to determine the depreciation and amortization expense amount to be reckoned in each reporting period. The service life is determined by the Company based on the past experience of similar assets and the expected technological updating. If the previous estimates have significant changes, the depreciation and amortization expense shall be adjusted in future periods.

#### (8) Income tax

In the Company's normal business activities, the final tax treatment and calculation of some transactions have some uncertainties. Whether some projects can be disbursed from the cost and expenses before taxes requires needs to get approval from the tax authorities. If the final affirmation of these tax matters differs from the initially estimated amount, the difference shall have an impact on its current and deferred income taxes during the final identification period.

#### (9) Early retirement benefits and supplementary retirement benefits

The expenses of the Company's early retirement benefits and supplementary retirement benefits and the amount of liabilities are determined in accordance with various assumptions. These assumptions include the discount rate, the average growth rate of health care costs, the subsidy growth rate of the early retired personnel and retirees and the other factors. The differences between the actual results and assumptions will be immediately identified and included in the costs of the current year. Although the management thought the reasonable assumptions have been adopted, the changes in the actual experience and assumed conditions will impact the costs and liability balances of the Company's internal early retirement benefits and supplementary retirement benefits.

### 29. Changes of important accounting policy and estimation

#### (1) Changes of major accounting policies

Applicable  Not applicable

Content and causes for changes of accounting policy	Approval procedures
On June 15, 2018, the Ministry of Finance issued the <i>Notice on Amending the Format of Financial Statements of General Enterprises in 2018</i> (CK No. [2018] 15), revised the financial statements format of general enterprises. According to the requirement, relevant content of the accounting policy needs to be adjusted, and the financial statement should be prepared in line with the format of financial statement for	Deliberated and approved by 5 <sup>th</sup> session of the 9 <sup>th</sup> BOD

general enterprise(applicable to enterprise that have not yet implemented new financial and revenue standards).	
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The impacts on the items and amounts related to consolidated financial statements and the parent company's financial statements during the comparable period are as:

Changes of accounting policy	Impact on the amount in relevant financial statement of 2017/on 31 December 2017		
	Item	Amount affected (+,-)	
		Consolidate financial statement	Financial statement of parent company
The Company prepared the financial statement of 2018 in line with the format regulated in CK No. [2018] 15, and changed the presentation of relevant financial statements by retrospective method	Notes receivable	-1,464,256,934.83	-449,209,323.02
	Account receivable	-1,995,577,830.90	-1,047,012,889.92
	Note receivable and account receivable	3,459,834,765.73	1,496,222,212.94
	Interest receivable	-2,281,979.17	-97,627.77
	Other receivables	2,281,979.17	97,627.77
	Note payable	-947,976,759.10	-459,762,950.78
	Account payable	-2,570,956,205.83	-1,082,206,882.07
	Note payable and account payable	3,518,932,964.93	1,541,969,832.85
	Interest payable	-401,928.43	-93,777.78
	Other accounts payable	401,928.43	93,777.78
	Long-term account payable	18,265,082.11	--
	Special account payable	-18,265,082.11	--
	Administration expenses	-391,315,234.75	-119,083,205.53
	R&D expenses	391,315,234.75	119,083,205.53

## (2) Changes of important accounting estimate

Applicable  Not applicable

## VI. Taxation

### 1. Major taxes and tax rates

Tax	Basis	Tax rate
VAT	Taxable income	Tax rate of 17%, 16%, 11%, 10%, 6% and 5%, rate for exported commodities is stipulated by the state with declaration of export tax rebate, rate of tax may be "exempted, credited and refunded"
City maintaining & construction tax	Turnover tax payable	7%
Corporation income tax	Taxable income	25%、15%
Educational surtax	Turnover tax payable	5%、4.5%

Disclose reasons for different taxpaying body

Taxpaying body	Income tax rate
Weifu Mashan, Weifu Chang'an, Weifu International Trade, Weifu ITM, Weifu Schmidt, Weifu Leader (Wuhan), Weifu Leader(Nanchang)	25%
The Company, Weifu Jinning, Weifu Leader, Weifu Tianli, Weifu Autocam , Weifu Leader(Chongqing)	15%

## 2. Tax preference

On 17 November 2017, the Company got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Taxation Bureau, certificate No.: GR201732000007. Corporate income tax of the Company shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

On 27 December 2017, Weifu Jinning got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Taxation Bureau, certificate No.: GR201732004010. Corporate income tax of the Weifu Jinning shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

On 17 November 2017, Weifu Leader got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Taxation Bureau, certificate No.: GR201732001828. Corporate income tax of the Weifu Leader shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

On 29 November 2017, Weifu Tianli got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Bureau of Ningbo, Department of Finance of Ningbo, Ningbo Office, SAT and Ningbo, Zhejiang Provincial Local Taxation Bureau, certificate No.: GR201733100363. Corporate income tax of the Weifu Tianli shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

On 17 November 2017, Weifu Autocam got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Taxation Bureau, certificate No.: GR201732001043. Corporate income tax of the Weifu Autocam shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

The State Administration of Taxation announced the first item of *Announcement of the State Administration of Taxation on the Enterprise Income Tax Issues Concerning the Implementation of the Western Development Strategy* No. 12 of 2012 that from January 1, 2011 to December 31, 2020, the enterprises located in the west region and mainly engaged in the industrial projects stipulated in the *Catalogue of Encouragement Industries in the Western Region*, and whose main business income accounting for more than 70% of the total income of the enterprise in the current year can pay the corporate income tax at the tax rate of 15%. In 2018, Weifu Leader (Chongqing) paid its corporate income tax at the tax rate of 15%.

## VII. Notes to major items in consolidated financial statements

### 1. Monetary funds

In RMB/CNY

Item	Ending balance	Opening balance
Cash on hand	194,161.03	736,773.22
Cash in bank	2,534,479,978.46	3,027,702,581.00
Other Monetary funds	81,647,601.24	90,270,058.61
Total	2,616,321,740.73	3,118,709,412.83

Other explanation

Item	2018-12-31	2017-12-31
Bank acceptance bill, L/C and other collateral	80,765,732.67	89,623,690.04
Frozen dividend	881,868.57	646,368.57
Total	81,647,601.24	90,270,058.61

Other explanation:

The frozen dividend of 881,868.57 Yuan represents the part of dividends distributed by SDEC (stock code:600841) and Miracle Logistics (stock code:002009) for 2017 and 2018 held by the Company as financial assets available for sale. According to the notices numbered Yue 03MC[2016]2490 and Yue 03MC[2016]2492 served by Guangdong Shenzhen Intermediate People's Court, these dividends were frozen.

### 2. Note receivable and account receivable

In RMB/CNY

Item	Ending balance	Opening balance
Notes receivable	1,148,107,603.68	1,464,256,934.83
Account receivable	1,919,793,266.91	1,995,577,830.90
Total	3,067,900,870.59	3,459,834,765.73

#### (1)Notes receivable

1)Classification of notes receivable

In RMB/CNY

Item	Ending balance	Opening balance
Bank acceptance bill	1,082,574,482.88	1,399,006,661.54
Commercial acceptance bill	65,533,120.80	65,250,273.29
Total	1,148,107,603.68	1,464,256,934.83

## 2) Notes receivable already pledged by the Company at the end of the period

In RMB/CNY

Item	Amount pledge at period-end
Bank acceptance bill	423,527,758.19
Total	423,527,758.19

## 3) Notes endorsement or discount and undue on balance sheet date

In RMB/CNY

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance bill	776,847,577.64	
Commercial acceptance bill	9,230,507.00	
Total	786,078,084.64	

## 4) Notes transfer to account receivable due for failure implementation by drawer at period-end

In RMB/CNY

Item	Amount transfer to account receivable at period-end
Commercial acceptance bill	7,000,000.00
Total	7,000,000.00

## Other explanation

The commercial acceptance bills that the company transferred to the accounts receivable due to the failure of the drawer to perform the agreement at the end of the period were the bills of the subsidiaries controlled by Baota Petrochemical Group Co., Ltd. and the bills accepted by Baota Petrochemical Group Finance Co., Ltd. (hereinafter referred to as "BD bills"); as of December 31, 2018, these bills had expired.

**(2)Account receivable**

## 1) Classification of account receivable

In RMB/CNY

Category	Ending balance				Opening balance				Book value		
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve			
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount			
Account receivable with single significant amount and withdrawal bad debt provision separately	7,000,000.00	0.36%	7,000,000.00	100.00%							
Account receivables with bad debt provision accrual by	1,951,016,221.14	99.56%	31,222,954.23	1.60%	1,919,793,266.91	2,006,937,035.	99.90%	11,359,204.21	0.57% 1,995,577,830.90		

credit portfolio						11				
Account receivable with single significant amount and bad debts provision accrued individually	1,685,11 0.25	0.08%	1,685,11 0.25	100.00%		1,935,1 07.25	0.10%	1,935,107 .25	100.00%	
Total	1,959,70 1,331.39	100.00%	39,908,0 64.48	2.04%	1,919,793 ,266.91	2,008,8 72,142. 36	100.00%	13,294,31 1.46	0.66%	1,995,577,8 30.90

Account receivable with single significant amount and withdrawal bad debt provision separately at period end

Applicable  Not applicable

In RMB/CNY

Account receivable(by enterprise)	Ending balance			
	Account receivable	Bad debt reserve	Accrual ratio	Accrual causes
BD bills	7,000,000.00	7,000,000.00	100.00%	Have difficulty in collection
Total	7,000,000.00	7,000,000.00	--	--

Account receivable provided for bad debt reserve under aging analysis method in the groups:

Applicable  Not applicable

In RMB/CNY

Account age	Ending balance		
	Account receivable	Bad debt reserve	Accrual ratio
Subitem of within one year			
Within 6 months	1,728,298,586.40		
6 months to one year	179,611,775.01	17,961,177.51	10.00%
Subtotal of within one year	1,907,910,361.41	17,961,177.51	
1-2 years	36,164,276.98	7,232,855.40	20.00%
2-3 years	1,521,102.38	608,440.95	40.00%
Over 3 years	5,420,480.37	5,420,480.37	100.00%
Total	1,951,016,221.14	31,222,954.23	1.60%

Explanation on combination determines:

Excluding the account receivable accrual impairment provision separately; based on actual loss ratio of the receivable groups that owes same or similar risk features, which has classify by age in previous years, determine accrual ratio for bad debt provision combine with real condition

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Nil

2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 27,321,822.63 Yuan; the amount collected or switches back amounting to 353,111.39 Yuan.

3) Account receivable actual charge off in the Period

In RMB/CNY

Item	Amount charge off
Jiangyin KPT Power Machinery Manufacturing Co., Ltd.	450,000.00
Chengdu Chengfa Automobile Engine Co., Ltd.	142,862.60
Hangzhou Yaman Engine Co., Ltd	92,921.30
Rugao Diesel Engine Factory	76,090.00
Retail enterprise	299,307.10
Total	1,061,181.00

Charge-off for account receivable:

The amount are arising from non-related transactions

4) Top 5 receivables at ending balance by arrears party

Total year-end balance of top five receivables by arrears party amounting to 932,473,509.48 Yuan, takes 47.58 percent of the total account receivable at year-end, bad debt provision accrual correspondingly at year-end amounting as 4,753,294.41 Yuan.

5) Account receivable derecognition due to financial assets transfer Nil

6) Assets and liabilities resulted by account receivable transfer and continues involvement Nil

### 3. Account paid in advance

#### (1) Account age of account paid in advance

In RMB/CNY

Account age	Ending balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	89,076,980.53	94.11%	94,641,350.21	96.99%
1-2 years	4,536,408.47	4.79%	2,550,321.91	2.61%
2-3 years	980,958.32	1.04%	319,185.79	0.33%
Over 3 years	57,083.99	0.06%	65,339.97	0.07%
Total	94,651,431.31	--	97,576,197.88	--

Explanation on reasons of failure to settle on important advance payment with age over one year: Nil

#### (2) Top 5 advance payment at ending balance by prepayment object

Total year-end balance of top five advance payment by prepayment object amounted to 30,798,878.95 Yuan, takes 32.54 percent of the total advance payment at year-end.

#### 4. Other receivables

In RMB/CNY

Item	Ending balance	Opening balance
Interest receivable	1,842,437.50	2,281,979.17
Other receivables	82,739,808.66	5,214,623.41
Total	84,582,246.16	7,496,602.58

##### (1)Interest receivable

###### 1) Category of interest receivable

In RMB/CNY

Item	Ending balance	Opening balance
Fixed deposits	1,842,437.50	2,281,979.17
Total	1,842,437.50	2,281,979.17

###### 2) Significant overdue interest

Nil

##### (2)Dividend receivable

Nil

##### (3)Other receivables

###### 1) Category of other receivables

In RMB/CNY

Category	Ending balance				Opening balance				Book value		
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve			
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount			
Other account receivable with single significant amount and withdrawal bad debt provision separately	2,775,55 2.63	3.15%	2,775,55 2.63	100.00%		2,775,5 52.63	25.60%	2,775,552 .63	100.00%		
Other receivables with bad debt provision accrual by credit portfolio	85,423,0 12.66	96.85%	2,683,20 4.00	3.14%	82,739,80 8.66	8,067,4 66.20	74.40%	2,852,842 .79	35.36% 1		
									5,214,623.4		

Total	88,198,5 65.29	100.00%	5,458,75 6.63	6.19%	82,739,80 8.66	10,843, 018.83	100.00%	5,628,395 .42	51.91%	5,214,623.4 1
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Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable  Not applicable

In RMB/CNY

Other receivables(by enterprise)	Ending balance			
	Other receivables	Bad debt reserve	Accrual ratio	Accrual causes
American HESS	1,514,671.20	1,514,671.20	100.00%	The counter party has bankruptcy
Nanjing Jinning Machinery Factory	1,260,881.43	1,260,881.43	100.00%	Have difficulty in collection
Total	2,775,552.63	2,775,552.63	--	--

In combination, other accounts receivable whose bad debts provision was accrued by age analysis:

Applicable  Not applicable

In RMB/CNY

Account age	Ending balance		
	Other receivables	Bad debt reserve	Accrual ratio
Subitem of within one year			
Within 6 months	82,715,687.17		
6 months to one year	19,454.00	1,945.40	10.00%
Subtotal of within one year	82,735,141.17	1,945.40	
1-2 years	5,400.00	1,080.00	20.00%
2-3 years	3,821.49	1,528.60	40.00%
Over 3 years	2,678,650.00	2,678,650.00	100.00%
Total	85,423,012.66	2,683,204.00	3.14%

Explanations on combination determine:

Excluding the other account receivable accrual impairment provision separately; based on actual loss ratio of the receivable groups that owes same or similar risk features, which has classify by age in previous years, determine accrual ratio for bad debt provision combine with real condition.

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

Applicable  Not applicable

2) Bad debt provision accrual, collected or switch back

Bad debt provision accrual was 120,915.80 Yuan; the amount collected or switches back amounting to 262,165.59 Yuan.

Including the important bad debt provision switch back or collected in the period: Nil

3) Other receivables actually written-off during the reporting period

In RMB/CNY

Item	Amount charge off
Retail enterprise (Details of each amount is small and is not generated by related transactions)	28,389.00

Note of important other receivables of written-off: Nil

Note of other receivables of written-off: Nil

## 4) Nature of other receivables

In RMB/CNY

Nature	Ending book balance	Opening book balance
Intercourse funds receivable from units	15,328,121.55	4,883,788.59
Receivable of Compensation(note)	67,981,726.00	
Cash deposit	3,206,825.88	3,457,080.65
Staff loans and petty cash	1,172,017.93	2,099,504.91
Other	509,873.93	402,644.68
Total	88,198,565.29	10,843,018.83

In 2018, the Qixia District Housing Collection Management Office of Nanjing signed the *Agreement on the Collection and Compensation of Housing on State-owned Land in Nanjing* with Weifu Jinning. According to the agreement, Weifu Jinning's land, housing and housing attachments located at No. 69, Taiping Village, Yanziji Town, Qixia District were levied by the government; the compensation method was monetary compensation, the compensation amount was 104,205,929.00 yuan, which was in accordance with the evaluation result of the housing expropriation issued by the assessment company. As of December 31, 2018, the company has delivered the expropriated houses and land in accordance with the agreement, and delivered the relevant original house ownership certificates and state-owned land use certificates to the Qixia District Housing Collection Management Office of Nanjing. In 2018, the company has collected compensation of 36,224,203.00 yuan, and received the remaining compensation of 67,981,726.00 yuan on January 30, 2019.

## 5) Top 5 other receivables at ending balance by arrears party

In RMB/CNY

Enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other receivables	Ending balance of bad debt reserve
Qixia District Housing Collection Management Office of Nanjing	Compensation for disposal of assets	67,981,726.00	Within 6 months	77.08%	
Robert Bosch Company	Intercourse funds of unit	12,285,081.81	Within 6 months	13.93%	
Ningbo Jiangbei High-Tech Industry Park Development Construction Co., Ltd.	Performance bond	1,767,000.00	Over three years	2.00%	1,767,000.00
American HESS Company	Intercourse funds of unit	1,514,671.20	Specific	1.72%	1,514,671.20

			identification		
Nanjing Jinning Machinery Factory	Intercourse funds of unit	1,260,881.43	Specific identification	1.43%	1,260,881.43
Total	--	84,809,360.44	--	96.16%	4,542,552.63

**6) Other account receivables related to government grants Nil**

**7) Other receivable for termination of confirmation due to the transfer of financial assets Nil**

**8) The amount of assets and liabilities that are transferred other receivable and continued to be involved Nil**

## 5. Inventory

### (1) Category of inventory

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	405,113,183.37	71,085,820.65	334,027,362.72	444,304,506.71	83,879,268.03	360,425,238.68
Goods in process	182,564,277.52	13,682,081.67	168,882,195.85	198,648,407.88	15,483,517.38	183,164,890.50
Finished goods	1,080,800,727.38	145,181,571.36	935,619,156.02	1,098,294,008.21	162,945,096.69	935,348,911.52
Total	1,668,478,188.27	229,949,473.68	1,438,528,714.59	1,741,246,922.80	262,307,882.10	1,478,939,040.70

### (2) Inventory depreciation reserve

In RMB/CNY

Item	Opening balance	Current increased		Current decreased		Ending balance
		Accrual	Other	Switch back or write-off	Other	
Raw materials	83,879,268.03	29,627,483.24		42,420,930.62		71,085,820.65
Goods in process	15,483,517.38	6,039,633.18		7,841,068.89		13,682,081.67
Finished goods	162,945,096.69	41,526,222.10		59,289,747.43		145,181,571.36
Total	262,307,882.10	77,193,338.52		109,551,746.94		229,949,473.68

① Net realizable value of the inventory refers to: during the day-to-day activities, results of the estimated sale price less costs which are going to happen by estimation till works completed, sales price estimated and relevant taxes.

② Accrual basis for inventory depreciation reserve:

Cash on hand	Accrual basis for inventory impairment provision	Specific basis for recognition
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Materials in stock	The materials sold due to finished goods manufactured, its net realizable value is lower than the book value	Results from the estimated sale price of such inventory less the cost what will happen, estimated sales expenses and relevant taxes till the goods completed
Goods in process	The goods in process sold due to finished goods manufactured, its net realizable value is lower than the book value	Results from the estimated sale price of such inventory less the cost what will happen, estimated sales expenses and relevant taxes till the goods completed
Finished goods	its net realizable value is lower than the book value	Results from the estimated sale price less the vary taxes which shall be taken in process of sales

③ Reasons of write-off for inventory falling price reserves:

Cash on hand	Reasons of write-off
Materials in stock	Used for production and the finished goods are realized sales
Goods in process	Goods in process completed in the Period and corresponding finished goods are realized sales in the Period
Finished goods	Sales in the Period

### (3) Explanation on capitalization of borrowing costs at ending balance of inventory

Nil

### (4) Assets completed without settlement from construction contract at period-end

Nil

## 6. Other current assets

In RMB/CNY		
Item	Ending balance	Opening balance
Entrust financing products	4,571,886,703.43	3,841,320,000.00
Receivable export tax rebates	7,848,937.72	14,289,026.22
Prepaid taxes and VAT retained	47,808,273.37	25,338,518.05
Input tax to be deducted and certification	3,420,317.46	2,568,145.27
Other	1,173,368.28	4,481,600.99
Total	4,632,137,600.26	3,887,997,290.53

## 7. Available-for-sale financial assets

### (1) Available-for-sale financial assets

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Equity instrument available for sale:	460,603,210.95	204,628,034.04	255,975,176.91	469,495,975.95	59,433,106.95	410,062,869.00
Measured by fair value	121,066,008.00		121,066,008.00	266,376,600.00		266,376,600.00
Measured by cost	339,537,202.95	204,628,034.04	134,909,168.91	203,119,375.95	59,433,106.95	143,686,269.00
Other - financial products				178,080,000.00		178,080,000.00
Total	460,603,210.95	204,628,034.04	255,975,176.91	647,575,975.95	59,433,106.95	588,142,869.00

## (2) Financial assets available for sale measured by fair value at period-end

In RMB/CNY

Category of available-for-sale financial assets	Equity instrument available for sale	Debt instrument available for sale	Total
Cost /liability of equity instrument/ amortization cost of debt instrument	144,371,235.00		144,371,235.00
Fair value	121,066,008.00		121,066,008.00
Amount of fair value changes that cumulatively reckoned in other comprehensive gains	-23,305,227.00		-23,305,227.00

## (3) Financial assets available for sale measured by cost at period-end

In RMB/CNY

The invested entity	Book balance				Depreciation reserves				Ratio of share-holding in invested entity	Current cash dividend
	Period-beg inning	Current increased	Current decreased	Period-end	Period-beg inning	Current increased	Current decreased	Period-end		
Guolian Securities	12,000,000.00			12,000,000.00					0.95%	
Guangxi Liufa Co., Ltd.	1,600,000.00			1,600,000.00	1,600,000.00			1,600,000.00	1.22%	
Financial Company of Changchai Group Co., Ltd.	800,000.00		800,000.00		800,000.00		800,000.00			
H&J Vanguard Investment Co., Ltd.	33,000,000.00			33,000,000.00	33,000,000.00			33,000,000.00		
Nanjing Hengtai Insurance and Broker Co., Ltd.	1,000,000.00			1,000,000.00	1,000,000.00			1,000,000.00	1.85%	

Henan Gushi Weineng Oil Pump & Nozzle Co., Ltd.	2,033,106.95			2,033,106.95	2,033,106.95			2,033,106.95		
Beijing Zhike Industrial Investment Holding Group Co., Ltd	86,940,000.00			86,940,000.00	11,000,000.00			11,000,000.00	12.66%	
Wuxi Xidong Technological Industry Park Co., Ltd.	5,000,000.00			5,000,000.00					1.43%	
Shanghai IMS Automotive Electronic System Co., Ltd.	10,000,000.00			10,000,000.00	10,000,000.00			10,000,000.00	12.27%	
Shanghai CD Dengtong Equity Investment Fund	50,746,269.00			14,925,373.00	35,820,896.00				14.93%	2,985,075.00
Protean Holdings Corp.		152,143,200.00		152,143,200.00		145,994,927.09		145,994,927.09		
Total	203,119,375.95	152,143,200.00	15,725,373.00	339,537,202.95	59,433,106.95	145,994,927.09	800,000.00	204,628,034.04	--	2,985,075.00

#### (4) Changes of impairment of available-for-sale financial assets in Period

In RMB/CNY

Category of available-for-sale financial assets	Equity instrument available for sale	Debt instrument available for sale	Total
Balance of impairment accrual at period-begin	59,433,106.95		59,433,106.95
Current accrual	145,994,927.09		145,994,927.09
Current decreased	800,000.00		800,000.00
Balance of impairment accrual at period-end	204,628,034.04		204,628,034.04

#### (5) Where the fair value of equity instruments available for sale drops significantly or not contemporarily at period-end, without impairment provision is made

Nil

## 8. Long-term equity investments

In RMB/CNY

The invested entity	Opening balance	Current changes (+,-)								Ending balance	Ending balance of depreciation reserves
		Additional investment	Capital reduction	Investment gain/loss recognized under equity	Other comprehensive income	Other equity adjustment	Cash dividend or profit announced to issued	Impairment accrual	Other		
<b>I. Joint venture</b>											
Wuxi Weifu Environment Catalyst Co., Ltd.	522,882,789.26			42,763,297.67						565,646,086.93	
Wuxi Weifu Electric Drive Tech. Co., Ltd.		55,180,800.00		-438,424.98						54,742,375.02	
<b>Subtotal</b>	<b>522,882,789.26</b>	<b>55,180,800.00</b>		<b>42,324,872.69</b>						<b>620,388,461.95</b>	
<b>II. Associated enterprise</b>											
Bosch Automobile Diesel System Co., Ltd.	2,608,796,934.00			1,206,095,040.88			607,769,081.48			3,207,122,893.40	
Zhonglian Automobile Electronic Co., Ltd.	959,036,193.36			366,839,762.36			239,400,000.00			1,086,475,955.72	
Weifu Precision Machinery Manufact	49,348,908.96			9,561,248.94			3,600,000.00			55,310,157.90	

uring Co., Ltd.										
Shinwell Automobile Tech. (Wuxi) Co., Ltd.		9,000,000 .00		-1,523,522.23					7,476,477 .77	
Subtotal	3,617,182 ,036.32	9,000,000 .00		1,580,972 ,529.95			850,769,081.48		4,356,385 ,484.79	
Total	4,140,064 ,825.58	64,180,800.00		1,623,297 ,402.64			850,769,081.48		4,976,773 ,946.74	

## Other explanation

Explanation on investment for Wuxi Weifu Electric Drive Tech. Co., Ltd. and Shinwell Automobile Tech. (Wuxi) Co., Ltd measured by equity found more in 3-(1) Joint venture or associated enterprise in Note VII

## 9. Investment real estate

### (1) Investment real estate measured by cost

Applicable  Not applicable

In RMB/CNY

Item	House and Building	Land use right	Construction in progress	Total
I. original book value				
1.Opening balance	63,545,325.48			63,545,325.48
2.Current increased				
(1) outsourcing				
(2) Inventory\fixed assets\construction in process transfer-in				
(3) increased by combination				
3.Current decreased	1,867,989.65			1,867,989.65
(1) disposal	1,867,989.65			1,867,989.65
(2) other transfer-out				
4.Ending balance	61,677,335.83			61,677,335.83
II. Accumulated depreciation and accumulated amortization				
1.Opening balance	40,000,494.70			40,000,494.70
2.Current increased	1,566,198.87			1,566,198.87

(1) accrual or amortization	1,566,198.87			1,566,198.87
3. Current decreased	1,795,492.26			1,795,492.26
(1) disposal	1,795,492.26			1,795,492.26
(2) other transfer-out				
4. Ending balance	39,771,201.31			39,771,201.31
<b>III. Depreciation reserves</b>				
1. Opening balance				
2. Current increased				
(1) accrual				
3. Current decreased				
(1) disposal				
(2) other transfer-out				
4. Ending balance				
<b>IV. Book value</b>				
1. Ending Book value	21,906,134.52			21,906,134.52
2. Opening Book value	23,544,830.78			23,544,830.78

## (2) Investment real estate measured at fair value

Applicable  Not applicable

## (3) Investment real estate without property certification held

Nil

## 10. Fixed assets

In RMB/CNY

Item	Ending balance	Opening balance
Fixed assets	2,707,374,678.61	2,584,872,628.54
Total	2,707,374,678.61	2,584,872,628.54

### (1) Fixed assets

In RMB/CNY

Item	House and Building	Machinery equipment	Transportation equipment	Electronic and other equipment	Total
I. original book value:					

1.Opening balance	1,537,881,197.20	2,214,135,391.61	40,678,767.59	423,482,779.18	4,216,178,135.58
2.Current increased	14,839,633.48	305,476,750.70	4,026,263.61	93,377,537.08	417,720,184.87
(1) Purchase		18,965,806.44	330,775.86	17,351,255.06	36,647,837.36
(2) Construction in progress transfer-in	14,839,633.48	286,510,944.26	3,695,487.75	76,026,282.02	381,072,347.51
(3) increased by combination					
3.Current decreased		28,603,301.23	8,944,035.83	9,927,902.72	47,475,239.78
(1) disposal or scrapping		28,603,301.23	8,944,035.83	9,927,902.72	47,475,239.78
4.Ending balance	1,552,720,830.68	2,491,008,841.08	35,760,995.37	506,932,413.54	4,586,423,080.67
<b>II. Accumulated depreciation</b>					
1.Opening balance	283,668,171.81	1,077,183,649.52	29,697,332.26	185,833,218.62	1,576,382,372.21
2.Current increased	46,296,560.27	176,973,334.14	3,301,058.79	57,333,902.25	283,904,855.45
(1) accrual	46,296,560.27	176,973,334.14	3,301,058.79	57,333,902.25	283,904,855.45
3.Current decreased		24,603,993.39	8,252,738.72	2,604,749.60	35,461,481.71
(1) disposal or scrapping		24,603,993.39	8,252,738.72	2,604,749.60	35,461,481.71
4.Ending balance	329,964,732.08	1,229,552,990.27	24,745,652.33	240,562,371.27	1,824,825,745.95
<b>III. Depreciation reserves</b>					
1.Opening balance		48,038,049.98	73,320.38	6,811,764.47	54,923,134.83
2.Current increased				504,907.39	504,907.39
(1) accrual				504,907.39	504,907.39
3.Current decreased		1,168,957.36	0.48	36,428.27	1,205,386.11
(1) disposal or scrapping		1,168,957.36	0.48	36,428.27	1,205,386.11
4.Ending balance		46,869,092.62	73,319.90	7,280,243.59	54,222,656.11
<b>IV. Book value</b>					
1.Ending Book value	1,222,756,098.60	1,214,586,758.19	10,942,023.14	259,089,798.68	2,707,374,678.61
2.Opening Book value	1,254,213,025.39	1,088,913,692.11	10,908,114.95	230,837,796.09	2,584,872,628.54

**(2) Temporarily idle fixed assets Nil**

**(3) Fixed assets acquired by financing lease Nil**

**(4) Fixed assets acquired by operating lease Nil**

**(5) Fixed assets without property certification held**

In RMB/CNY

Item	Book value	Reasons for without the property certification
Boiler room and guard house of Weifu Jinning	2,743,741.50	Still in process of relevant property procedures
Plant and office building of Weifu Chang'an	43,746,598.64	Still in process of relevant property procedures

#### (6) Disposal of fixed assets Nil

### 11. Construction in progress

In RMB/CNY

Item	Ending balance	Opening balance
Construction in progress	166,414,542.18	100,345,461.28
Total	166,414,542.18	100,345,461.28

#### (1) Construction in progress

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
2nd Phase construction project in industrial park				3,364,768.05		3,364,768.05
Weifu Tianli Technical Transformation Project	3,214,458.65		3,214,458.65	16,518,417.24		16,518,417.24
Technical	62,131,476.77	1,470,033.00	60,661,443.77	23,611,775.63	1,470,033.00	22,141,742.63
Technical transformation of Weifu Autocam	64,861,621.60		64,861,621.60	32,705,249.53		32,705,249.53
Other Item	39,773,360.78	2,096,342.62	37,677,018.16	27,711,626.45	2,096,342.62	25,615,283.83
Total	169,980,917.80	3,566,375.62	166,414,542.18	103,911,836.90	3,566,375.62	100,345,461.28

#### (2) Changes of major projects under construction

In RMB/CNY

Item	Budget	Opening balance	Current increased	Fixed assets transferred in the Period	Other decreased in the Period	Ending balance	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including : interest capitalized amount of the year	Interest capitalization rate of the year	Source of funds
2nd Phase construction project in industrial		3,364,768.05	4,078,102.04	7,442,870.09								Other

park												
Weifu Tianli Technical Transforma tion Project		16,518,4 17.24	12,166,2 03.74	25,470,1 62.33		3,214,45 8.65						Other
Technical		23,611,7 75.63	156,912, 888.51	118,393, 187.37		62,131,4 76.77						Other
Technical transforma tion of Weifu Autocam		32,705,2 49.53	118,272, 226.62	86,115,8 54.55		64,861,6 21.60						Other
Total		76,200,2 10.45	291,429, 420.91	237,422, 074.34		130,207, 557.02	--	--				--

### (3) The provision for impairment of construction projects

Nil

### (4)Engineering material

Nil

## 12. Intangible assets

### (1)Intangible assets

In RMB/CNY

Item	Land use right	Patent	Non-patent technology	Trademark and trademark license	Computer software	Total
I. original book value						
1.Opening balance	382,073,520.00		3,539,793.05	41,597,126.47	51,218,449.46	478,428,888.98
2.Current increased					1,778,429.82	1,778,429.82
(1) Purchase					1,778,429.82	1,778,429.82
(2) internal R&D						
(3) increased by combination						
3.Current decreased	870,000.00					870,000.00
(1) disposal	870,000.00					870,000.00
4.Ending balance	381,203,520.00		3,539,793.05	41,597,126.47	52,996,879.28	479,337,318.80
II. accumulated amortization						
1.Opening balance	70,825,229.06		2,271,368.77	9,709,000.00	38,344,247.79	121,149,845.62
2.Current increased	8,399,994.44		353,977.93		8,495,491.00	17,249,463.37

(1) accrual	8,399,994.44		353,977.93		8,495,491.00	17,249,463.37
3.Current decreased	601,712.94					601,712.94
(1) disposal	601,712.94					601,712.94
4.Ending balance	78,623,510.56		2,625,346.70	9,709,000.00	46,839,738.79	137,797,596.05
<b>III. Depreciation reserves</b>						
1.Opening balance				16,646,900.00		16,646,900.00
2.Current increased						
(1) accrual						
3.Current decreased						
(1) disposal						
4.Ending balance				16,646,900.00		16,646,900.00
<b>IV. Book value</b>						
1.Ending Book value	302,580,009.44		914,446.35	15,241,226.47	6,157,140.49	324,892,822.75
2.Opening Book value	311,248,290.94		1,268,424.28	15,241,226.47	12,874,201.67	340,632,143.36

Ratio of the intangible assets from internal R&D in balance of intangible assets at period-end was 0%.

## (2) Land use right without property certification held

Nil

## 13. Goodwill

### (1) Original book value of goodwill

In RMB/CNY

The invested entity or matters forming goodwill	Opening balance	Current increased	Current decreased	Ending balance
Weifu Tianli	1,784,086.79			1,784,086.79
<b>Total</b>	<b>1,784,086.79</b>			<b>1,784,086.79</b>

### (2) Goodwill depreciation reserves

Nil

Relevant information about the assets group or portfolio goodwill included

Goodwill of the Weifu Tianli: the Company controlling and combine Weifu Tianli by increasing the capital, the goodwill is the number that combination cost greater than the fair value of identical net assets of Weifu Tianli

At the end of the period, the company forecasted an impairment test on goodwill to estimate the present value of future cash flows and the recoverable amount of the goodwill-related asset group, which is based on the management's financial budget for the next five years and a discount rate of 12.21%, on the assumption that the cash flow of the year after the financial budget for more than 5 years will remain stable. The asset group identified

during the goodwill impairment test is unchanged.

20%~23% gross profit margin and 9%~15% of the forecast period operating income growth rate are key parameters during the measurement of current value of the expected future cash flow of the goodwill related asset group. These parameters are determined by management based on historical conditions prior to the forecast period and forecasts of market development. Through the above tests, it comes a conclusion that the company's goodwill does not need to make provision for impairment.

#### 14. Long-term deferred expenses

In RMB/CNY

Item	Opening balance	Current increased	Amortized in the Period	Other decrease	Ending balance
Remodeling costs etc.	2,969,770.81	15,235,143.93	1,567,262.43		16,637,652.31
Total	2,969,770.81	15,235,143.93	1,567,262.43		16,637,652.31

#### 15. Deferred income tax assets/Deferred income tax liabilities

##### (1) Deferred income tax assets that are not offset

In RMB/CNY

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt reserve	44,576,998.51	6,770,470.23	18,591,825.81	2,834,842.52
Inventory depreciation reserve	210,088,809.57	32,942,217.43	240,520,904.57	37,599,678.75
Depreciation reserves of fixed assets	20,661,129.43	3,315,363.51	20,459,349.51	3,285,096.52
Depreciation reserves of construction in progress	3,566,375.62	534,956.34	3,566,375.62	534,956.34
Depreciation reserves of intangible assets	16,646,900.00	2,497,035.00	16,646,900.00	2,497,035.00
Depreciation reserves of available-for-sale financial asset	155,994,927.09	23,399,239.06	10,000,000.00	1,500,000.00
Change of fair value of available-for-sale financial asset	23,305,227.00	3,495,784.05		
Deferred income	422,215,782.35	63,332,367.36	447,676,720.31	67,151,508.04
Internal un-realized profit	33,204,053.14	6,439,903.29	28,149,575.30	4,972,350.93
Payable salary, accrued expenses etc.	539,804,494.87	85,801,436.71	526,642,684.53	81,166,909.39
Depreciation assets, amortization difference	53,624,344.54	8,439,877.52	9,768,298.31	1,465,244.74
Deductible loss of subsidiary	9,677,975.44	2,419,493.86		
Change of fair value of derivative financial liability	490,329.13	73,549.37		
Total	1,533,857,346.69	239,461,693.73	1,322,022,633.96	203,007,622.23

**(2) Deferred income tax liabilities that are not offset**

In RMB/CNY

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment for combination not under the same control	12,751,629.44	1,912,744.40	13,491,849.42	2,023,777.40
Change of fair value of available-for-sale financial asset			102,552,300.00	15,382,844.99
Accelerated depreciation of fixed assets	31,763,694.33	4,764,554.15		
Total	44,515,323.77	6,677,298.55	116,044,149.42	17,406,622.39

**(3) Deferred income tax assets and deferred income tax liabilities listed after off-set**

In RMB/CNY

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets	-4,764,554.15	234,697,139.58		203,007,622.23
Deferred income tax liabilities	-4,764,554.15	1,912,744.40		17,406,622.39

**(4) Details of unrecognized deferred income tax assets**

In RMB/CNY

Item	Ending balance	Opening balance
Bad debt reserve	789,822.60	330,881.07
Inventory depreciation reserve	19,860,664.11	21,786,977.53
Loss from subsidiary	139,281,223.32	160,376,822.42
Depreciation reserves of fixed assets	33,561,526.68	34,463,785.32
Depreciation reserves of available-for-sale financial asset	48,633,106.95	49,433,106.95
Total	242,126,343.66	266,391,573.29

**(5) Deductible losses of un-recognized deferred income tax assets expired on the followed year**

In RMB/CNY

Maturity year	Ending amount	Opening amount	Note
2018		23,365,456.08	Subsidiaries have operating losses
2019	25,671,694.55	35,159,237.40	Subsidiaries have operating losses
2020	44,795,747.87	44,811,748.35	Subsidiaries have operating losses
2021	46,080,956.48	46,080,956.48	Subsidiaries have operating losses
2022	10,503,882.86	10,959,424.11	Subsidiaries have operating losses
2023	12,228,941.56		Subsidiaries have operating losses
Total	139,281,223.32	160,376,822.42	--

## 16. Other non-current assets

In RMB/CNY

Item	Ending balance	Opening balance
Engineering equipment paid in advance	251,462,676.27	195,088,675.74
Total	251,462,676.27	195,088,675.74

## 17. Short-term borrowings

### (1)Category of short-term borrowings

In RMB/CNY

Item	Ending balance	Opening balance
Debt of honor	298,928,213.94	243,000,000.00
Total	298,928,213.94	243,000,000.00

### (2) Overdue short-term loans without payment

Nil

## 18. Derivative financial liability

Applicable Not applicable

In RMB/CNY

Item	Ending balance	Opening balance
Derivative financial liability	490,329.13	
Total	490,329.13	

## 19. Note payable and account payable

In RMB/CNY

Item	Ending balance	Opening balance
Note payable	1,018,367,533.74	947,976,759.10
Account payable	2,047,336,834.66	2,570,956,205.83
Total	3,065,704,368.40	3,518,932,964.93

### (1)Category of note payable

In RMB/CNY

Category	Ending balance	Opening balance
Bank acceptance bill	1,018,367,533.74	947,976,759.10
Total	1,018,367,533.74	947,976,759.10

Notes expired at year-end without paid was 0.00 Yuan.

### (2)Account payable

In RMB/CNY

Item	Ending balance	Opening balance
Within 1 year	1,957,672,043.76	2,452,140,381.86
1-2 years	10,208,129.49	43,524,905.85
2-3 years	7,830,950.08	2,318,008.01
Over three years	71,625,711.33	72,972,910.11
Total	2,047,336,834.66	2,570,956,205.83

### (3) Important account payable with account age over one year Nil

Other explanation:

Margin saving 79,315,732.67 Yuan was provided for the bank acceptance bill, 423,527,758.19 Yuan was pledge for not receivable.

Notes expired at year-end without paid was 0.00 Yuan.

## 20. Accounts received in advance

### (1)Accounts received in advance

In RMB/CNY

Item	Ending balance	Opening balance
Within 1 year	33,337,169.03	34,272,416.20

1-2 years	6,544,805.44	7,271,092.26
2-3 years	425,759.63	346,383.11
Over three years	1,022,123.70	930,344.50
Total	41,329,857.80	42,820,236.07

**(2) Important account received in advance with account age over one year :Nil**

**(3) Projects that settle without completed from construction contract at period-end:Nil**

**21. Wage payable**

**(1)Wage payable**

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
I. Short-term compensation	147,444,265.93	1,013,770,970.76	993,801,185.87	167,414,050.82
II. Post-employment welfare- defined contribution plans	34,299,401.90	156,460,615.16	158,254,339.58	32,505,677.48
III. Dismissed welfare	3,397,642.16	3,204,395.56	4,000,475.97	2,601,561.75
IV. Other welfare due within one year	121,670,000.00	69,168,944.19	100,788,944.19	90,050,000.00
V. Other short-term welfare-Housing subsidies, employee benefits and welfare funds	20,967,367.30		1,425,479.11	19,541,888.19
Total	327,778,677.29	1,242,604,925.67	1,258,270,424.72	312,113,178.24

**(2) Short-term compensation**

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Wages , bonuses, allowances and subsidies	128,145,458.85	796,197,236.14	775,906,715.58	148,435,979.41
2. Welfare for workers and staff		77,548,989.55	77,548,989.55	
3. Social insurance	8,642,880.67	63,595,212.12	62,786,465.21	9,451,627.58
Including: Medical insurance	6,749,035.02	52,393,141.35	51,461,012.64	7,681,163.73
Work injury insurance	1,221,106.56	6,031,122.87	6,254,332.88	997,896.55
Maternity insurance	672,739.09	5,170,947.90	5,071,119.69	772,567.30
4. Housing accumulation fund	1,062,011.00	63,903,092.60	64,306,305.60	658,798.00
5. Labor union expenditure and personnel education expense	9,593,915.41	12,526,440.35	13,252,709.93	8,867,645.83

Total	147,444,265.93	1,013,770,970.76	993,801,185.87	167,414,050.82
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### (3) Defined contribution plans

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Basic endowment insurance	17,818,243.64	120,730,720.57	120,603,297.89	17,945,666.32
2. Unemployment insurance	1,664,483.26	1,970,982.42	3,053,950.52	581,515.16
3. Enterprise annuity	14,816,675.00	33,758,912.17	34,597,091.17	13,978,496.00
Total	34,299,401.90	156,460,615.16	158,254,339.58	32,505,677.48

Other explanation:

#### 1 Reclassification of long-term staff remuneration payable:

① An amount of RMB 128,559,600.00 in short-term remuneration is reclassified into long-term staff remuneration payable, which represents the incentive fund of RMB 128,559,600.00 provided for in this period.

② An amount of RMB 81,262,073.88 is recorded in post office benefits - defined benefit plan and incentive fund payable within one year, which represents the difference between the incentive fund of RMB 103,820,000.00 expected to be paid in 2019 and the beginning balance of incentive fund payable within one year, post office benefits-defined benefit plan and the actual amount paid in this period.

#### 2. Post-employment welfare- defined contribution plans:

The Company participates in the pension insurance and unemployment insurance plans established by government authorities by laws. Under these plans, the Company makes monthly contribution to these plans based on 19% and 0.5% of the social insurance contribution base for 2018 respectively. Other than the aforesaid monthly contribution, the Company takes no further payment obligation. The relevant expenditure is included in current profit or loss or cost of relevant assets when occurs. Found more of enterprise annuity in Note XVI-4.” Annuity plan”

#### 3. Dismiss welfare

The wages payable resulted from the implementation of inner retirement plan, the amount paid in the year RMB 3,066,483.64 re-classified into the wage payable from long-term wages payable.

## 22. Taxes payable

In RMB/CNY

Item	Ending balance	Opening balance
Value-added tax	15,332,751.18	26,675,795.24
Corporation income tax	48,855,330.99	53,333,508.69
Individual income tax	1,861,196.92	3,102,645.73
City maintaining & construction tax	884,819.63	1,873,973.56

Educational surtax	543,438.10	1,338,552.54
Other (including stamp tax and local funds)	6,794,077.10	7,545,214.60
Total	74,271,613.92	93,869,690.36

### 23. Other accounts payable

In RMB/CNY

Item	Ending balance	Opening balance
Interest payable	517,469.08	401,928.43
Other accounts payable	63,931,254.44	62,937,940.90
Total	64,448,723.52	63,339,869.33

#### (1)Dividend payable

In RMB/CNY

Item	Ending balance	Opening balance
Long-term borrowing interest for installment	90,312.50	79,826.39
Interest payable for short-term loans	420,478.58	322,102.04
Other	6,678.00	
Total	517,469.08	401,928.43

Major overdue interest: Nil

#### (2)Dividend payable

Nil

#### (3)Other accounts payable

##### 1) Classification of other accounts payable according to nature of account

In RMB/CNY

Item	Ending balance	Opening balance
Deposit and margin	18,680,843.00	20,977,476.26
Social insurance and reserves funds that withholding	7,682,496.48	7,689,385.68
Intercourse funds of unit	30,982,145.98	25,754,545.98
Other	6,585,768.98	8,516,532.98
Total	63,931,254.44	62,937,940.90

##### 2) Significant other payable with over one year age

In RMB/CNY

Item	Ending balance	Reasons for non-repayment or carry-over
Nanjing Jidian Industrial Group Co., Ltd.	4,500,000.00	Intercourse funds
Total	4,500,000.00	--

#### 24. Non-current liabilities due within one year

In RMB/CNY

Item	Ending balance	Opening balance
Long-term loans due within one year	15,000,000.00	10,000,000.00
Total	15,000,000.00	10,000,000.00

#### 25. Other current liabilities

Nil

#### 26. Long-term loans

##### (1)Category of long-term loans

In RMB/CNY

Item	Ending balance	Opening balance
Guaranteed loan	30,000,000.00	45,000,000.00
Total	30,000,000.00	45,000,000.00

#### 27. Long-term account payable

In RMB/CNY

Item	Ending balance	Opening balance
Long-term account payable	17,157,272.00	17,496,363.00
Special accounts payable	18,265,082.11	18,265,082.11
Total	35,422,354.11	35,761,445.11

##### (1)Long-term account payable listed by nature

In RMB/CNY

Item	Ending balance	Opening balance
Hi-tech Branch of Nanjing Finance Bureau(note①)	1,140,000.00	1,140,000.00
Hi-tech Branch of Nanjing Finance Bureau(note②)	1,250,000.00	1,250,000.00
Hi-tech Branch of Nanjing Finance Bureau(note③)	1,230,000.00	1,230,000.00

Loan transferred from treasury bond (note④)	1,017,272.00	1,356,363.00
Hi-tech Branch of Nanjing Finance Bureau(note⑤)	2,750,000.00	2,750,000.00
Hi-tech Branch of Nanjing Finance Bureau(note⑥)	1,030,000.00	1,030,000.00
Hi-tech Branch of Nanjing Finance Bureau(note⑦)	960,000.00	960,000.00
Hi-tech Branch of Nanjing Finance Bureau(note⑧)	5,040,000.00	5,040,000.00
Hi-tech Branch of Nanjing Finance Bureau(note⑨)	2,740,000.00	2,740,000.00
Total	17,157,272.00	17,496,363.00

Other explanation:

note①:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 20 October 2005 to 20 October 2020. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note②:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 20 July 2006 to 20 July 2021. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note③:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 17 September 2007 to 17 September 2022. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note④:Loan transferred from treasury bond: Weifu Jinning received RMB1.87 million Yuan of special funds from budget of the central government, and RMB1.73 million Yuan of special funds from budget of the local government. The non-operating income transferred in was 1.87 million Yuan in 2011 which was confirmed not to return, if the Company pays back special funds of 3.73 million Yuan to the local government in 11 years since 2012, then the Company needs to repay the principal of 339,091.00 Yuan each year.

note⑤:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 10 November 2008 to 10 November 2023. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note⑥:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 27 October 2009 to 27 October 2024. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note⑦:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 27 December 2010 to 27 December 2025. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note⑧:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 28 December 2011 to 28 December 2026. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note⑨:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial

supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 18 December 2013 to 18 December 2028. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

## (2) Special accounts payable

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance	Cause of formation
Removal compensation of subsidiary Weifu Jinning	18,265,082.11			18,265,082.11	
Total	18,265,082.11			18,265,082.11	--

Other explanation:

In line with regulation of the house acquisition decision of People's government of Xuanwu District, Nanjing City, Ning Xuan Fu Zheng Zi (2012) No.001, part of the lands and property of Weifu Jingning needs expropriation in order to carry out the comprehensively improvement of Ming Great Wall. According to the house expropriation and compensation agreement in state-owned lands signed between Weifu Jinning and House Expropriation Management Office of Xuanwu District, Nanjing City, RMB 19.7067 million in total are compensate, including operation losses from lessee RMB 1.4416 million in total. The above compensation was received in last period and is making up for the losses from lessee, and the above lands and property have not been collected up to 31 December 2018.

## 28. Long-term wages payable

### (1) Long-term wages payable

In RMB/CNY

Item	Ending balance	Opening balance
II. Dismiss welfare	10,716,412.43	13,782,896.07
III. Other long-term welfare	63,962,762.93	16,665,236.81
Total	74,679,175.36	30,448,132.88

### (2) Change of defined benefit plans

Nil

## 29. Deferred income

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance	Cause of formation
Government grand	451,281,721.77	8,558,700.00	34,070,567.64	425,769,854.13	Financial allocation received

Total	451,281,721.77	8,558,700.00	34,070,567.64	425,769,854.13	--
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Item with government grants involved:

In RMB/CNY

Item	Opening balance	New grants in the Period	Amount reckoned in non-operation revenue	Amount reckoned into other income in the period	Cost reduction in the period	Other changes	Ending balance	Assets related/Income related
Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used	3,605,001.46			721,000.30			2,884,001.16	Assets related
Appropriation on reforming of production line technology and R&D ability of common rail system for diesel by distributive high-voltage	7,100,000.00						7,100,000.00	Assets related
Fund of industry upgrade(2012)	60,400,000.00						60,400,000.00	Income 0 related
Fund of industry upgrade(2013)	60,520,000.00						60,520,000.00	Income 0 related
Appropriation on central basic construction investment	2,857,142.87			714,285.71			2,142,857.16	Assets related
R&D and industrialization of the high pressure variable pump of the common rail system of diesel engine for automobile	9,956,904.72			1,543,095.28			8,413,809.44	Assets related
Research institute of motor vehicle exhaust aftertreatment technology	3,116,125.34			643,654.13			2,472,471.21	Assets related
Fund of industry upgrade (2014)	36,831,000.00						36,831,000.00	Income 0 related
New-built assets compensation after the removal of parent company	170,951,302.78			23,375,627.26			147,575,675.52	Assets related
Fund of industry upgrade (2016)	40,000,000.00						40,000,000.00	Income 0 related
Guiding capital for the technical reform from State Hi-Tech Technical	9,740,000.00						9,740,000.00	Assets related

Commission								
Implementation of the variable cross-section turbocharger for diesel engine	12,438,231.54	760,00 0.00		2,289,510.51			10,908,721.0 3	Assets related
Demonstration project for intelligent manufacturing	1,808,806.64			358,776.54			1,450,030.10	Assets related
Other	31,957,206.42	7,798,7 00.00		4,424,617.91			35,331,288.5 1	Assets related
Total	451,281,721.7 7	8,558,7 00.00		34,070,567.6 4			425,769,854. 13	

Other explanation:

(1) Appropriation on industrialization project of electrical control and high voltage jet VE system of low emissions diesel: in September 2009, Weifu Jinning signed "Project Contract of Technology Outcome Transferring Special Capital in Jiangsu Province" with Nanjing Technical Bureau, according to which Weifu Jinning received appropriation RMB 6.35 million in 2009, RMB 4.775 million received in 2010 and RMB 0.875 million received in 2011. According to the contract, the attendance date of this project was: from October of 2009 to March of 2012. This contract agreed 62% of newly increased investment in project would be spent in fixed assets investment which are belongs to the government grant with assets/income concerned. In 2013, accepted by the science & technology agency of Jiangsu Province, and RMB 4,789,997.04 with income related was reckoned into current operation revenue directly; the RMB 7,210,002.96 with assets related was amortized during the predicted service period of the assets, and RMB 721,000.30 amortized in the Period.

(2) The appropriation for research and development ability of distributive high-pressure common rail system for diesel engine use and production line technological transformation project: according to XCJ No. [2010] 59, the Company has received special funds of 7.1 million Yuan appropriated by Finance Bureau of Wuxi New District in 2011 and used for the Company's research and development ability of distributive high-pressure common rail system for diesel engine use and production line technological transformation project; this appropriation belongs to government subsidies related to assets, and will be amortized according to the depreciation process of the underlying assets when the project is completed.

(3) Industry upgrading funds (2012): In accordance with the document Xi Xin Guanjing Fa [2012] No.216 and Document Xi Xin Guancai Fa [2012] No. 85, the Company received funds of 60.4 million Yuan appropriated for industry upgrading this year.

(4) Industry upgrading funds (2013): In accordance with the document Xi Xin Guan Jing Fa [2013] No.379, Xi Xin Guan Jing Fa [2013] No.455, Xi Xin Guan Cai Fa [2013] No.128 and Xi Xin Guan Cai Fa [2013] No.153, the Company received funds of 60.52 million Yuan appropriated for industry upgrading in 2013.

(5) Appropriation for investment of capital construction from the central government: In accordance with the document Xi Caijian [2012] No.43, the Company received appropriation of 5 million Yuan for investment of capital construction from the central government in 2012. The project has passed the acceptance check in current period, this appropriation should be amortized within the surplus service life of current assets, and amortization amount of current period is 714,285.71 Yuan.

(6) R&D and industrialization of the high pressure variable pump of the common rail system of diesel engine for automobile: the Company received appropriated for the project in 2013 with 8.05 million Yuan in line with documents of Xi Ke Ji [2013] No.186, Xi Ke Ji [2013] No.208, Xi Cai Gong Mao [2013] No.104, Xi Cai Gong Mao [2013] No.138, Xi Ke Ji [2014] No.125, Xi Cai Gong Mao [2014] No.58, Xi Ke Ji [2014] No. 246 and Xi Cai Gong Mao [2014] No.162. Received RMB 3 million in 2014 and RMB 0.45 million in 2015; and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 1,543,095.28 Yuan amortize in the year.

(7) Vehicle exhaust after-treatment technology research institute project: in 2012, the subsidiary Weifu Leader has applied for equipment purchase assisting funds to Wuxi Huishan Science and Technology Bureau and Wuxi Science and Technology Bureau for the vehicle exhaust after-treatment technology research institute project. This declaration has been approved by Wuxi Huishan

Science and Technology Bureau and Wuxi Science and Technology Bureau in 2012, and the company has received appropriation of 2.4 million Yuan in 2012, and received appropriation of 1.6 million Yuan in 2013. This appropriation belongs to government subsidies related to assets and will be amortized according to the depreciation process, amount of 643,654.13 Yuan amortize in the year.

(8) Industry upgrading funds (2014): In accordance with the document Xi Xin Guan Jing Fa [2014] No.427 and Xi Xin Guan Cai Fa [2014] No.143, the Company received funds of 36.831 million Yuan appropriated for industry upgrading in 2014.

(9) New-built assets compensation after the removal of parent company: policy relocation compensation received by the Company, and will be amortized according to the depreciation of new-built assets, amount of 23,375,627.26 Yuan amortize in the year.

(10) Fund of industry upgrade (2016): In accordance with the document Xi Xin Guan Jing Fa [2016] No.585 and Xi Xin Fa [2016] No.70, the Company received funds of 40 million Yuan appropriated for industry upgrading in 2016.

(11) Guiding capital for the technical reform from State Hi-Tech Technical Commission: In accordance with the document Xi Jing Xin ZH [2016] No.9 and Xi Cai GM [2016] No.56, the Company received a 9.74 million Yuan for the guiding capital of technical reform (1st batch) from Wuxi for year of 2016, which included in the government subsidy with assets-concerned, and will amortized according to the depreciation process after acceptance

(12) Implementation of the variable cross-section turbocharger for diesel engine: In accordance with the document YCZ Fa[2016] NO.623 and “Strong Industrial Base Project Contract for year of 2016”, subsidiary Weifu Tianli received a specific subsidy of 16.97 million Yuan (760,000 Yuan received in the period), the fund supporting strong industrial base project (made-in-China 2025) of central industrial transformation and upgrading 2016 from Ministry of Industry and Information Technology; and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 2,289,510.51 Yuan amortize in the year.

(13) Demonstration project for intelligent manufacturing: under the Notice Relating to Selection of the Intelligent Manufacturing Model Project in Huishan District in 2016 (HJXF[2016]No.36), a fiscal subsidy of 3,000,000 Yuan was granted by relevant government authority in Huishan district to our subsidiary Weifu Leader in 2017 to be utilized for transformation and upgrade of Weifu Leader’s intelligent manufacturing facilities. This subsidy belongs to government grant related to assets which shall be amortized based on the depreciation progress of the assets. Amortization for the year amounts to 358,776.54 Yuan.

### 30. Share capital

In RMB

	Opening balance	Change during the year(+,-)					Ending balance
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Total shares	1,008,950,570.00						1,008,950,570.00

### 31. Capital reserve

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
Capital premium (Share capital premium)	3,372,647,413.97		1,818,607.75	3,370,828,806.22
Other Capital reserve	45,193,988.92			45,193,988.92
Total	3,417,841,402.89		1,818,607.75	3,416,022,795.14

Other explanation, including changes in the period and reasons for changes:

The share premium was reduced by 1,818,607.75 in the current period, which was the difference between the long-term equity investment newly acquired by the company through the purchase of minority shareholding of Weifu Tianli and the net assets share that Weifu Tianli continued to calculate from the date of purchase according to the new shareholding ratio.

### 32. Other comprehensive income

Item	Opening balance	Current period					Ending balance
		Account before income tax in the year	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
II. Other comprehensive income items which will be reclassified subsequently to profit or loss	87,169,455.0 1	-117,053,06 4.00	8,804,463.00	-18,878,629 .04	-106,978,89 7.96		-19,809,4 42.95
Gains or losses arising from changes in fair value of available-for-sale financial assets	87,169,455.0 1	-117,053,06 4.00	8,804,463.00	-18,878,629 .04	-106,978,89 7.96		-19,809,4 42.95
Total other comprehensive income	87,169,455.0 1	-117,053,06 4.00	8,804,463.00	-18,878,629 .04	-106,978,89 7.96		-19,809,4 42.95

Other explanation, including the adjustment on initial recognition for arbitrage items that transfer from the effective part of cash flow hedge profit/loss Nil

### 33. Reasonable reserve

Item	Opening balance	Current increased		Current decreased	Ending balance
		Current increased	Current decreased		
Safety production costs	2,606.93	20,140,422.85		18,524,539.28	1,618,490.50
Total	2,606.93	20,140,422.85		18,524,539.28	1,618,490.50

Other explanation, including changes and reasons for changes:

(1)Instructions for the withdrawing of special reserves (safe production cost): According to the CQ [2012] No. 16 - Administrative Measures on the Withdrawing and Use of Enterprise Safety Production Expenses jointly issued by the Ministry of Finance and the State Administration of Work Safety, in the current period, the Company adopted excess retreat method for quarterly withdrawal by taking the actual operating income of the previous period as the withdrawing basis.

(2)Among the above safety production costs, including the safety production costs accrual by the Company in line with regulations and the parts enjoy by shareholders of the Company in safety production costs accrual by subsidiary in line with regulations.

(3)Other 7,024.21 Yuan, the difference between the special reserves obtained by the company from the purchase of minority shareholding of Weifu Tianli and the special reserves to be calculated according to the new shareholding ratio.

### 34. Surplus reserve

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
Statutory surplus reserves	510,100,496.00			510,100,496.00
Total	510,100,496.00			510,100,496.00

Other explanation, including changes and reasons for changes:

Withdrawal of the statutory surplus reserves: Pursuit to the Company Law and Article of Association, the Company extracted statutory surplus reserve on 10 percent of the net profit. No more amounts shall be withdrawal if the accumulated statutory surplus reserve takes over 50 percent of the registered capital.

### 35. Retained profit

In RMB/CNY

Item	Current period	Last period
Retained profits at the end of last year before adjustment	9,811,609,138.92	7,845,639,990.88
Retained profits at the beginning of the year after adjustment	9,811,609,138.92	7,845,639,990.88
Add: The net profits belong to owners of patent company of this period	2,396,077,415.21	2,571,339,490.04
Common dividend payable	1,210,740,684.00	605,370,342.00
Retained profit at period-end	10,996,945,870.13	9,811,609,138.92

Details about adjusting the retained profits at the beginning of the period:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan

### 36. Operating income and cost

In RMB/CNY

Item	Current period		Last Period	
	Income	Cost	Income	Cost
Main operating	8,262,954,878.87	6,334,140,163.43	8,535,599,504.73	6,420,982,285.26
Other business	458,719,792.31	357,716,676.54	481,680,655.07	340,747,113.10
Total	8,721,674,671.18	6,691,856,839.97	9,017,280,159.80	6,761,729,398.36

### 37. Operating tax and extras

In RMB/CNY

Item	Current period	Last Period
City maintaining & construction tax	23,365,378.57	27,342,047.81
Educational surtax	16,600,470.65	19,529,544.78
Property tax	15,673,296.50	16,168,030.42
Land use tax	6,488,307.08	6,297,452.61
Vehicle use tax	37,664.70	38,597.80
Stamp duty	3,054,969.25	3,033,552.04
Other taxes	168,243.17	3,915.02
Total	65,388,329.92	72,413,140.48

### 38. Sales expenses

In RMB/CNY

Item	Current period	Last Period
Salary and fringe benefit	49,030,453.69	34,445,822.91
Consumption of office materials and business travel charge	13,500,456.63	11,190,696.17
Transportation charge	36,096,699.36	38,950,920.39
Warehouse charge	13,503,116.85	12,028,839.44
Three-guarantee fee	93,151,070.22	75,299,163.49
Business entertainment fee	18,934,440.36	14,336,526.65
Other	13,623,235.17	8,602,811.32
Total	237,839,472.28	194,854,780.37

### 39. Administration expenses

In RMB/CNY

Item	Current period	Last Period
Salary and fringe benefit	242,611,825.10	258,766,943.35
Depreciation charger and long-term assets amortization	53,544,172.92	45,736,858.43
Consumption of office materials and business travel charge	19,301,684.66	21,626,135.74
Incentive fund	128,559,600.00	83,610,000.00
Other	140,988,103.07	129,753,615.34
Total	585,005,385.75	539,493,552.86

**40. R&D expenses**

In RMB/CNY

Item	Current period	Last Period
Technological development expenses	403,263,972.20	391,315,234.75
Total	403,263,972.20	391,315,234.75

**41. Financial expenses**

In RMB/CNY

Item	Current period	Last Period
Interest expenses	17,562,164.63	10,044,328.07
Note discount interest expenses	413,348.40	1,196,392.60
Less: Saving interest income	34,156,380.22	18,726,974.19
Gains/losses from exchange	-4,437,834.09	11,345,354.36
Handling charges	3,225,120.73	3,457,895.95
Total	-17,393,580.55	7,316,996.79

Other explanation:

The interest expenses for year of 2018 including the 406,834.00 Yuan received of regards for the provincial engineering center

**42. Losses of devaluation of asset**

In RMB/CNY

Item	Current period	Last Period
I. Bad debt loss	27,180,572.84	2,009,413.99
II. Inventory falling price loss	77,193,338.52	97,326,180.89
III. Impairment loss of financial assets available for sale	145,994,927.09	
VII. Impairment loss of fixed assets	504,907.39	19,884,135.49
Total	250,873,745.84	119,219,730.37

**43. Other income**

In RMB/CNY

Sources of income generated	Current period	Last Period
Government grants with routine operation activity concerned	48,404,480.99	40,394,724.11
Other		
Total	48,404,480.99	40,394,724.11

#### 44. Investment income

In RMB/CNY

Item	Current period	Last Period
Income of long-term equity investment calculated based on equity	1,623,761,059.52	1,604,027,207.30
Investment income from holding financial assets available for sales	3,274,260.41	3,291,000.00
Investment income obtained from disposal of financial assets available for sales	17,370,816.75	24,625,516.88
Entrust financial income	311,261,918.65	221,705,034.02
Gains/losses of subsidiary liquidation		-10,473.00
Total	1,955,668,055.33	1,853,638,285.20

#### 45. Income from change of fair value

In RMB/CNY

Sources	Current period	Last Period
Financial assets measured by fair value and with its variation reckoned into current gains/losses	-490,329.13	
Including: Income from change of fair value from derivative financial instrument	-490,329.13	
Total	-490,329.13	

#### 46. Income from assets disposal

In RMB/CNY

Sources	Current period	Last Period
Income from disposal of non-current assets	103,712,793.61	1,156,664.72
Losses from disposal of non-current assets	-1,239,798.14	-1,905,592.35
Total	102,472,995.47	-748,927.63

Gains from non-current assets disposal was mainly the compensation of expropriation of housing and land of Weifu Jinning. The detail see Note of VII. 4.(3).4)"Nature of other receivables"

#### 47. Non-operating income

In RMB/CNY

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Government grants		6,631,568.54	
Other	1,264,830.90	5,336,599.33	1,264,830.90

Total	1,264,830.90	11,968,167.87	1,264,830.90
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Government grants reckoned into current gains/losses:

In RMB/CNY

Item	Granting subject	Cause of distribution	Nature type	Whether the impact of subsidies on the current profit and loss	Whether special subsidies	Current period	Last period	Assets related/Income related
Stabilization subsidy							3,202,219.54	Income related
Patent funding							451,800.00	Income related
Support funds							1,100,000.00	Income related
Reward for acceptance of new third board							500,000.00	Income related
Innovation ability reward							500,000.00	Income related
The reward of top thirty industrial enterprise, Star enterprise in service industry and demonstration award for enterprise innovation and development for the year of 2016 in Jiangbei District from People's Government of Jiangbei District, Ningbo City							400,000.00	Income related
Other							477,549.00	
Total							6,631,568.54	

#### 48. Non-operating expense

In RMB/CNY

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Donations	1,313,246.00		1,313,246.00
Non-current assets disposal losses	6,310,772.90	2,473,919.63	6,310,772.90
Including: fixed assets disposal losses	6,310,772.90	2,473,919.63	6,310,772.90
Local fund	1,804,429.63	2,442,882.51	
Other	548,711.02	856,791.48	548,711.02
Total	9,977,159.55	5,773,593.62	8,172,729.92

## 49. Income tax expense

### (1) Income tax expense

In RMB/CNY

Item	Current period	Last Period
Payable tax in current period	165,302,326.13	176,981,021.79
Adjusted the previous income tax	-1,108,883.52	-853,023.84
Increase/decrease of deferred income tax assets	-32,958,287.45	7,189,092.22
Increase/decrease of deferred income tax liability	4,653,521.15	-111,033.00
Total	135,888,676.31	183,206,057.17

### (2) Adjustment on accounting profit and income tax expenses

In RMB/CNY

Item	Current period
Total profit	2,602,183,379.78
Income tax measured by statutory/applicable tax rate	390,327,506.97
Impact by different tax rate applied by subsidies	1,919,809.73
Adjusted the previous income tax	-1,108,883.52
Impact by non-taxable revenue	-243,985,949.07
Impact on cost, expenses and losses that unable to deducted	3,901,402.22
Impact by the deductible losses of the un-recognized previous deferred income tax	-12,744,805.79
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	17,703,986.16
Impact on additional deduction	-21,253,446.60
Other	1,129,056.21
Income tax expense	135,888,676.31

## 50. Other comprehensive income

See Note VII. 32 “Other comprehensive income”

## 51. Items of cash flow statement

### (1) Other cash received in relation to operation activities

In RMB/CNY

Item	Current period	Last Period
Cash in bank Interest income	34,156,380.22	18,726,974.19
Government grants	23,299,447.35	15,752,016.54
Margin on operation bill	53,427,527.69	25,598,576.55
Other	7,294,400.13	5,901,111.62
Total	118,177,755.39	65,978,678.90

## (2)Other cash paid in relation to operation activities

Item	Current period	Last Period
Cash cost	530,988,250.24	505,309,877.27
Other	28,148,968.46	42,308,458.75
Total	559,137,218.70	547,618,336.02

## (3)Cash received from other investment activities

Item	Current period	Last Period
Letter of credit for import equipment margin		79,984.34
Government grants received relevant to assets		4,480,000.00
Total		4,559,984.34

## (4)Cash paid related with investment activities

Item	Current period	Last Period
Margin paid by L/C for purchase of equipment	1,090,775.32	
Total	1,090,775.32	

## (5) Other cash received in relation to financing activities

Item	Current period	Last Period
The borrowings/loans received by Weifu Leader from Wuxi Industry Group	5,470,000.00	
Total	5,470,000.00	

**(6) Cash paid related with financing activities**

In RMB/CNY

Item	Current period	Last Period
Liquidation charges		1,049,711.28
National debt paid transfer to loans	339,091.00	339,091.00
Account paid for purchasing minority equity of Weifu Tianli	15,570,000.00	
Total	15,909,091.00	1,388,802.28

**52. Supplementary information to statement of cash flow****(1) Supplementary information to statement of cash flow**

In RMB/CNY

Supplementary information	Current period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	2,466,294,703.47	2,647,209,924.58
Add: Assets impairment provision	250,873,745.84	119,219,730.37
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	285,471,054.32	266,894,355.57
Amortization of intangible assets	17,249,463.37	18,616,311.55
Amortization of long-term deferred expenses	1,567,262.43	1,049,187.11
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	-102,472,995.47	748,927.63
Losses on scrapping of fixed assets (gain is listed with “-”)	6,310,772.90	2,473,919.63
Gain/loss of fair value changes (gain is listed with “-”)	490,329.13	
Financial expenses (gain is listed with “-”)	14,840,492.09	19,423,542.44
Investment loss (gain is listed with “-”)	-1,956,287,284.27	-1,849,764,125.27
Decrease of deferred income tax asset( (increase is listed with “-”)	-32,958,287.45	7,189,092.22
Increase of deferred income tax liability (decrease is listed with “-”)	4,653,521.15	-111,033.00
Decrease of inventory (increase is listed with “-”)	-35,700,126.59	-223,562,160.19
Decrease of operating receivable accounts (increase is listed with “-”)	381,642,704.00	-899,544,673.74
Increase of operating payable accounts (decrease is listed with “-”)	-429,597,489.90	848,035,110.26
Other	2,003,661.61	-180,208.09
Net cash flows arising from operating activities	874,381,526.63	957,697,901.07
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--

Balance of cash at period end	2,404,674,139.49	2,948,439,354.22
Less: Balance of cash equivalent at year-begin	2,948,439,354.22	3,795,223,678.11
Net increase of cash and cash equivalents	-543,765,214.73	-846,784,323.89

#### (2) Net cash payment for the acquisition of a subsidiary in the period

Nil

#### (3) Net cash received from the disposal of subsidiaries

Nil

#### (4) Constitution of cash and cash equivalent

In RMB/CNY

Item	Ending balance	Opening balance
I. Cash	2,404,674,139.49	2,948,439,354.22
Including: Cash on hand	194,161.03	736,773.22
Bank deposit available for payment at any time	2,404,479,978.46	2,947,702,581.00
II. Balance of cash and cash equivalents at the period-end	2,404,674,139.49	2,948,439,354.22

#### 53. Note of the changes of owners' equity

Explain the items and amount at period-end adjusted for "Other" at end of the last year: Nil

#### 54. Assets with ownership or use right restricted

In RMB/CNY

Item	Ending Book value	Restriction reason
Monetary funds	1,450,000.00	Cash deposit paid for LC
Notes receivable	423,527,758.19	Notes pledge for bank acceptance
Monetary funds	79,315,732.67	Cash deposit paid for bank acceptance
Monetary funds	881,868.57	Court freeze
Available-for-sale financial assets	112,850,891.16	In accordance with the civil ruling No.(2016)Y03MC2490 and No.(2016) Y03MC2492 of Guangdong Shenzhen Intermediate People's Court (Hereinafter referred to as Shenzhen Intermediate People's Court), the property with the value of 217 million Yuan under the name of the Company and other seven respondents and the third party Shenzhen Hejun Chuangye Holdings Co., Ltd. (Hereinafter referred to as Hejun Company) was frozen. As of the end of the reporting period, 4.71 million shares of Miracle Logistics and 11,739,102 shares of SDEC held by the Company were frozen.
Total	618,026,250.59	--

## 55. Item of foreign currency

### (1) Item of foreign currency

In RMB/CNY

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary funds	--	--	
Including: USD	31,373,244.14	6.8632	215,320,849.17
EUR	2,499,310.16	7.8473	19,612,836.63
HKD	16,024,984.73	0.8762	14,041,091.62
JPY	8,364,309.47	0.061887	517,642.02
Account receivable	--	--	
Including: USD	4,195,415.85	6.8632	28,793,978.06
EUR	1,040,354.52	7.8473	8,163,974.02
JPY	3,314,442.00	0.061887	205,120.87
Short-term borrowings			
Including: EUR	3,558,958.36	7.8473	27,928,213.94
Account payable			
Including: USD	411,335.19	6.8632	2,823,075.67
EUR	1,615,586.95	7.8473	12,677,995.47
CHF	105,642.70	6.9494	734,153.38
JPY	31,475,376.00	0.061887	1,947,916.59

(2)Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons

Applicable \ Not applicable

## 56. Government grants

### (1)Government grants

In RMB/CNY

Category	Amount	Item	Amount reckoned in current gain/loss
Industrialization project for injection VE pump system with electronically controlled high	721,000.30	Industrialization project for injection VE pump system with electronically	721,000.30

pressure for less-emission diesel used		controlled high pressure for less-emission diesel used	
Key laboratory (engineering center) of the pollution control from motor vehicle exhausting in Jiangsu province	170,000.00	Key laboratory (engineering center) of the pollution control from motor vehicle exhausting in Jiangsu province	170,000.00
Grants for key laboratory in Wuxi City	70,000.00	Grants for key laboratory in Wuxi City	70,000.00
Supporting funds for technical improvement for annual output as 140,000 pieces of packaging line of catalytic reduction system for commercial vehicles (2014)	259,000.00	Supporting funds for technical improvement for annual output as 140,000 pieces of packaging line of catalytic reduction system for commercial vehicles (2014)	259,000.00
Technical transformation for annual output as 300,000 sets of four-cylinder engine supercharger	225,749.56	Technical transformation for annual output as 300,000 sets of four-cylinder engine	225,749.56
Annual output of 150000 gasoline engine superchargers	100,000.00	Annual output of 150000 gasoline engine superchargers	100,000.00
Depreciation/amortization compensation for the assets newly established after parent company relocated	23,375,627.26	Depreciation/amortization compensation for the assets newly established after parent company relocated	23,375,627.26
Central capital investment allocation from Wuxi Finance Bureau (R&D center)	714,285.71	Central capital investment allocation from Wuxi Finance Bureau (R&D center)	714,285.71
Provincial special guiding funds for scientific and technological innovation and achievement conversion	328,571.43	Provincial special guiding funds for scientific and technological innovation and achievement conversion	328,571.43
Technical reform of catalytic reduction system for 180,000 commercial vehicles annually	233,555.56	Technical reform of catalytic reduction system for 180,000 commercial vehicles annually	233,555.56
Development and industrialization of high pressure variable pump for common rail system of vehicle diesel engine	1,543,095.28	Development and industrialization of high pressure variable pump for common rail system of vehicle diesel engine	1,543,095.28
Business development funds support allocation from Finance bureau of the new district	200,000.00	Business development funds support allocation from Finance bureau of the new district	200,000.00
Funds for intelligent promotion of intelligent integration of two modernization		Funds for intelligent promotion of intelligent integration of two modernization	
Demonstration of intelligent manufacturing	358,776.54	Demonstration of intelligent manufacturing	358,776.54
Research institute of motor vehicle exhaust post-treatment	643,654.13	Research institute of motor vehicle exhaust post-treatment	643,654.13
Implementation scheme of the variable section	2,289,510.51	Implementation scheme of the variable	2,289,510.51

turbocharger for diesel engine		section turbocharger for diesel engine	
Special funds for technical transformation	97,010.66	Special funds for technical transformation	97,010.66
Generation subsidy for distributed PV projects	923,100.00	Generation subsidy for distributed PV projects	923,100.00
Funds allocation for science & technology development plan	1,302,000.00	Funds allocation for science & technology development plan	1,302,000.00
Supporting funds for new products and new projects of the intelligent manufacturing industrial park	2,250,000.00	Supporting funds for new products and new projects of the intelligent manufacturing industrial park	2,250,000.00
Funds for technical reform of boiler wheel supercharger for annual output of 200,000 gasoline engines	1,193,286.26	Funds for technical reform of boiler wheel supercharger for annual output of 200,000 gasoline engines	1,193,286.26
Other	11,406,257.79	Other	11,406,257.79
Total	48,404,480.99	Total	48,404,480.99

## **(2)Government grants rebate**

Nil

## **57. Other**

Nil

## **VIII. Changes of consolidation scope**

### **1. Enterprise combine not under the same control**

Nil

### **2. Enterprise combine under the same control**

Nil

### **3. Reverse purchase**

Nil

### **4. Disposal of subsidiaries**

Nil

## 5. Other reasons for consolidation range changed

Explain the reasons on consolidate scope changes (i.e. subsidiary newly established, subsidiary liquidation etc.) and relevant information:

Change of consolidation scope	Name	Way for obtained the equity	Time for obtained the equity	Ratio of contribution
Increase of the consolidation scope	Nanchang Weifu Leader Auto Parts & Components Co., Ltd.	Newly established	2018-3-8	100.00%

## IX. Equity in other entity

### 1. Equity in subsidiary

#### (1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Weifu Jinning	Nanjing	Nanjing	Spare parts of internal-combustion engine	80.00%		Enterprise combine under the same control
Weifu Leader	Wuxi	Wuxi	Automobile exhaust purifier, muffler	94.81%		Enterprise combine under the same control
Weifu Mashan	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
Weifu Chang'an	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
Weifu International Trade	Wuxi	Wuxi	Trading	100.00%		Enterprise combine under the same control
Weifu ITM	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Enterprise combine not under the same control
Weifu Schmidt	Wuxi	Wuxi	Spare parts of internal-combustion engine	66.00%		Investment
Weifu Tianli	Ningbo	Ningbo	Spare parts of internal-combustion engine	54.23%		Enterprise combine not under the same control
Weifu Autocam	Wuxi	Wuxi	Spare parts of internal-combustion engine	51.00%		Enterprise combine not under the same control
Weifu Leader (Wuhan)	Wuhan	Wuhan	Automobile exhaust purifier, muffler		60.00%	Investment
Weifu Leader (Chongqing)	Chongqing	Chongqing	Automobile exhaust purifier, muffler		100.00%	Investment
Weifu Leader (Nanchang)	Nanchang	Nanchang	Automobile exhaust purifier, muffler		100.00%	Investment

Explanation on share-holding ratio in subsidiary different from ratio of voting right: Nil

Basis of the invested unit control by the Company though holds half or below voting rights; and the invested unit without controls by the Company but with over half voting rights hold:

Explanation on equity method for calculation of the investment for Weifu Electronic Drive

The company holds 80.00% equity of Weifu Electronic Drive; the Board of Directors of Weifu Electronic Drive Board consists of 5 directors, 3 of whom are appointed by the company; Weifu Electronic Drive's important board resolutions can only pass the resolution when being unanimously voted by all the present directors. According to this judgment, the company cannot control Weifu Electronic Drive, and its investment should be used as an investment in the joint venture, which adopts equity method for business accounting.

Major structured entity included in consolidate statement: Nil

Basis of termination of agent or consignor: Nil

## (2)Important non-wholly-owned subsidiary

In RMB/CNY

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Weifu Jinning	20.00%	41,594,834.20	15,604,600.00	194,243,753.02
Weifu Schmidt	34.00%	-114,183.58		9,481,779.44
Weifu Leader	5.19%	3,443,152.24		84,803,572.03
Weifu Tianli	45.77%	9,419,706.13		105,986,824.42
Weifu Autocam	49.00%	15,873,779.27	19,600,000.00	143,626,339.62
Total		70,217,288.26	35,204,600.00	538,142,268.53

Explanation on holding ratio different from the voting right ratio for minority shareholders: Nil

## (3)Main finance of the important non-wholly-owned subsidiary

In RMB/CNY

Subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Weifu Jinning	994,953,012.95	342,560,339.76	1,337,513,352.71	313,381,459.40	50,522,767.70	363,904,227.10
Weifu Schmidt	92,342,474.64	48,855,179.90	141,197,654.54	112,913,283.31		112,913,283.31
Weifu Leader	1,958,116,370.10	1,038,234,646.34	2,996,351,016.44	1,343,115,779.10	23,850,612.52	1,366,966,391.62
Weifu Tianli	357,404,441.32	233,476,608.83	590,881,050.15	310,421,704.26	47,838,928.45	358,260,632.71
Weifu Autocam	242,022,679.84	310,989,080.94	553,011,760.78	262,647,739.06		262,647,739.06
Total	3,644,838,978.85	1,974,115,855.77	5,618,954,834.62	2,342,479,965.13	122,212,308.67	2,464,692,273.80

Subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Weifu Jinning	804,641,137.00	337,158,270.17	1,141,799,407.17	245,091,101.59	54,199,342.64	299,290,444.23
Weifu Schmidt	88,975,034.68	33,405,432.30	122,380,466.98	93,741,159.45		93,741,159.45
Weifu Leader	2,392,378,693.81	978,224,529.85	3,370,603,223.66	1,793,072,212.90	23,503,280.34	1,816,575,493.24
Weifu Tianli	290,628,819.00	243,156,899.42	533,785,718.42	259,270,617.16	63,076,581.29	322,347,198.45
Weifu Autocam	250,884,987.49	216,134,430.81	467,019,418.30	169,012,066.26		169,012,066.26
Total	3,827,508,671.98	1,808,079,562.55	5,635,588,234.53	2,560,187,157.36	140,779,204.27	2,700,966,361.63

In RMB/CNY

Subsidiary	Current period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	613,545,903.22	208,505,596.11	208,505,596.11	39,369,830.31
Weifu Schmidt	178,431,433.45	-354,936.30	-354,936.30	18,242,932.77
Weifu Leader	2,800,874,733.81	74,556,894.40	74,556,894.40	-6,864,502.47
Weifu Tianli	378,601,103.90	20,603,781.23	20,603,781.23	21,145,599.68
Weifu Autocam	466,437,403.21	32,356,669.68	32,356,669.68	57,006,160.96
Total	4,437,890,577.59	335,668,005.12	335,668,005.12	128,900,021.25

Subsidiary	Last Period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	639,266,713.42	123,846,080.79	123,846,080.79	-14,327,763.61
Weifu Schmidt	132,237,721.83	375,719.98	375,719.98	-1,277,329.17
Weifu Leader	2,545,737,100.66	102,430,580.66	102,430,580.66	138,916,907.91
Weifu Tianli	331,060,782.23	8,621,636.11	8,621,636.11	13,915,991.57
Weifu Autocam	518,304,786.01	85,063,618.51	85,063,618.51	70,463,396.99
Total	4,166,607,104.15	320,337,636.05	320,337,636.05	207,691,203.69

#### (4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group

Nil

**(5)Financial or other supporting offers to the structured entity included in consolidated financial statement range**

Nil

**2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights**

**(1)Owners equity shares changed in subsidiary**

In May 2018, part of the equity held by minority of Weifu Tianli are purchased by the Company with 15.57 million Yuan in cash; after that, owners' equity of the Weifu Tianli held by the Company up to 54.2295% instead of 47.9436%

**(2)Impact on minority's interest and owners' equity attributable to parent company**

In RMB/CNY

	Weifu Tianli
Cost of acquisition/disposal consideration	15,570,000.00
--Cash	15,570,000.00
Less: Net assets share of the subsidiary calculated according to the equity ratio obtained/disposed	13,751,392.25
Balance	1,818,607.75
Including:Capital reserve adjustment	1,818,607.75

**3. Equity in joint venture and associated enterprise**

**(1) Important joint venture and associated enterprise**

Joint venture or associated enterprise	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and associated enterprise
				Directly	Indirectly	
I. Joint venture						
Wuxi Weifu Environment Catalyst Co., Ltd.	Wuxi	Wuxi	Catalyst		49.00%	Equity method
Wuxi Weifu Electric Drive Tech. Co., Ltd.	Wuxi	Wuxi	Wheel-hub motor	80.00%		Equity method
II. Associated enterprise						
Bosch Automobile Diesel System Co., Ltd.	Wuxi	Wuxi	Internal-combustion engine accessories	32.50%	1.50%	Equity method
Zhonglian Automobile Electronic Co., Ltd.	Shanghai	Shanghai	Internal-combus	20.00%		Equity method

			tion engine accessories			
Weifu Precision Machinery Manufacturing Co., Ltd.	Wuxi	Wuxi	Internal-combustion engine accessories	20.00%		Equity method
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	Wuxi	Wuxi	Automobile components		45.00%	Equity method

Holding shares ratio different from the voting right ratio:

①Explanation on equity method for calculation of the investment for Weifu Electronic Drive

The company holds 80.00% equity of Weifu Electronic Drive; the Board of Directors of Weifu Electronic Drive Board consists of 5 directors, 3 of whom are appointed by the company; Weifu Electronic Drive's important board resolutions can only pass the resolution when being unanimously voted by all the present directors. According to this judgment, the company cannot control Weifu Electronic Drive, and its investment should be used as an investment in the joint venture, which adopts equity method for business accounting.

②Explanation on equity method for calculation of the investment for Shinwell Automobile Tech. (Wuxi) Co., Ltd.

The subsidiary Weifu International Trade holds a 45.00% stake in Shinwell Automobile Tech. (Wuxi); the Board of Directors of Shinwell Automobile Tech. (Wuxi) consists of 5 directors, 2 of whom are appointed by Weifu International Trade.

Has major influence with less 20% voting rights hold, or has minor influence with over 20% (20% included) voting rights hold:Nil

## (2)Main financial information of the important joint venture

In RMB/CNY

	Ending balance/Current period	Opening balance/Last Period
	Weifu Environment	Weifu Environment
Current assets	2,524,886,121.93	3,011,258,785.42
Including: cash and cash equivalents	62,820,292.38	120,584,888.35
Non -current assets	312,633,597.82	284,089,421.89
Total assets	2,837,519,719.75	3,295,348,207.31
Current liabilities	1,658,404,950.50	2,211,790,474.13
Non-current liabilities	24,735,000.00	16,450,000.00
Total liabilities	1,683,139,950.50	2,228,240,474.13
Shareholders' equity attributable to parent company	1,154,379,769.25	1,067,107,733.18
Share of net assets calculated by shareholding ratio	565,646,086.93	522,882,789.26
Book value of equity investment in joint ventures	565,646,086.93	522,882,789.26
Operation income	3,353,480,152.95	2,949,564,841.97
Financial expenses	106,283,984.35	77,268,038.98
Income tax expense	-9,245,702.92	13,745,114.70
Net profit	91,456,868.91	162,415,440.00
Total comprehensive income	91,456,868.91	162,415,440.00

**(3)Main financial information of the important associated enterprise**

In RMB/CNY

	Ending balance/Current period			Opening balance/Last Period		
	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery
Current assets	10,042,409,061.04	153,125,575.56	281,266,308.21	8,194,014,833.80	688,116,022.56	238,511,756.68
Non-current assets	2,756,104,679.18	5,277,976,705.66	133,470,007.84	2,696,164,046.92	4,668,848,226.74	123,616,959.50
Total assets	12,798,513,740.22	5,431,102,281.22	414,736,316.05	10,890,178,880.72	5,356,964,249.30	362,128,716.18
Current liabilities	4,100,048,133.30	2,999,283.95	135,365,421.92	3,949,654,684.13	566,609,302.26	112,597,321.52
Non-current liabilities		2,759,548.45			2,210,310.00	
Total liabilities	4,100,048,133.30	5,758,832.40	135,365,421.92	3,949,654,684.13	568,819,612.26	112,597,321.52
Attributable to parent company shareholders' equity	8,698,465,606.92	5,425,343,448.82	279,370,894.13	6,940,524,196.59	4,788,144,637.04	249,531,394.66
Share of net assets calculated by shareholding ratio	2,957,478,306.35	1,085,068,689.76	55,874,178.83	2,359,778,226.84	957,628,927.40	49,906,278.93
--Goodwill	267,788,761.35	1,407,265.96		267,788,761.35	1,407,265.96	
--Unrealized profit of internal trading	-18,144,174.02		-34,986.88	-18,770,053.91		-28,335.94
--Other	-0.28		-529,034.05	-0.28		-529,034.03
Book value of equity investment in associated enterprise	3,207,122,893.40	1,086,475,955.72	55,310,157.90	2,608,796,934.00	959,036,193.36	49,348,908.96
Operation income	15,539,892,004.67	23,186,214.38	310,813,025.45	15,389,748,441.44	21,430,344.10	235,059,618.08
Net profit	3,545,497,532.33	1,834,198,811.78	47,839,499.47	3,421,160,042.39	1,777,156,110.72	32,599,240.87
Total comprehensive income	3,545,497,532.33	1,834,198,811.78	47,839,499.47	3,421,160,042.39	1,777,156,110.72	32,599,240.87

Dividends received from associated enterprise in the year	607,769,081.48	239,400,000.00	3,600,000.00	666,460,456.42	207,800,000.00	3,600,000.00
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Other explanation

① adjustment item for other “-0.28”: the differential tail;

②The dividend of 3.6 million Yuan distributed from Weifu Precision Machinery are collected by bank acceptance in the year; the note still in balance of note receivable on 31st December 2018

#### **(4)Financial summary for non-important Joint venture and associated enterprise**

In RMB/CNY

	Ending balance/Current period	Opening balance/Last Period
Joint venture:	--	--
Total book value of investment	54,742,375.02	
Amount based on share-holding ratio	--	--
--Net profit	-438,424.98	
--Total comprehensive income	-438,424.98	
Associated enterprise:	--	--
Total book value of investment	7,476,477.77	
Amount based on share-holding ratio	--	--
--Net profit	-1,523,522.23	
--Total comprehensive income	-1,523,522.23	

#### **(5)Major limitation on capital transfer ability to the Company from joint venture or associated enterprise**

Nil

#### **(6) Excess loss occurred in joint venture or associated enterprise**

Nil

#### **(7)Unconfirmed commitment with joint venture investment concerned**

Nil

#### **(8)Intangible liability with joint venture or associated enterprise investment concerned**

Nil

#### 4. Major conduct joint operation

Nil

#### 5. Structured body excluding in consolidate financial statement

Nil

### X. Risk related with financial instrument

Main financial instrument of the Company including equity investment, loans, account receivable, account payable etc., more details of the financial instrument can be found in relevant items of Note V. Risks concerned with the above mentioned financial instrument, and the risk management policy takes for lower the risks are as follow:

Aims of engaging in the risk management is to achieve equilibrium between the risk and benefit, lower the adverse impact on performance of the Company to minimum standards, and maximized the benefit for shareholders and other investors. Base on the risk management targets, the basic tactics of the risk management is to recognized and analyzed the vary risks that the Company counted, established an appropriate risk exposure baseline and caring risk management, supervise the vary risks timely and reliably in order to control the risk in a limited range.

In business process, the risks with financial instrument concerned happen in front of the Company mainly including credit exposure, market risk and liquidity risk. BOD of the Company takes full charge of the risk management target and policy-making, and takes ultimate responsibility for the target of risk management and policy. Risk management department and financial control department manager and monitor those risk exposure to ensuring the risks are control in a limited range.

#### 1. Credit Risk

Credit risk refers to the one party fails to perform the obligation of the financial instruments, form the other party company mainly face credit risk for financial loss caused by the customer credit risks. In order to prevent the risks, the Company formulated an evaluation system for the new client's credit and system to analyze the book credit for regular customer. The evaluation system for the new client's credit aims at the new clients, the Company will conduct an background investigation based on the established process, with purpose of determine whether offer credit limit to the client and the amount of the credit and credit terms or not. Whereby, the Company setting a credit limits and credit period for every new client, and such limit is the maximum amount without additional approval. The system to analyze the book credit for regular customer refers to after purchase order received by regular customer, the Company will examine the order amount and outstanding balance, if the total over the credit limit, on the premise of additional approval, sales on account shall be realized, or prepayments for relevant amount shall be required.

Furthermore, as for the sales on account occurred, the Company will guarantee the total credit risks in a controlling range by analyzed and review the monthly report of the risk attention for account receivables.

The maximum credit risk exposure of the Company is the book amount of such financial assets, till end of 31st December 2018; lists of the maximum credit risk exposure of the Company are as:

Item	Amount of merge	Amount of parent company
Account receivable	1,919,793,266.91	742,246,990.99
Other receivables-Other receivables	82,739,808.66	196,660,409.35

## 2. Market risk

Market risk of the financial instrument refers to the fair value of financial instrument or future cash flow due to fluctuations in the market price changes and produce, mainly includes the IRR, FX risk and other price risk.

### (1) Interest rate risk (IRR)

IRR refers to the fluctuate risks on Company's financial status and cash flow arising from rates changes in market. IRR of the Company mainly related with the bank loans. In order to lower the fluctuate of IRR, the Company, in line with the anticipative change orientation, choose floating rate or fixed rate, that is the rate in future period will goes up prospectively, than choose fixed rate; if the rate in future period will decline prospectively, than choose the floating rate. In order to minor the bad impact from difference between the expectation and real condition, loans for liquid funds of the Company are choose the short-term period, and agreed the terms of prepayment in particular.

### (2) Foreign exchange (FX) risk

FX risks refer to the losses arising from exchange rate movement. The FX risk sustain by the Company mainly related with the USD, EUR, SF, JPY and HKD, except for the USD, EUR, SF, JPY and HKD carried out for the equipment purchasing of parent company and Autocam, material purchasing from business section of Weifu Diesel System, technical service and trademark usage costs from business section of Weifu Diesel System and the import and export of Weifu International Trade, other main business of the Company are pricing and settle with RMB (Yuan). In consequence of the foreign financial assets and liabilities takes minor ratio in total assets, the Company has small FX risk of the financial instrument, considered by management of the Company.

End as 31st December 2018, except for the follow assets or liabilities listed with foreign currency, assets and liabilities of the Company are carried with RMB

#### ①Foreign currency assets of the Company till end of 31st December 2018

Cash on hand	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets(%)
Monetary funds				
Including: USD	31,373,244.14	6.8632	215,320,849.17	1.03
EUR	2,499,310.16	7.8473	19,612,836.63	0.09
JPY	8,364,309.47	0.061887	517,642.02	0.00
HKD	16,024,984.73	0.8762	14,041,091.62	0.07
Account receivable				
Including: USD	4,195,415.85	6.8632	28,793,978.06	0.14
EUR	1,040,354.52	7.8473	8,163,974.02	0.04
JPY	3,314,442.00	0.061887	205,120.87	0.00
Total ratio in assets				1.37

#### ②Foreign currency liability of the Company till end of 31st December 2018:

Cash on hand	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets(%)
Short-term borrowings				
Including: EUR	3,558,958.36	7.8473	27,928,213.94	0.63
Account payable				
Including: USD	411,335.19	6.8632	2,823,075.67	0.06
EUR	1,615,586.95	7.8473	12,677,995.47	0.29
CHF	105,642.70	6.9494	734,153.38	0.02
JPY	31,475,376.00	0.061887	1,947,916.59	0.04
Total ratio in liabilities				1.04

### ③Other pricing risk

Classification of the Company held is the equity investments in financial assets available for sale, and such investment can be measured by fair value on balance sheet date, thus, the Company owns a risk of stock market changes.

Furthermore, on the premise of deliberated and approved in 16<sup>th</sup> session of 8<sup>th</sup> BOD, the Company exercise entrust financing with the self-owned idle capital; therefore, the Company has the risks of collecting no principal due to entrust financial products default. Aims at such risk, the Company formulated a “Management Mechanism of Capital Financing”, and well-defined the authority approval, investment decision-making, calculation management and risk controls for the entrust financing in order to guarantee a security funds and prevent investment risk efficiently. In order to lower the adverse impact from unpredictable factors, the Company choose short-term and medium period for investment and investment product’s term is up to 3 years in principle; in variety of investment, the Company did not invested for the stocks, derivative products, security investment fund and the entrust financial products aims at security investment as well as other investment with securities concerned.

## 3. Liquidity risk

Liquidity risk refers to the capital shortage risk occurred during the clearing obligation implemented by the enterprise in way of cash paid or other financial assets. The Company aims at guarantee the Company has rich capital to pay the due debts, therefore, a financial control department is established for collectively controlling such risks. On the one hand, the financial control department monitoring the cash balance, the marketable securities which can be converted into cash at any time and the rolling forecast on cash flow in future 12 months, ensuring the Company, on condition of reasonable prediction, owes rich capital to paid the debts; on the other hand, building a favorable relationship with the banks, rationally design the line of credit, credit products and credit terms, guarantee a sufficient limit for bank credits in order to satisfy vary short-term financing requirements.

## XI. Disclosure of fair value

### 1. Ending fair value of the assets and liabilities measured by fair value

In RMB/CNY

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
(2) Equity instrument investment	121,066,008.00	--	--	121,066,008.00
Total assets sustaining measured by fair value	121,066,008.00			121,066,008.00
Derivative financial liability		490,329.13		490,329.13
Total liability sustaining measured by fair value		490,329.13		490,329.13
II. Non-persistent measure	--	--	--	--

## 2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order

According to relevant requirement of accounting standards, the Company continues to measure the financial assets available for sale-equity instrument investment by fair value on balance sheet date. On 31 December 2018, the financial assets available for sale-equity instrument investment held by the Company refers to the SDEC (stock code: 600841) and Miracle Logistics (Stock code: 002009), determining basis of the market price at period-end refers to the closing price of 28 December 2018, the 29 December 2018, 30 December 2018 and 31 December 2018 are nonworking days.

## 3. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on second-order

The derivative financial liabilities that continued to be measured at the second level of fair value were the forward exchange settlement contracts and RMB option contracts held by the subsidiary Weifu Autocam, the fair value measurement of the derivative financial liabilities was measured by the fair value of the forward exchange settlement contracts and RMB option contracts offered by the bank that signed the contracts.

## XII. Related party and related transactions

### 1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
Wuxi Industry Group	Wuxi	Operation of state-owned assets	4720.6710 million Yuan	20.22%	20.22%

Explanation on parent company of the enterprise

Wuxi Industry Development Group Co., Ltd was solely state-owned enterprise funded and established by Wuxi Municipal People's Government which mainly took responsibility of authorizing the state-owned assets operation within a certain areas, investment management of significant project, investment and development of manufacturing and services and venture capital in high-tech achievement

Ultimate controller of the Company is State-owned Assets Supervision & Administration Commission of Wuxi Municipality of

Jiangsu Province.

## 2. Subsidiary of the Enterprise

Found more in Note IX. 1." Equity in subsidiary"

## 3. Joint venture and associated enterprise

Found more in Note IX.3. "Equity in joint venture and associated enterprise"

Other associated enterprise or joint ventures which has related transaction with the Company in the period or occurred previous:

Nil

## 4. Other Related party

Other Related party	Relationship with the Enterprise
Robert Bosch Company	Second largest shareholder of the Company
Key executive	Director, supervisor and senior executive of the Company

## 5. Related transaction

### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB/CNY

Related party	Content of related transaction	Current period	Approved transaction limit	Whether more than the transaction limit (Y/N)	Last Period
Weifu Precision Machinery	Goods and labor	44,657,225.89	50,000,000.00	N	43,069,065.48
Bosch Diesel System	Goods and labor	68,485,584.07	70,000,000.00	N	200,508,313.30
Weifu Environment	Goods	1,515,266,186.15	1,925,000,000.00	N	1,131,818,717.21
Robert Bosch Company	Goods	179,841,237.03	143,000,000.00	Y	158,733,424.37

Goods sold/labor service providing

In RMB/CNY

Related party	Content of related transaction	Current period	Last Period
Weifu Precision Machinery	Goods and labor	3,785,205.72	3,377,877.84
Bosch Diesel System	Goods and labor	2,722,919,316.33	3,266,539,117.64
Weifu Environment	Goods and labor	50,181,907.20	46,216,269.37
Robert Bosch Company	Goods and labor	720,709,408.92	2,528,608.05

Explanation on goods sales/sold and labor service providing/receiving

**(2)Related trusteeship management/contract & entrust management/ outsourcing**

Nil

**(3) Related lease**

As a lessor for the Company:

In RMB/CNY

Lessee	Assets type	Lease income recognized in the Period	Lease income recognized at last Period
Weifu Environment	Workshop	2,508,057.00	2,388,626.00

Explanation on related lease

Weifu Leader entered into the house leasing contract with Weifu Environment, as for the plant locates at No.9 Linjiang Road, Wuxi new district, owed by Weifu Leader, rent-out to Weifu Environment, agreements are made as: Rental from 1 January 2018 to 31 December 2018 was 2,508,057.00 Yuan

**(4) Related guarantee**

Nil

**(5)Related party's borrowed/lending funds**

In RMB/CNY

Related party	Loan amount	Start date	Maturity	Note
Wuxi Industry Group	5,470,000.00	2018-02-13-	2019-02-12	Weifu Leader borrowed 5.47 million Yuan from Wuxi Industry Group, which will expired on 12 February 2019.

**(6)Related party's assets transfer and debt reorganization**

Nil

**(7) Remuneration of key manager**

In RMB/CNY

Item	Current period	Last Period
Remuneration of key manager	5,180,000.00	5,070,000.00

**(8)Other related transactions**

Item	Related party	2018	2017
Payable for technical services	Bosch Diesel System	1,355,480.71	1,294,739.84
Purchase of fixed assets	Bosch Diesel System	19,629,922.97	2,607,798.18
Technology royalties paid etc.	Robert Bosch Company	3,484,849.96	7,945,222.80

Purchase of fixed assets	Robert Bosch Company	3,576,000.00	--
Purchase of fixed assets	Weifu Environment	9,858.69	--
Sales of fixed assets	Weifu Environment	187,779.24	--
Interest paying	Wuxi Industry Group	214,362.52	--

## 6. Receivable/payable items of related parties

### (1) Receivable item

In RMB/CNY

Item	Related party	Ending balance		Opening balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Account receivable	Weifu Precision Machinery	77,477.41		425,363.64	
Account receivable	Bosch Diesel System	420,746,170.76		615,770,490.57	72,188.07
Account receivable	Robert Bosch Company	132,830,976.56			
Other receivables	Robert Bosch Company	12,285,081.81			
Account receivable	Weifu Environment	1,233,580.22		710,200.00	
Other non-current assets	Bosch Diesel System			877,500.00	
Account paid in advance	Bosch Diesel System	1,057,272.58			

### (2) Payable item

In RMB/CNY

Item	Related party	Ending book balance	Opening book balance
Account payable	Weifu Precision Machinery	7,941,418.36	9,737,530.74
Account payable	Weifu Environment	337,307,634.70	379,374,827.01
Account payable	Bosch Diesel System	24,743,403.24	44,262,749.15
Account payable	Robert Bosch Company	5,170,470.70	38,202,192.76
Other accounts payable	Wuxi Industry Group	5,476,678.00	
Accounts received in advance	Robert Bosch Company	754,552.15	579,650.36
Accounts received in advance	Weifu Environment		6,514,951.87

## 7. Commitments of related party

Nil

### XIII. Share-based payment

Nil

### XIV. Commitment or contingency

#### 1. Important commitments

Important commitments in balance sheet date Nil

#### 2. Contingency

##### (1) Contingency on balance sheet date

Guarantees to subsidiary

Guarantee provided	Guarantee received	Debit bank	Guarantee amount (in 10 thousand Yuan)	Starting from	Terminated dated	Whether guarantee implemented or not
Weifu High-Technology Group Co., Ltd.	Weifu Tianli	Jiangbei branch of Bank of China in Ningbo	4,500.00	2016-11-15	2021-11-10	N

##### (2) For the important contingency not necessary to disclosed by the Company, explained reasons

The Company has no important contingency that need to disclosed

### XV. Events after balance sheet date

#### 1. Important non adjustment matters Nil

#### 2. Profit distribution

In RMB/CNY

Profit or dividend plans to distributed	1,210,740,684.00
Profit or dividend declare to distributed which have been approved	1,210,740,684.00

#### 3. Sales return

No significant sales return has occurred after the balance sheet date

#### 4. Other events after balance sheet date

(1) In accordance with the resolution of 4<sup>th</sup> session of 9<sup>th</sup> BOD held on 26 March 2019, the Company plans to establish a wholly-owned subsidiary SPV Company in Denmark. Acquired the 66.00% equity of IRDFuelCellsA/S in Denmark held by FCCTApS. Company with EUR 7.26 million by conversion (value of

assessment for IRD as EUR 11 million)

(2)According to the resolution passed at the 5<sup>th</sup> session of the 9<sup>th</sup> BOD of the Company held on 19 April 2019, the Company plans to make entrusted finance management with its own unused funds up to 5 billion Yuan in 2019. The aforesaid limit can be rolling for use to invest in finance management products with low risks.

## **XVI. Other important events**

**1. Previous accounting errors collection Nil**

**2. Debt restructuring Nil**

**3. Assets replacement Nil**

**4. Pension plan**

The *Enterprise Annuity Plan under the name of WFHT* has deliberated and approved by 8<sup>th</sup> session of 7<sup>th</sup> BOD: in order to mobilize the initiative and creativity of the employees, established a talent long-term incentive mechanism, enhance the cohesive force and competitiveness in enterprise, the Company carried out the above mentioned annuity plan since the date of reply of plans reporting received from labor security administration department. Annuity plans are: the annuity fund are paid by the enterprise and employees together; the amount paid by enterprise shall not over the 1/12 of the total salary of last years, amount paid by individual and enterprise shall not over the 1/6 of the total salary of last year, in accordance with the State's annuity policy, the Company will adjusted the economic benefits in due time, in principle of responding to the economic strength of the enterprise, the amount paid by the enterprise at current period control in the 8.33 percent of the total salary of last year, specific paying ratio later shall be adjust correspondingly in line with the operation condition of the Company.

In December 2012, the Company received the *Reply on annuity plans reporting under the name of WFHT* from labor security administration department, later, the Company entered into the *Entrusted Management Contract of the Annuity Plan of WFHT* with PICC.

**5. Discontinued operations Nil**

**6. Segment**

### **(1) Recognition basis and accounting policy for reportable segment**

Determine the operating segments in line with the internal organization structure, management requirement and internal reporting system. Operating segment of the Company refers to the followed components that have been satisfied at the same time:

- ①the component is able to generate revenues and expenses in routine activities;
- ②management of the Company is able to assess the operation results regularly, and determine resources allocation and performance evaluation for the component;
- ③being analyzed, financial status, operation results and cash flow of the components are able to required by the Company

The Company mainly engaged in the manufacture of fuel system of internal combustion engine products, auto components, muffler and purifier etc., based on the product segment, the Company determine three reporting

segment as auto fuel injection system, air management system and automotive post processing system. Accounting policy for the three reporting segments are shares the same policy state in Note III

Segment assets exclude financial assets measured by fair value and with variation reckoned into current gains/losses, derivative instruments, dividends receivables, financial products due within one year, financial assets available for sale, long term equity investment and other undistributed assets, since these assets are not related to products operation.

## (2) Financial information for reportable segment

In RMB/CNY

Item	Product segment of automobile fuel injection system	Product segment of automotive post processing system	Product segment of air management system	Add: investment/income measured by equity, income of financial products or possession and disposal income, the retained assets or gains/losses as the financial assets available for sale or possession and disposal income	Offset of segment	Total
Operating revenue	5,633,846,119.26	2,800,874,733.81	495,075,874.87		208,122,056.76	8,721,674,671.18
Operating cost	4,122,647,409.01	2,423,800,297.06	359,434,846.25		214,025,712.35	6,691,856,839.97
Total Profit	727,880,690.18	30,653,969.82	34,686,895.01	1,810,292,357.18	1,330,532.41	2,602,183,379.78
Net profit	615,703,275.72	31,529,412.98	37,157,142.45	1,782,896,685.93	991,813.61	2,466,294,703.47
Total assets	8,815,931,131.73	2,301,906,124.76	814,320,686.35	9,882,216,532.95	922,333,015.49	20,892,041,460.30
Total liabilities	2,780,313,471.43	1,366,966,391.62	482,134,437.91		189,343,888.01	4,440,070,412.95

## 7. Major transaction and events makes influence on investor's decision

Nil

## XVII. Principle notes of financial statements of parent company

### 1. Note receivable and account receivable

In RMB/CNY

Item	Ending balance	Opening balance
Notes receivable	264,264,207.30	449,209,323.02
Account receivable	742,246,990.99	1,047,012,889.92
Total	1,006,511,198.29	1,496,222,212.94

**(1)Notes receivable**

1))Category of note receivable:

In RMB/CNY

Item	Ending balance	Opening balance
Bank acceptance bill	248,904,207.30	449,209,323.02
Commercial acceptance bill	15,360,000.00	
Total	264,264,207.30	449,209,323.02

2)Notes receivable pledge at end of the period

In RMB/CNY

Item	Amount pledge at period-end
Bank acceptance bill	106,328,022.46
Total	106,328,022.46

3)Notes receivable that has endorsed or discounted at end of the period and is not yet due on balance sheet date

In RMB/CNY

Item	Amount cease for recognized at period-end	Amount not cease for recognized at period-end
Bank acceptance bill	142,341,780.45	
Commercial acceptance bill	190,000.00	
Total	142,531,780.45	

**4)The bills transferred to account receivable for the drawer failed to perform the contract**

In RMB/CNY

Item	Amount transfer to account receivable at period-end
Commercial acceptance bill	7,000,000.00
Total	7,000,000.00

Other explanation

Found more in 2-(1)-4) under the Note VII.

**(2)Account receivable**

1))Category of account receivable

In RMB/CNY

Category	Ending balance				Opening balance				Book value	
	Book balance		Bad debt reserve		Book balance		Bad debt reserve			
	Amount	Ratio	Amount	Accrual ratio	Amount	Ratio	Amount	Accrual ratio		

Account receivable with single significant amount and withdrawal bad debt provision separately	7,000,000.00	0.93%	7,000,000.00	100.00%					
Account receivables with bad debt provision accrual by credit portfolio	745,766,010.32	99.07%	3,519,019.33	0.47%	742,246,90.99	1,049,489,925.33	100.00%	2,477,035.41	0.24% 1,047,012,889.92
Total	752,766,010.32	100.00%	10,519,019.33	1.40%	742,246,90.99	1,049,489,925.33	100.00%	2,477,035.41	0.24% 1,047,012,889.92

Account receivable with single significant amount and withdrawal bad debt provision separately at period end :

Applicable  Not applicable

In RMB/CNY

Account receivable(by enterprise)	Ending balance			
	Account receivable	Bad debt reserve	Accrual ratio	Accrual causes
BD bills	7,000,000.00	7,000,000.00	100.00%	Have difficulty in collection
Total	7,000,000.00	7,000,000.00	--	--

Account receivable provided for bad debt reserve under aging analysis method in the groups:

Applicable  Not applicable

In RMB/CNY

Account age	Ending balance		
	Account receivable	Bad debt reserve	Accrual ratio
Subitem of within one year			
Within 6 months	559,297,293.94		
6 months to one year	12,039,849.09	1,203,984.91	10.00%
Subtotal of within one year	571,337,143.03	1,203,984.91	
1-2 years	1,971,945.25	394,389.05	20.00%
2-3 years	1,101,729.57	440,691.83	40.00%
Over 3 years	1,479,953.54	1,479,953.54	100.00%
Total	575,890,771.39	3,519,019.33	0.61%

Explanations on combination determine:

Except for the receivables with impairment reserves accrual singly; base on the actual loss ratio of the receivables of previous years, with same or similar credit portfolio, and combining actual condition accrual bad debt reserves to determined the accrual ratio for bad debt reserves

In combination, withdrawal bad debt provision based on balance proportion for account receivable:

Applicable  Not applicable

In combination, withdrawal bad debt provision based on other methods for account receivable:

2)Bad debt provision accrual, collected or reversed

Accrual bad debt provision 8,049,045.12 Yuan; collected or reversed Yuan.

Including major amount collected or reversed in the period: Nil

3)Account receivable actually charge off in the period:

The amount charge off in the period refers to the amount from retail enterprise, an the details of each amount is small and is not generated by related transactions.

4)Top 5 receivables at ending balance by arrears party

Total receivables collected by arrears party for the Period amounting to 622,252,082.05 Yuan, takes 82.66 percent in closing balance of the account receivables; 0 Yuan are accrual correspondingly for bad debt reserves.

5)Account receivable derecognition due to financial assets transfer Nil

6)Assets and liabilities resulted by account receivable transfer and continues involvement

## 2. Other receivables

In RMB/CNY

Item	Ending balance	Opening balance
Interest receivable	188,682.78	97,627.77
Other receivables	196,660,409.35	50,174,653.16
Total	196,849,092.13	50,272,280.93

### (1)Interest receivable

1)category of interest receivable

In RMB/CNY

Item	Ending balance	Opening balance
Entrust loans		97,627.77
Interest receivable from unified loan and return	188,682.78	
Total	188,682.78	97,627.77

Significant overdue interest Nil

### (2)Dividend receivable

Nil

### (3)Other receivables

1)Category of other receivables

In RMB/CNY

Category	Ending balance				Opening balance				Book value	
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other receivables with bad debt provision accrual by credit portfolio	196,660,409.35	100.00%			196,660,409.35	50,395,333.34	100.00%	220,680.18	0.44%	50,174,653.16
Total	196,660,409.35	100.00%			196,660,409.35	50,395,333.34	100.00%	220,680.18	0.44%	50,174,653.16

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable  Not applicable

In combination, other accounts receivable whose bad debts provision was accrued by age analysis:

Applicable  Not applicable

In RMB/CNY

Account age	Ending balance		
	Other receivables	Bad debt reserve	Accrual ratio
Subitem of within one year			
Within 6 months	612,673.63		
6 months to one year			
Subtotal of within one year	612,673.63		
Total	612,673.63		

Explanations on combination determine:

Except for the other receivables with impairment reserves accrual singly; base on the actual loss ratio of the receivables of previous years, with same or similar credit portfolio, and combining actual condition accrual bad debt reserves to determined the accrual ratio for bad debt reserves

In combination, withdrawal bad debt provision based on balance proportion for other account receivable

Applicable  Not applicable

In combination, withdrawal bad debt provision based on other methods for other account receivable

Applicable  Not applicable

2)Bad debt provision accrual, collected or reversed

Accrual bad debt provision Yuan; collected or reversed 220,680.18 Yuan.

Including the important bad debt provision switch back or collected in the period:

3)Other receivable actually charge-off in the period:

4)Nature of other receivables

In RMB/CNY

Nature	Ending book balance	Opening book balance
Staff loans and petty cash	605,473.63	1,438,626.00
Balance of related party in the consolidate scope	196,047,735.72	47,000,000.00
Intercourse funds of unit		1,949,507.34
Other	7,200.00	7,200.00
Total	196,660,409.35	50,395,333.34

## 5) Top 5 other receivables at ending balance by arrears party

In RMB/CNY

Enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other receivables	Ending balance of bad debt reserve
Weifu Leader	Balance of related party in the consolidate scope	100,000,000.00	Within one year	50.85%	
Weifu Mashan	Balance of related party in the consolidate scope	52,047,735.72	Within 6 months	26.47%	
Weifu Schmidt	Balance of related party in the consolidate scope	24,000,000.00	Within one year	12.20%	
Weifu Chang'an	Balance of related party in the consolidate scope	20,000,000.00	Within 6 months	10.17%	
Staff	Staff loans and petty cash	120,000.00	Within 6 months	0.06%	
Total	--	196,167,735.72	--	99.75%	

## 6) Account receivable with government grand involved Nil

(7) Other account receivable derecognition due to financial assets transfer **Nil**(8) Assets and liabilities resulted by other account receivable transfer and continues involvement **Nil****3. Long-term equity investments**

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment for subsidiary	1,466,611,689.17		1,466,611,689.17	1,451,041,689.17		1,451,041,689.17
Investment for associates and	4,272,498,737.38		4,272,498,737.38	3,511,481,000.32		3,511,481,000.32

joint venture						
Total	5,739,110,426.55		5,739,110,426.55	4,962,522,689.49		4,962,522,689.49

### (1)Investment for subsidiary

In RMB/CNY

The invested entity	Opening balance	Current increased	Current decreased	Ending balance	Impairment accrual in the period	Ending balance of depreciation reserves
Weifu Jining	178,639,593.52			178,639,593.52		
Weifu Leader	460,113,855.00			460,113,855.00		
Weifu Mashan	168,693,380.51			168,693,380.51		
Weifu Chang'an	220,902,037.30			220,902,037.30		
Weifu International Trade	32,849,254.85			32,849,254.85		
Weifu ITM	167,000,000.00			167,000,000.00		
Weifu Schmidt	50,160,000.00			50,160,000.00		
Weifu Tianli	90,229,100.00	15,570,000.00		105,799,100.00		
Weifu Autocam	82,454,467.99			82,454,467.99		
Total	1,451,041,689.17	15,570,000.00		1,466,611,689.17		

### (2)Investment for associates and joint venture

In RMB/CNY

Enterprise	Opening balance	Current changes (+,-)							Ending balance	Ending balance of depreciation reserves
		Additional investment	Capital reduction	Investment gain/loss recognized under equity	Other comprehensive income	Other equity change	Cash dividend or profit announced to issued	Impairment accrual		
<b>I. Joint venture</b>										
Weifu Electronic Drive		55,180,800.00		-438,424.98					54,742,375.02	
<b>Subtotal</b>		55,180,800.00		-438,424.98					54,742,375.02	
<b>II. Associated enterprise</b>										

Bosch Diesel System	2,503,154 ,814.59			1,153,838 ,335.18			580,955,7 39.65			3,076,037 ,410.12	
Zhonglian Automobi le Electronic Co., Ltd.	959,036,1 93.36			366,839,7 62.36			239,400,0 00.00			1,086,475 ,955.72	
Weifu Precision Machiner y	49,289,99 2.37			9,553,004 .15			3,600,000 .00			55,242,99 6.52	
Subtotal	3,511,481 ,000.32	0.00		1,530,231 ,101.69			823,955,7 39.65			4,217,756 ,362.36	
Total	3,511,481 ,000.32	55,180,80 0.00		1,529,792 ,676.71			823,955,7 39.65			4,272,498 ,737.38	

### (3)Other explanation

Nil

### 4. Operating income and cost

In RMB/CNY

Item	Current period		Last Period	
	Income	Cost	Income	Cost
Main business	3,638,414,291.52	2,552,209,818.43	3,258,274,223.36	2,457,655,148.49
Other business	359,776,899.68	326,627,631.69	387,741,030.12	315,062,753.47
Total	3,998,191,191.20	2,878,837,450.12	3,646,015,253.48	2,772,717,901.96

Other explanation:

### 5. Investment income

In RMB/CNY

Item	Current period	Last Period
Income of long-term equity investment calculated based on cost	82,818,400.00	978,657,310.00
Income of long-term equity investment calculated based on equity	1,529,792,676.71	1,470,504,861.61
Investment income from period of holding the financial assets available for sale	3,274,260.41	3,291,000.00
Investment income obtained from disposal of financial assets available for	17,370,816.75	24,625,516.88

sale		
Entrust financial income	303,054,961.79	215,942,650.46
Gains/losses of equity liquidation		-8,261,290.60
Total	1,936,311,115.66	2,684,760,048.35

## 6. Other

Nil

## XVIII. Supplementary Information

### 1. Current non-recurring gains/losses

Applicable  Not applicable

In RMB/CNY

Item	Amount	Note
Gains/losses from the disposal of non-current asset	96,162,222.57	含威孚金宁房屋土地征收处置损益
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	48,811,314.99	
Profit and loss of assets delegation on others' investment or management	311,261,918.65	
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	16,880,487.62	Including the gains/losses of fair value changes from the derivative financial liability
Switch back of provision for depreciation of account receivable which was singly taken depreciation test	466,200.00	
Other non-operating income and expenditure except for the aforementioned items	-597,126.12	
Other gain/loss qualify the definition of non-recurring gains/losses	353,111.39	The amount collected in the period while has been charged-off previous
Relocation expenses		
Less: Impact on income tax	70,234,077.14	
Impact on minority shareholders' equity	21,827,350.95	
Total	381,276,701.01	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable  Not applicable

## 2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profits belong to common stock stockholders of the Company	15.48	2.37	2.37
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	13.02	2.00	2.00

## 3. Difference of the accounting data under accounting rules in and out of China

### (1) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

### (2) Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

### (3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute

Not applicable

## 4. Other

## Section XII. Documents available for reference

- I. Financial statement carrying the signatures and seals of person in charge of the company, principal of the accounting works and person in charge of accounting organ (accounting Supervisor);
- II. Original audit report seal with accounting firms and signature and seal with CPA;
- III. Original documents of the Company and manuscripts of public notices that disclosed in the website Juchao (<http://www.cninfo.com.cn>) designated by CSRC in the report period;
- IV. Annual report published on *China Securities Journal*, *Securities Times* and *Hong Kong Commercial Daily* during the Period.

Board of Directors of

**Weifu High-Technology Group Co., Ltd.**

Chairman: \_\_\_\_\_

Chen Xuejun

23 April 2019