CHANGCHAI COMPANY, LIMITED
SEMI-Financial Report 2018

I. Audit Report

Has this interim report been audited?

□ Yes √ No

The interim financial report has not been audited.

II. Financial Statements

Currency unit for the statements in the notes to these financial statements: RMB

1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

30 June 2018

Unit: RMB

Item	30 June 2018	31 December 2017
Current assets:		
Monetary assets	445,858,926.17	430,305,367.71
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	556,766,558.95	716,404,345.57
Accounts receivable	809,459,781.25	392,010,953.55
Prepayments	21,406,189.77	17,781,007.77
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Interest receivable		
Dividends receivable		
Other receivables	19,703,915.37	5,794,971.22
Financial assets purchased under resale agreements		
Inventories	406,509,269.60	508,246,807.48
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	19,718,137.84	42,540,184.05
Total current assets	2,279,422,778.95	2,113,083,637.35
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	645,256,487.16	793,522,639.04
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment property	51,760,178.03	52,864,348.43

Fixed assets	525,895,299.42	560,049,970.50
Construction in progress	86,375,849.20	94,581,989.06
Engineering materials		
Proceeds from disposal of fixed assets		
Productive living assets		
Oil and gas assets		
Intangible assets	104,786,494.21	107,795,746.86
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	1,006,953.81	1,006,953.81
Other non-current assets		
Total non-current assets	1,415,081,261.83	1,609,821,647.70
Total assets	3,694,504,040.78	3,722,905,285.05
Current liabilities:		
Short-term borrowings	28,700,000.00	24,900,000.00
Borrowings from central bank		
Customer deposits and deposits from banks and other financial institutions		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	531,820,000.00	347,070,500.00
Accounts payable	550,059,148.32	616,228,500.18
Advances from customers	46,605,126.00	40,153,984.91
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	25,246,667.17	51,247,112.66
Taxes payable	2,603,909.98	4,017,920.78
Interest payable		
Dividends payable	3,891,433.83	3,891,433.83
Other payables	207,820,806.39	192,094,243.08
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	2,886,117.93	2,028,937.59
Total current liabilities	1,399,633,209.62	1,281,632,633.03
Non-current liabilities:		
Long-term borrowings	21,500,000.00	21,500,000.00

Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions		
Deferred income	60,992,858.46	60,992,858.46
Deferred income tax liabilities	70,139,504.39	92,409,779.39
Other non-current liabilities		
Total non-current liabilities	152,632,362.85	174,902,637.85
Total liabilities	1,552,265,572.47	1,456,535,270.88
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	164,328,665.43	164,328,665.43
Less: Treasury shares		
Other comprehensive income	388,870,325.00	515,068,550.00
Specific reserve	13,289,059.21	13,289,059.21
Surplus reserves	313,705,210.16	313,705,210.16
General reserve		
Retained profits	680,928,374.94	679,131,047.06
Total equity attributable to owners of the Company as the parent	2,122,495,960.74	2,246,896,857.86
Non-controlling interests	19,742,507.57	19,473,156.31
Total owners' equity	2,142,238,468.31	2,266,370,014.17
Total liabilities and owners' equity	3,694,504,040.78	3,722,905,285.05

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2018	31 December 2017
Current assets:		
Monetary assets	411,629,994.62	366,907,287.64
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	536,623,558.95	711,474,345.57
Accounts receivable	722,699,465.14	319,887,051.70
Prepayments	5,420,658.51	9,815,561.98
Interest receivable		
Dividends receivable		
Other receivables	8,853,702.55	11,798,211.40
Inventories	275,613,625.66	376,814,388.82
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets		20,692,057.15
Total current assets	1,960,841,005.43	1,817,388,904.26
Non-current assets:		
Available-for-sale financial assets	637,369,000.00	785,837,500.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	231,752,730.03	231,752,730.03
Investment property	51,760,178.03	52,864,348.43
Fixed assets	424,524,204.16	453,155,359.47
Construction in progress	86,029,057.82	93,681,793.26
Engineering materials		
Proceeds from disposal of fixed assets		
Productive living assets		
Oil and gas assets		
Intangible assets	73,665,189.30	75,623,219.49
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	934,554.06	934,554.06
Other non-current assets		
Total non-current assets	1,506,034,913.40	1,693,849,504.74
Total assets	3,466,875,918.83	3,511,238,409.00
Current liabilities:		
Short-term borrowings	10,000,000.00	
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		

Notes payable	511,820,000.00	323,030,500.00
Accounts payable	471,350,041.11	560,214,489.22
Advances from customers	43,623,913.22	38,382,261.14
Payroll payable	20,877,039.64	41,401,495.39
Taxes payable	867,665.59	1,373,036.64
Interest payable		
Dividends payable	3,243,179.97	3,243,179.97
Other payables	194,073,184.35	182,738,709.26
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,255,855,023.88	1,150,383,671.62
Non-current liabilities:		
Long-term borrowings	19,500,000.00	19,500,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions		
Deferred income	60,992,858.46	60,992,858.46
Deferred income tax liabilities	68,624,175.00	90,894,450.00
Other non-current liabilities		
Total non-current liabilities	149,117,033.46	171,387,308.46
Total liabilities	1,404,972,057.34	1,321,770,980.08
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	183,071,147.70	183,071,147.70
Less: Treasury shares		
Other comprehensive income	388,870,325.00	515,068,550.00
Specific reserve	13,289,059.21	13,289,059.21
Surplus reserves	313,705,210.16	313,705,210.16
Retained profits	601,593,793.42	602,959,135.85
Total owners' equity	2,061,903,861.49	2,189,467,428.92
Total liabilities and owners' equity	3,466,875,918.83	3,511,238,409.00

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

3. Consolidated Income Statement

Unit: RMB

Item	H1 2018	H1 2017
1. Revenue	1,186,760,892.26	1,308,106,180.92
Including: Operating revenue	1,186,760,892.26	1,308,106,180.92
Interest income		
Premium income		
Handling charge and commission income		
2. Operating costs and expenses	1,164,582,065.19	1,287,121,365.15
Including: Cost of sales	1,034,354,908.99	1,141,392,321.88
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surtaxes	5,739,473.26	7,032,129.00
Selling expense	52,228,075.86	55,815,356.13
Administrative expense	62,434,487.46	73,398,067.51
Finance costs	-132,337.12	333,451.36
Asset impairment loss	9,957,456.74	9,150,039.27
Add: Gain on changes in fair value (“-” for loss)	0.00	0.00
Investment income (“-” for loss)	376,091.68	9,358,126.62
Including: Share of profit or loss of joint ventures and associates		
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)		
Other income	129,600.00	
3. Operating profit (“-” for loss)	22,684,518.75	30,342,942.39
Add: Non-operating income	2,103,083.03	21,773,323.41
Less: Non-operating expense	1,527,166.21	6,394,655.18
4. Profit before taxation (“-” for loss)	23,260,435.57	45,721,610.62
Less: Income tax expense	4,352,526.65	5,670,998.75
5. Net profit (“-” for net loss)	18,907,908.92	40,050,611.87
5.1 Net profit from continuing operations (“-” for net loss)	18,907,908.92	40,050,611.87
5.2 Net profit from discontinued operations (“-” for net loss)	0.00	0.00
Net profit attributable to owners of the Company as the parent	18,638,557.66	39,679,158.13
Net profit attributable to non-controlling interests	269,351.26	371,453.74
6. Other comprehensive income, net of tax	-126,198,225.00	-41,635,125.00
Attributable to owners of the Company as the parent	-126,198,225.00	-41,635,125.00
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by		

remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-126,198,225.00	-41,635,125.00
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-126,198,225.00	-41,635,125.00
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements		
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	-107,290,316.08	-1,584,513.13
Attributable to owners of the Company as the parent	-107,559,667.34	-1,955,966.87
Attributable to non-controlling interests	269,351.26	371,453.74
8. Earnings per share		
8.1 Basic earnings per share	0.03	0.07
8.2 Diluted earnings per share	0.03	0.07

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

4. Income Statement of the Company as the Parent

Unit: RMB

Item	H1 2018	H1 2017
1. Operating revenue	1,121,335,123.15	1,229,307,547.12
Less: Cost of sales	991,077,844.49	1,086,749,833.96
Taxes and surtaxes	4,388,116.03	6,052,840.56
Selling expense	46,378,981.86	50,307,968.65
Administrative expense	53,358,362.23	64,535,374.12
Finance costs	-1,920,963.99	-636,200.84
Asset impairment loss	9,924,969.03	9,150,039.27
Add: Gain on changes in fair value (“-” for loss)		0.00
Investment income (“-” for loss)	21,000.00	6,952,750.99
Including: Share of profit or loss of joint ventures and associates		
Asset disposal income (“-” for loss)		
Other income	129,600.00	
2. Operating profit (“-” for loss)	18,278,413.50	20,100,442.39

Add: Non-operating income	1,760,229.91	567,356.20
Less: Non-operating expense	1,525,338.21	6,192,349.28
3. Profit before taxation ("-" for loss)	18,513,305.20	14,475,449.31
Less: Income tax expense	3,037,417.85	3,873,394.83
4. Net profit ("-" for net loss)	15,475,887.35	10,602,054.48
4.1 Net profit from continuing operations ("-" for net loss)	15,475,887.35	10,602,054.48
4.2 Net profit from discontinued operations ("-" for net loss)	0.00	0.00
5. Other comprehensive income, net of tax	-126,198,225.00	-41,635,125.00
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified into profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-126,198,225.00	-41,635,125.00
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-126,198,225.00	-41,635,125.00
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	-110,722,337.65	-31,033,070.52
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2018	H1 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	1,052,665,606.90	1,325,350,610.18
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates	20,142,964.09	21,145,032.94
Cash generated from other operating activities	6,122,580.97	5,501,291.34
Subtotal of cash generated from operating activities	1,078,931,151.96	1,351,996,934.46
Payments for commodities and services	861,702,539.28	1,033,701,551.38
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	171,524,903.87	185,470,230.57
Taxes paid	14,854,230.49	19,440,382.39
Cash used in other operating activities	36,458,331.47	49,005,446.81
Subtotal of cash used in operating activities	1,084,540,005.11	1,287,617,611.15
Net cash generated from/used in operating activities	-5,608,853.15	64,379,323.31
2. Cash flows from investing activities:		
Proceeds from disinvestments	13,534,013.89	9,000,000.00
Investment income	376,091.68	7,143,077.40
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	125,474.80	501,236.14
Net proceeds from disposal of subsidiaries or other business units	0.00	0.00
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	14,035,580.37	16,644,313.54
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	18,849,002.37	48,464,630.47
Payments for investments		3,000,000.00

Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		1,854,599.33
Cash used in other investing activities	24,265,444.20	17,100,000.00
Subtotal of cash used in investing activities	43,114,446.57	70,419,229.80
Net cash generated from/used in investing activities	-29,078,866.20	-53,774,916.26
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Increase in borrowings obtained	17,000,000.00	18,000,000.00
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	17,000,000.00	18,000,000.00
Repayment of borrowings	7,000,000.00	5,000,000.00
Payments for interest and dividends	18,263,008.91	17,410,070.41
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	25,263,008.91	22,410,070.41
Net cash generated from/used in financing activities	-8,263,008.91	-4,410,070.41
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-42,950,728.26	6,194,336.64
Add: Cash and cash equivalents, beginning of the period	325,263,654.43	583,278,129.09
6. Cash and cash equivalents, end of the period	282,312,926.17	589,472,465.73

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	H1 2018	H1 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	978,362,086.38	1,287,943,005.80
Tax rebates	14,838,384.91	21,145,032.94
Cash generated from other operating activities	5,251,560.76	4,003,051.69
Subtotal of cash generated from operating activities	998,452,032.05	1,313,091,090.43
Payments for commodities and services	801,461,497.18	1,012,243,538.73
Cash paid to and for employees	143,561,299.80	160,430,190.27
Taxes paid	10,023,890.64	17,376,389.94
Cash used in other operating activities	32,113,861.57	45,213,130.50
Subtotal of cash used in operating activities	987,160,549.19	1,235,263,249.44
Net cash generated from/used in operating activities	11,291,482.86	77,827,840.99
2. Cash flows from investing activities:		
Proceeds from disinvestments		

Investment income	21,000.00	6,952,750.09
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	102,774.58	83,115.01
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	123,774.58	7,035,865.10
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	17,662,045.01	48,311,909.08
Payments for investments	0.00	0.00
Net payments for acquisition of subsidiaries and other business units		26,516,925.27
Cash used in other investing activities		0.00
Subtotal of cash used in investing activities	17,662,045.01	74,828,834.35
Net cash generated from/used in investing activities	-17,538,270.43	-67,792,969.25
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained	10,000,000.00	
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	10,000,000.00	
Repayment of borrowings		
Payments for interest and dividends	17,733,682.52	16,841,229.78
Cash used in other financing activities	0.00	0.00
Sub-total of cash used in financing activities	17,733,682.52	16,841,229.78
Net cash generated from/used in financing activities	-7,733,682.52	-16,841,229.78
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-13,980,470.09	-6,806,358.04
Add: Cash and cash equivalents, beginning of the period	272,064,464.71	558,159,090.01
6. Cash and cash equivalents, end of the period	258,083,994.62	551,352,731.97

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

7. Consolidated Statements of Changes in Owners' Equity

H1 2018

Unit: RMB

Item	H1 2018												
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained profits		
		Preferred shares	Perpetual bonds	Other									
1. Balances as of end of prior year	561,374,326.00				164,328,665.43		515,068,550.00	13,289,059.21	313,705,210.16		679,131,047.06	19,473,156.31	2,266,370,014.17
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business combinations involving enterprises under common control													
Other adjustments													
2. Balances as of beginning of the year	561,374,326.00				164,328,665.43		515,068,550.00	13,289,059.21	313,705,210.16		679,131,047.06	19,473,156.31	2,266,370,014.17
3. Increase/ decrease in the period ("-" for decrease)							-126,198,225.00				1,797,327.88	269,351.26	-124,131,545.86
3.1 Total comprehensive income							-126,198,225.00				18,638,557.66	269,351.26	-107,290,316.08
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													

3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other													
3.3 Profit distribution											-16,841,229.78		-16,841,229.78
3.3.1 Appropriation to surplus reserves													
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-16,841,229.78		-16,841,229.78
3.3.4 Other													
3.4 Carryforwards within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used during the period													
3.6 Other													
4. Balances as of end of the period	561,374,326.00				164,328,665.43		388,870,325.00	13,289,059.21	313,705,210.16		680,928,374.94	19,742,507.57	2,142,238,468.31

Legal representative: Shi Xinkun General Manager: Zhang Xin Head of the accounting department: Jiang He

H1 2017

Unit: RMB

Item	H1 2017												
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained profits		
		Preferred shares	Perpetual bonds	Other									
1. Balances as of end of prior year	561,374,326.00				164,328,665.43		623,048,300.00	11,715,417.22	311,880,248.88		651,365,935.39	18,767,226.57	2,342,480,119.49
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business combinations involving enterprises under common control													
Other adjustments													
2. Balances as of beginning of the year	561,374,326.00				164,328,665.43		623,048,300.00	11,715,417.22	311,880,248.88		651,365,935.39	18,767,226.57	2,342,480,119.49
3. Increase/ decrease in the period ("-" for decrease)							-107,979,750.00	1,573,641.99	1,824,961.28		27,765,111.67	705,929.74	-76,110,105.32
3.1 Total comprehensive income							-107,979,750.00				46,431,302.73	705,929.74	-60,842,517.53
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													

3.2.3 Share-based payments included in owners' equity													
3.2.4 Other													
3.3 Profit distribution									1,824,961.28		-18,666,191.06		-16,841,229.78
3.3.1 Appropriation to surplus reserves									1,824,961.28		-1,824,961.28		
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-16,841,229.78		-16,841,229.78
3.3.4 Other													
3.4 Carryforwards within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve								1,573,641.99					1,573,641.99
3.5.1 Withdrawn for the period								4,161,424.06					4,161,424.06
3.5.2 Used during the period								2,587,782.07					2,587,782.07
3.6 Other													
4. Balances as of end of the period	561,374,326.00				164,328,665.43		515,068,550.00	13,289,059.21	313,705,210.16		679,131,047.06	19,473,156.31	2,266,370,014.17

Legal representative: Shi Xinkun General Manager: Zhang Xin Head of the accounting department: Jiang He

8. Statements of Changes in Owners' Equity of the Company as the Parent

H1 2018

Unit: RMB

Item	H1 2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	Retained profits	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as of end of prior year	561,374,326.00				183,071,147.70		515,068,550.00	13,289,059.21	313,705,210.16	602,959,135.85	2,189,467,428.92
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as of beginning of the year	561,374,326.00				183,071,147.70		515,068,550.00	13,289,059.21	313,705,210.16	602,959,135.85	2,189,467,428.92
3. Increase/ decrease in the period ("-" for decrease)							-126,198,225.00			-1,365,342.43	-127,563,567.43
3.1 Total comprehensive income							-126,198,225.00			15,475,887.35	-110,722,337.65
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit distribution										-16,841,22	-16,841,229.

										9.78	78
3.3.1 Appropriation to surplus reserves											
3.3.2 Appropriation to owners (or shareholders)										-16,841,229.78	-16,841,229.78
3.3.3 Other											
3.4 Carryforwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used during the period											
3.6 Other											
4. Balances as of end of the period	561,374,326.00				183,071,147.70		388,870,325.00	13,289,059.21	313,705,210.16	601,593,793.42	2,061,903,861.49

Legal representative: Shi Xinkun General Manager: Zhang Xin Head of the accounting department: Jiang H

H1 2017

Unit: RMB

Item	H1 2017										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	Retained profits	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as of end of prior year	561,374,326.00				183,071,147.70		623,048,300.00	11,715,417.22	311,880,248.88	603,375,714.13	2,294,465,153.93
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as of beginning of the year	561,374,326.00				183,071,147.70		623,048,300.00	11,715,417.22	311,880,248.88	603,375,714.13	2,294,465,153.93
3. Increase/ decrease in the period ("-" for decrease)							-107,979,750.00	1,573,641.99	1,824,961.28	-416,578.28	-104,997,725.01
3.1 Total comprehensive income							-107,979,750.00			18,249,612.78	-89,730,137.22
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit distribution									1,824,961.28	-18,666,19	-16,841,229.

										1.06	78
3.3.1 Appropriation to surplus reserves									1,824,961.28	-1,824,961.28	
3.3.2 Appropriation to owners (or shareholders)										-16,841,229.78	-16,841,229.78
3.3.3 Other											
3.4 Carryforwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve								1,573,641.99			1,573,641.99
3.5.1 Withdrawn for the period								4,161,424.06			4,161,424.06
3.5.2 Used during the period								2,587,782.07			2,587,782.07
3.6 Other											
4. Balances as of end of the period	561,374,326.00				183,071,147.70		515,068,550.00	13,289,059.21	313,705,210.16	602,959,135.85	2,189,467,428.92

Legal representative: Shi Xinkun General Manager: Zhang Xin Head of the accounting department: Jiang He

III. Company Profile

Changchai Company, Limited (hereinafter referred to as "the Company") was founded on 5 May 1994, which is a company limited by shares promoted solely by Changzhou Diesel Engine Plant through the approval by the State Commission for Restructuring the Economic Systems with document TGS [1993] No. 9 on 15 January 1993 by way of public offering of shares. With the approved of the People's Government of Jiangsu Province SZF [1993] No. 67, as well as reexamined and approved by China Securities Regulatory Commission ("CSRC") through document ZJFSZ (1994) No. 9, the Company initially issued A shares to the public from 15 March 1994 to 30 March 1994. As approved by the Shenzhen Stock Exchange through document SZSFZ (1994) No. 15, such tradable shares of the public got listing on 1 July 1994 at Shenzhen Stock Exchange with "Su Changchai A" for short of stock, as well as "0570" as stock code (present stock code is "000570").

In 1996, with the recommendation of the Office of the People's Government of Jiangsu Province SZBH [1996] No. 13, as well as first review by Shenzhen Municipal Securities Administration Office through SZBZ [1996] No. 24, and approval of the State Council Securities Commission ZWF [1996] No. 27, the Company issued 100 million B shares to qualified investors on 27 August 1996 to 30 August 1996, getting listed on 13 September 1996.

On 9 June 2006, the Company held a shareholders' general meeting related to A shares market to examine and approve share merger reform plan, and performed the share merger reform on 19 June 2006.

As examined and approved at the 2nd Extraordinary General Meeting of 2009 in September 2009, based on the total share capital of 374,249,551 shares as at 30 June 2009, the Company implemented the profit distribution plan, i.e. to distribute 5 bonus shares and cash of RMB0.80 for every 10 shares, with registered capital increased by RMB187,124,775.00, as well as registered capital of RMB561,374,326.00 after change. As at 31 December 2015, the total share capital of the Company is 561,374,326.00 shares, as well as registered capital of RMB561,374,326.00, which verified by Jiangsu Gongzheng Tianye Certified Public Accountants Company Limited with issuing Capital Verification Report SGC [2010] No. B002. And the unified social credit code of the enterprise business license of the Company is 91320400134792410W.

The Company's registered address is situated at No. 123 Huaide Middle Road, Changzhou, Jiangsu, as well as its head office located at No. 123 Huaide Middle Road, Changzhou, Jiangsu.

The Company belongs to manufacturing with business scope including manufacturing and sale of diesel engine, diesel engines part and casting, grain harvesting machine, rotary cultivators,

walking tractor, mould and fixtures, assembling and sale of diesel generating set and pumping unit. The Company mainly engaged in the production and sales of small and medium-sized single cylinders and multi-cylinder diesel engine with the label of Changchai Brand. The diesel engine produced and sold by the Company were mainly used in tractors, combine harvest models, light commercial vehicle, farm equipment, small-sized construction machinery, generating sets and shipborne machinery and equipment, etc. The Company's main business remained unchanged in the Reporting Period.

The Company established the Shareholders' General Meeting, the Board of Directors and the Supervisory Committee, Corporate office, Financial Department, Political Department, Investment and Development Department, Enterprise Management Department, Human Recourses Department, Production Department, Procurement Department, Sales Company, Market Department, Chief Engineer Office, Technology Center, QA Department, Foundry Branch, Machine Processing Branch, Single-cylinder Engine branch, Multi-cylinder Engine Branch and Overseas Business Department in the Company.

The financial report has been approved to be issued by the Board of Directors on 22 August 2018.

The consolidated scope of the Company of the Reporting Period includes the Company as the parent and 5 subsidiaries with no changes compared with last period. For the details of the consolidated scope of the Reporting Period and the changes situation, please refer to the changes of the consolidated scope of the notes to the financial report and the notes to the equities among other entities.

IV. Basis for Preparation of the Financial Report

1. Basis for Preparation

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with The Accounting Standards for Business Enterprises—Basic Standard issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 42 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 February 2006 onwards (hereinafter jointly referred to as "the Accounting Standards for Business Enterprises", "China Accounting Standards" or "CAS"), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In accordance with relevant provisions of the Accounting Standards for Business Enterprises,

the Group adopted the accrual basis in accounting. Except for some financial instruments, where impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

2. Continuation

The Company comprehensively evaluated the information acquired recently that there would be no such factors in the 12 months from the end of the Reporting Period that would obviously influence the continuation capability of the Company and predicted that the operating activities would continue in the future 12 months of the Company. The financial statement compiled base on the continuous operation.

V. Important Accounting Policies and Estimations

Notification of specific accounting policies and accounting estimations:

The Company and each subsidiary according to the actual production and operation characteristics and in accord with the regulations of the relevant ASBE, formulated certain specific accounting policies and accounting estimations, which mainly reflected in the withdrawal method of the bad debt provision of the accounts receivable (Notes III, 11), the measurement of the inventory (Notes III, 12) and the depreciation of the fixed assets (Notes III, 16) etc. As for the details of the significant accounting judgment and the estimations made by the management layer, please refer to Notes III, 30 “Important accounting judgment and estimations”.

1. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Group are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company’s and the Group’s financial positions, business results and cash flows and other relevant information.

2. Fiscal Period

The fiscal periods are divided into fiscal year and metaphase, the fiscal year is from January 1 to December 31 and as the metaphase included monthly, quarterly and semi-yearly periods.

3. Operating Cycle

A normal operating cycle refers to a period from the Group purchasing assets for processing to realizing cash or cash equivalents. An operating cycle for the Group is 12 months, which is also the classification criterion for the liquidity of its assets and liabilities.

4. Currency Used in Bookkeeping

Renminbi is functional currency of the Company.

5. Accounting Methods for Business Combinations under the Same Control and Business Combinations not under the Same Control

(1) Business combinations under the same control:

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary.

For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

All direct costs for the business combination, including expenses for audit, evaluating and legal services shall be recorded into the profits and losses at the current period. The expenses such as the handling charges and commission etc, premium income of deducting the equity securities, and as for the premium income was insufficient to dilute, the retained earnings shall be written down.

Owning to the reasons such as the additional investment, for the equity investment held before acquiring the control right of the combined parties, the confirmed relevant gains and losses, other comprehensive income and the changes of other net assets since the date of the earlier one between the date when acquiring the original equity right and the date when the combine parties and combined ones were under the same control to the combination date, should be respectively written down and compared with the beginning balance of retained earnings or the current gains and losses during the statement period.

(2) Business combinations not under the same control

A business combination not under the same control is a business combination in which the

combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination.

The combination costs of the acquirer and the identifiable net assets obtained by the acquirer in a business combination shall be measured at the fair values. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains forms the acquiree as business reputation. The direct relevant expenses occurred from the enterprise combination should be included in the current gains and losses when occurred. The combination costs of the acquirer and the identifiable net assets obtained by it in the combination shall be measured according to their fair values at the acquiring date. The difference between the fair value of the assets paid out by the Company and its book value should be included in the current gains and losses. The purchase date refers to the date that the purchaser acquires the control right of the acquiree.

For the business combinations not under the same control realized through step by step multiple transaction, as for the equity interests that the Group holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. The equity holed by the acquiree which involved with the other comprehensive income and the other owners' equities changes except for the net gains and losses, other comprehensive income and the profits distribution and other related comprehensive gains and other owners' equities which in relation to the equity interests that the Group holds in the acquiree before the acquiring date should be transferred into the current investment income on the acquiring date, except for the other comprehensive income occurred from the re-measurement of the net profits of the defined benefit plans or the changes of the net assets of the investees.

6. Methods for Preparing Consolidated Financial Statements

The Company confirms the consolidated scope based on the control and includes the subsidiaries with actual control right into the consolidated financial statement.

The consolidated financial statement of the Company is compiled according to the regulations of No. 33 of ASBE-Consolidated Financial Statement and the relevant regulations and as for the whole significant come-and-go balance, investment, transaction and the unrealized profits should be written off when compiling the consolidated financial statement. The portion of a subsidiary's shareholders' equity and the portion of a subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the

consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

The accounting policy or accounting period of each subsidiary is different from which of the Company, which shall be adjusted as the Company; or subsidiaries shall prepare financial statement again required by the Company when preparing the consolidated financial statements.

As for the added subsidiary company not controlled by the same enterprise preparing the consolidated financial statement, shall adjust individual financial statement based on the fair value of the identifiable net assets on the acquisition date; as for the added subsidiary companies controlled by the same enterprise preparing the financial statement, shall not adjust the financial statement of the subsidiaries, namely survived by integration as participating in the consolidation when the final control party starts implementing control and should adjust the period-begin amount of the consolidated balance sheet and at the same time adjust the relevant items of the compared statement.

As for the disposed subsidiaries, the operation result and the cash flow should be included in the consolidated income statement and the consolidated cash flow before the disposing date; the disposed subsidiaries of the current period, should not be adjusted the period-begin amount of the consolidated balance sheet.

Where the Group losses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment and the other owners' equities changes except for the net gains and losses, other comprehensive income and profits distribution in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No.2 Accounting Standard for

Business Enterprises-Long-term Equity Investments or the No.22 Accounting Standard for Business Enterprises-Recognition and Measurement of Financial Instruments.

For the disposal of equity investment belongs to a package deal, should be considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control, when the Group losing control on its subsidiary.

For the disposal of the equity investment not belongs to a package deal, should be executed accounting treatment according to the relevant policies of partly disposing the equity investment of the subsidiaries under the situation not lose the control right before losing the control right; when losing the control right, the former should be executed accounting treatment according to the general disposing method of the disposal of the subsidiaries.

7. Classification of Joint Arrangements and Accounting Treatment of Joint Operations

The Group classifies joint arrangements into joint operations and joint ventures.

A joint operation refers to a joint arrangement where the Group is the joint operations party of the joint arrangement and enjoys assets and has to bear liabilities related to the arrangement. The Company confirms the following items related to the interests share among the joint operations and executes accounting treatment according to the regulations of the relevant ASBE:

(1) Recognizes the assets that it holds and bears in the joint operation and recognizes the jointly-held assets according to the Group's stake in the joint operation;

(2) Recognizes the liabilities that it holds and bears in the joint operation and recognizes the jointly-held liabilities according to the Group's stake in the joint operation;

(3) Recognizes the income from sale of the Group's share in the output of the joint operation

(4) Recognizes the income from sale of the joint operation's outputs according to the Group's stake in it

(5) Recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

8. Recognition Standard for Cash and Cash Equivalents

In the Group's understanding, cash and cash equivalents include cash on hand, any deposit that can be used for cover, and short-term (usually due within 3 months since the day of purchase) and high circulating investments, which are easily convertible into known amount of cash and whose risks in change of value are minimal.

9. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements

(1) Foreign currency business

Concerning the foreign-currency transactions that occurred, the foreign currency shall be converted into the recording currency according to the middle price of the market exchange rate disclosed by the People's Bank of China on the date of the transaction. Among the said transactions that occurred, those involving foreign exchanges shall be converted according to the exchange rates adopted in the actual transactions.

On the balance sheet date, the foreign-currency monetary assets and the balance of the liability account shall be converted into the recoding currency according to the middle price of the market exchange rates disclosed by the People's Bank of China on the Balance Sheet Date. The difference between the recording-currency amount converted according to the exchange rate on the Balance Sheet Date and the original book recording-currency amount shall be recognized as gains/losses from foreign exchange. And the exchange gain/loss caused by the foreign-currency borrowings related to purchasing fixed assets shall be handled according to the principle of capitalizing borrowing expenses; the exchange gain/loss incurred in the establishment period shall be recorded into the establishment expense; others shall be recorded into the financial expenses for the current period.

On the balance sheet date, the foreign-currency non-monetary items measured by historical cost shall be converted according to the middle price of the market exchange disclosed by the People's Bank of China on the date of the transaction, with no changes in the original recording-currency amount; while the foreign-currency non-monetary items measured by fair value shall be converted according to the middle price of the market exchange disclosed by the People's Bank of China on the date when the fair value is recognized, and the exchange gain/loss caused thereof shall be recognized as the gain/loss from fair value changes and recorded into the gain/loss of the current period.

(2) Translation of foreign currency

The assets and liabilities items among the balance sheet of the foreign operation shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "undistributed profits", other items shall be translated at the spot exchange rate at the time when they are incurred. And the revenues and expenses items among the balance sheet of the foreign operation shall be translated at the approximate exchange rate of the transaction date. The difference caused from the above transaction of the foreign currency statement should be listed in the other comprehensive income among the owners' equities.

10. Financial Instruments

(1) Category of financial instruments

The Company classifies the financial assets into four kinds such as trading financial assets, available-for-sale financial assets, accounts receivable and held-to-maturity investment according to the investment purpose and the economy nature.

The Company classifies the financial liabilities into two kinds such as the financial liabilities measured by fair value with the changes included in the current gains and losses and the other financial liabilities measured by amortized cost according to the economy nature.

(2) Recognition basis and measurement methods of financial instruments

The trading financial assets should be measured by fair value with the changes of fair value included in the current gains and losses; the available-for-sale financial assets should be measured by fair value with the changes of fair value included in the owners' equities; and the accounts receivable and the held-to-maturity investment should be measured by amortized cost.

(3) Recognition basis and measurement methods of financial instruments transformation

The Company transfers or delivers a financial asset to a party other than the issuer of the financial asset and the transformation of the financial assets could be whole of the financial assets or a part of it, which including two methods:

The enterprise transfers the right to another party for receiving the cash flow of the financial asset;

The enterprise transfers the financial asset to another party, but maintains the right to receive the cash flow of the financial asset and undertakes the obligation to pay the cash flow it receives to the final recipient.

Where the Company has transferred a part or nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset and the difference between the consideration received and the book value of the transferred financial assets should be recognized as gains and losses and at the same time transfers the accumulative gains or losses from the recognized financial assets among the original owners' equities in the gains and losses; if it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall continue to recognize the whole or part of the financial assets and the consideration received be recognized as financial liabilities.

Where the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset.

(4) De-recognition conditions of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

(5) Recognition methods of the fair value of main financial assets and financial liabilities

As for the financial assets held by the Company or the financial liabilities plans to undertake, if there exists active market, should adopt the current offering price in the active market, and as for the financial assets plans to be purchased by the Company or the financial liabilities undertook, should adopt the current offering in the active market, and if there is no current offering price or asking price, should adopt the market quotation of the recent transactions or the adjusted market quotation of the recent transactions, except for there is definite evidence indicate the market quotation is not the fair value.

Where there is no active market for a financial instrument, the enterprise concerned shall

adopt value appraisal techniques, including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature etc.

(6) Impairment test method and withdrawal methods of impairment provision of financial assets (excluding accounts receivable)

The Company shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made. For the financial assets with significant single amount, if there is objective evidence indicates the occurred impairment, should recognize the impairment losses and should include which in the current gains and losses. As for the financial assets with insignificant single amount but not occur impairment, the Company should execute the impairment test by credit groups according to the credit degree of the customers and the actual situation of the happen of the bad debts over the years for recognizing the impairment losses.

The expression “objective evidence proving that the financial asset has been impaired” refers to the actually incurred events which, after the financial asset is initially recognized, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the enterprise.

The objective evidences that can prove the impairment of a financial asset shall include:

A serious financial difficulty occurs to the issuer or debtor;

The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

The creditor makes any concession to the debtor who is in financial difficulties due to economic or legal factors, etc.;

The debtor will probably become bankrupt or carry out other financial reorganizations;

The financial asset can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;

It is impossible to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said combination of financial assets has indeed decreased since it was initially recognized and such decrease can be measured, for example, the ability of the debtor of the said combination of financial assets worsens gradually, the unemployment rate of the country or region where the debtor is situated increases, the prices of the region where the guaranty is situated are obviously dropping, or the industrial sector concerned is in slump, etc.;

Any seriously disadvantageous change has occurred to technical, market, economic or legal environment, etc. wherein the debtor operates its business, which makes the investor of an equity instrument unable to take back its investment;

Where the fair value of the equity instrument investment drops significantly or not contemporarily;

Other objective evidences showing the impairment of the financial asset.

Where a financial asset measured on the basis of post-amortization costs is impaired, the carrying amount of the said financial asset shall be calculated by the difference between the book

value and the current value of the predicted future cash flow of the impairment losses.

Where any financial asset measured on the basis of post-amortization costs is recognized as having suffered from any impairment loss, if there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period.

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the owner's equity which is directly included shall be transferred out and recorded into the profits and losses of the current period.. The accumulative losses are the initial cost after deducting the principal, the amortization amount, fair value of current period and balance after originally recorded into impairment loss of profits or losses. After the recognition of impairment losses, if there is any objective evidence indicated that the value of financial assets is resumed and objectively related to the events after the recognition of impairment losses, transfer the impairment losses originally recognized, transfer the impairment losses of available for sale equity instrument investment and recognized as other comprehensive income, and transfer the impairment losses of available for sale liability instruments and record into current profits or losses.

11. Receivables

(1) Accounts Receivable with Significant Single Amount for which the Bad Debt Provision is Made Individually

Recognition criteria of accounts receivable with individual and significant amount	Significant single amounts refers to the accounts receivable of the single amount more than RMB 1 million (RMB 1 million include) (including accounts receivable and other accounts receivable)
Withdrawal method of the bad debt provision of the accounts receivable with significant single amounts	The Company makes an independent impairment test on the accounts receivable with significant single amount, and provision for bad debts shall withdrawn on the basis of the balance between the current values of the predicted future cash flow lower than book value. Upon independent impairment test, the accounts receivable with significant single amounts has not been impaired, it shall be withdrawn bad debt provision based on ending balance by adopting aging analysis method.

(2) Accounts Receivable which the Bad Debt Provision is withdrawn by Credit Risk Characteristics

Group name	Withdrawal method of bad debt provision
the age of the accounts receivable is divided by the groups of credit risk	aging analysis method

In the groups, those adopting aging analysis method to withdraw bad debt provision:

√ Applicable □ Not applicable

Aging	Withdrawal proportion of account receivables	Withdrawal proportion of other account receivables

Within 1 year (including 1 year)	2.00%	2.00%
1 to 2 years	5.00%	5.00%
2 to 3 years	15.00%	15.00%
3 to 4 years	30.00%	30.00%
4 to 5 years	60.00%	60.00%
Over 5 years	100.00%	100.00%

In the groups, those adopting balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

In the groups, those adopting other methods to withdraw bad debt provision:

□ Applicable √ Not applicable

(3) Accounts Receivable with an Insignificant Single Amount but for which the Bad Debt Provision is Made Independently

Reason of individually withdrawing bad debt provision	Insignificant single amounts refers to the accounts receivable of the single amount lower than RMB 1 million (RMB1 million not include) (including accounts receivable and other accounts receivable).
Withdrawal method for bad debt provision	As for an account receivable with an insignificant single amount and which can not show its risk feature when withdrawing a bad-bet provision for it on the group basis, the bad-debt provision for the account receivable shall be withdrawn based on the difference of the expected present value of the future cash flows of the account receivable that less than its carrying amount. The Company shall withdraw the bad-debt provision for such an account receivable by combining the aging method and individual judgment based on the debtor entity's actual financial position, cash flows and other relevant information.

12. Inventory

Is the Company subject to any disclosure requirements for special industries?

No

(1) Category of Inventory

Inventory refers to the held-for-sale finished products or commodities, goods in process, materials consumed in the production process or the process providing the labor service etc. Inventory is mainly including the raw materials, low priced and easily worn articles, unfinished products, inventories and work in process–outsourced etc.

(2) Pricing method

Purchasing and storage of the various inventories should be valued according to the planed cost and the dispatch be calculated according to the weighted average method; carried forward the cost of the finished products according to the actual cost of the current period and the sales cost according to the weighted average method.

(3) Determination basis of the net realizable value of inventory and withdrawal method of the provision for falling price of inventory

At the balance sheet date, inventories are measured at the lower of the costs and net realizable value. When all the inventories are checked roundly, for those which were destroyed, outdated in all or in part, sold at a loss, etc, the Company shall estimate the irrecoverable part of its cost and withdrawal the inventory falling price reserve at the year-end. Where the cost of the single inventory item is higher than the net realizable value, the inventory falling price reserve shall be withdrawn and recorded into profits and losses of the current period. Of which: in the normal production and operating process, as for the commodities inventory directly for sales such as the finished products, commodities and the materials for sales, should recognize the net realizable value according to the amount of the estimated selling price of the inventory minuses the estimated selling expenses and the relevant taxes; as for the materials inventory needs to be processed in the normal production and operating process, should recognize its net realizable value according to the amount of the estimated selling price of the finished products minuses the cost predicts to be occur when the production completes and the estimated selling expenses as well as the relevant taxes; on the balance sheet date, for the same inventory with one part agreed by the contract price and other parts not by the contract price, should be respectively recognized the net realizable value. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis; for large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories.

(4) The perpetual inventory system is maintained for stock system.

(5) Amortization method of low-value consumables and packages

One time amortization method is adopted for low-value consumables and packages.

13. Assets Held for Sale

The Company recognizes the components (or the non-current assets) which meet with the following conditions as assets held for sale:

(1) The components must be immediately sold only according to the usual terms of selling this kind of components under the current conditions;

(2) The Company had made solutions on disposing the components (or the non-current assets), for example, the Company should gain the approval from the shareholders according to the regulations and had acquired the approved from the Annual General Meeting or the relevant authority institutions;

(3) The Company had signed the irrevocable transformation agreement with the transferee;

(4) The transformation should be completed within 1 year.

14. Long-term Equity Investments

(1) Judgment standard of joint control and significant influences

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Group which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.

(2) Recognition for initial investment cost

The initial investment cost of the long-term equity investment shall be recognized by adopting the following ways in accordance with different methods of acquisition:

① As for those forms under the same control of the enterprise combine, if the combine party takes the cash payment, non-cash assets transformation, liabilities assumption or equity securities issuance as the combination consideration, should take the shares of the book value by the ultimate control party in the consolidate financial statement of the owners' equities of the combiners acquired on the merger date as the initial investment cost. The difference between the initial investment cost and the book value of the paid combination consideration or the total amount of the issued shares of the long-term equity investment should be adjusted the capital reserve; If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. To include each direct relevant expense occurred when executing the enterprise merger into the current gains and losses; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

② As for long-term equity investment acquired through the merger of enterprises not under the same control, its initial investment cost shall regard as the combination cost calculated by the fair value of the assets, equity instrument issued and liabilities incurred or undertaken on the purchase date adding the direct cost related with the acquisition. The identifiable assets of the combined party and the liabilities (including contingent liability) undertaken on the combining date shall be measured at the fair value without considering the amount of minority interest. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The acquirer shall record the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the consolidated income statement directly. The agent expense and other relevant management expenses such as the audit, legal service and evaluation

consultation occurs from the enterprise merger, should be included in the current gains and losses when occur; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

③ Long-term investment obtained by other means

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement, the unfair value stipulated in the contract or agreement shall be measured at fair value.

As for long-term investment obtained by the exchange of non-monetary assets, where it is commercial in nature, the fair value of the assets surrendered shall be recognized as the initial cost of the long-term equity investment received; where it is not commercial in nature, the book value of the assets surrendered shall be recognized as the initial cost of the long-term equity investment received.

The initial cost of a long-term equity investment obtained by recombination of liabilities shall be recognized at fair value of long-term equity investment.

(3) Subsequent measurement and recognition of profits and losses

① An investment in the subsidiary company shall be measured by employing the cost method

Where the Company hold, and is able to do equity investment with control over an invested entity, the invested entity shall be its subsidiary company. Where the Company holds the shares of an entity over 50%, or, while the Company holds the shares of an entity below 50%, but has a real control to the said entity, then the said entity shall be its subsidiary company.

② An investment in the joint enterprise or associated enterprise shall be measured by employing the equity method

Where the Company hold, and is able to do equity investment with joint control with other parties over an invested entity, the invested entity shall be its joint enterprise. Where the Company hold, and is able to have equity investment with significant influences on an invested entity, the invested entity shall be its associated entity.

After the Company acquired the long-term equity investment, should respectively recognize investment income and other comprehensive income according to the net gains and

losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the owners' equity .

The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity.

If the accounting policy adopted by the investees is not accord with that of the Group, should be adjusted according to the accounting policies of the Group and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income.

For the transaction happened between the Company and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Group according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Company and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized.

The Company shall recognize the net losses of the invested enterprise according to the following sequence: first of all, to write down the book value of the long-term equity investment. Secondly, if the book value of the long-term equity investment is insufficient for written down, should be continued to recognized the investment losses limited to the book value of other long-term equity which forms of the net investment of the investees and to written down the book value of the long-term accounts receivable etc. Lastly, through the above handling, for those should still undertake the additional obligations according to the investment contracts or the agreements, it shall be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

In the preparation for the financial statements, the balance existed between the long-term

equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the capital reserves shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted; the Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them, the balance between the disposed price and attributable net assets of subsidiaries by disposing the long-term equity investment shall be recorded into owners' equity.

For other ways on disposal of long-term equity investment, the balance between the book value of the disposed equity and its actual payment gained shall be recorded into current profits and losses.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owning to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owning to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

For those the Company lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal

according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Group acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

For those the Company lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owning to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

15. Investment Real Estate

Measurement mode of investment real estate:

Measurement of cost method

Depreciation or amortization method

The investment real estate shall be measured at its cost. Of which, the cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expense directly relegated to the asset; the cost of a self-built investment real estate composes of the

necessary expenses for building the asset to the hoped condition for use. The investment real estate invested by investors shall be recorded at the value stipulated in the investment contracts or agreements, but the unfair value appointed in the contract or agreement shall be entered into the account book at the fair value.

As for withdrawal basis of provision for impairment of investment real estates, please refer to withdrawal method for provision for impairment of fixed assets.

16. Fixed Assets

(1) Recognition Conditions

Fixed assets refers to the tangible assets that simultaneously possess the features as follows: (a) they are held for the sake of producing commodities, rendering labor service, renting or business management; and (b) their useful life is in excess of one fiscal year. The fixed assets are only recognized when the relevant economic benefits probably flow in the Company and its cost could be reliable measured.

(2) Depreciation Method

Category of fixed assets	Method	Useful life	Expected net salvage value	Annual deprecation
Housing and building	Average method of useful life	20-40		2.50-5
Machinery equipment	Average method of useful life	6-15		6.67-16.67
Transportation equipment	Average method of useful life	5-10		10-20
Electronic equipment	Average method of useful life			
Other equipment	Average method of useful life	5-10		10-20

(3) Recognition Basis, Pricing and Depreciation Method of Fixed Assets by Finance Lease

The Company recognizes those meet with the following one or certain standards as the fixed assets by finance lease: ① The leasing contract had agreed that (or made the reasonable judgment according to the relevant conditions on the lease starting date) when the lease term expires, the ownership of leasing the fixed assets could be transferred to the Company; ② The Company owns the choosing right for purchasing and leasing the fixed assets, with the set purchase price which is estimated far lower than the fair value of the fixed assets by finance lease when executing the choosing right, so the Company could execute the choosing right reasonably on the lease starting

date; ③ Even if the ownership of the fixed assets not be transferred, the lease period is of 75% or above of the useful life of the lease fixed assets; ④ The current value of the minimum lease payment on the lease starting date of the Company is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date; the current value of the minimum lease receipts on the lease starting date of the leaser is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date; ⑤ The nature of the lease assets is special that only the Company could use it if not execute large transformation. The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term. The fixed assets by finance lease shall adopt the same depreciation policy for self-owned fixed assets. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

17. Construction in Progress

(1) Valuation of the progress in construction

Construction in progress shall be measured at actual cost. Self-operating projects shall be measured at direct materials, direct wages and direct construction fees; construction contract shall be measured at project price payable; project cost for plant engineering shall be recognized at value of equipments installed, cost of installation, trail run of projects. Costs of construction in process also include borrowing costs and exchange gains and losses, which should be capitalized.

(2) Standardization on construction in process transferred into fixed assets and time point

The construction in process, of which the fixed assets reach to the predicted condition for use, shall carry forward fixed assets on schedule. The one that has not audited the final accounting shall recognize the cost and make depreciation in line with valuation value. The construction in process shall adjust the original valuation value at its historical cost but not adjust the depreciation that has been made after auditing the final accounting.

18. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

The borrowing costs shall include the interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing costs occurred belong to specifically borrowed loan or general borrowing used for the acquisition and construction of investment real estates and inventories over one year (including one year) shall be capitalized, and record into relevant assets cost. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The borrowing costs shall not be capitalized unless they simultaneously meet the following three requirements: (1) The asset disbursements have already incurred; (2) The borrowing costs have already incurred; and (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) The period of capitalization of borrowing costs

The borrowing costs arising from acquisition and construction of fixed assets, investment real estates and inventories, if they meet the above-mentioned capitalization conditions, the capitalization of the borrowing costs shall be measured into asset cost before such assets reach to the intended use or sale, Where acquisition and construction of fixed assets, investment real estates and inventories is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended, and recorded into the current expense, till the acquisition and construction of the assets restarts. When the qualified asset is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased, the borrowing costs occurred later shall be included into the financial expense directly at the current period.

(3) Measurement method of capitalization amount of borrowing costs

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by

the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

19. Intangible Assets

(1) Pricing Method, Service Life, and Impairment Test

(1) Pricing method of intangible assets

Intangible assets purchased should take the actual payment and the relevant other expenses as the actual cost.

For the intangible assets invested by the investors should be recognized the actual cost according to the value of the investment contracts or agreements, however, for the value of the contracts or agreements is not fair, the actual cost should be recognized according to the fair value.

For the intangible assets acquires from the exchange of the non-currency assets, if own the commercial nature, should be recorded according to the fair value of the swap-out assets; for those not own the commercial nature, should be recorded according to the book value of the swap-out assets.

For the intangible assets acquires from the debts reorganization should be recognized by the fair value.

(2) Amortization method and term of intangible assets

As for the intangible assets with limited service life, which are amortized by straight-line method when it is available for use within the service period, shall be recorded into the current profits and losses. The Company shall, at least at the end of each year, check the service life and the amortization method of intangible assets with limited service life. When the service life and the amortization method of intangible assets are different from those before, the years and method of the amortization shall be changed.

Intangible assets with uncertain service life may not be amortized. However, the Company shall check the service life of intangible assets with uncertain service life during each accounting period. Where there are evidences to prove the intangible assets have limited service life, it shall be estimated of its service life, and be amortized according to the above method mentioned.

The rights to use land of the Company shall be amortized according to the rest service life.

(2) Accounting Polices of Internal R & D Expenses

The internal research and development projects of an enterprise shall be classified into research phase and development phase: the term “research” refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge; the term “development” refers to the application of research achievements and other knowledge to a certain

plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

The Company collects the expenses of the corresponding phases according to the above standard of classifying the research phase and the development phase. The research expenditures for its internal research and development projects of an enterprise shall be recorded into the profit or loss for the current period. The development expenditures for its internal research and development projects of an enterprise may be capitalized when they satisfy the following conditions simultaneously: it is feasible technically to finish intangible assets for use or sale; it is intended to finish and use or sell the intangible assets; the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; the development expenditures of the intangible assets can be reliably measured.

20. Impairment of Long-term Assets

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Group should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible intangible assets should be tested for decrease in value no matter whether it exists.

If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the Buyer’s price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Disposal expenses include legal fees, taxes, cartage or other direct expenses of merchantable Assets related to asset disposal. Present value of predicted asset cash flow should be determined by the proper discount rate according to Assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the

recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

21. Amortization Method of Long-term Deferred Expenses

Long-term deferred expanses of the Company shall be recorded in light of the actual expenditure, and amortized averagely within benefit period. In case of no benefit in the future accounting period, the amortized value of such project that fails to be amortized shall be transferred into the profits and losses of the current period.

22. Payroll

(1) Accounting Treatment of Short-term Compensation

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

(2) Accounting Treatment of the Welfare after Demission

The Company classifies the welfare plans after demission into defined contribution plans and defined benefit plans. Welfare plans after demission refers to the agreement on the welfare after demission reaches between the Company and the employees, or the regulations or methods formulated by the Company for providing the welfare after demission for the employees. Of which, defined contribution plans refers to the welfare plans after demission that the Company no

more undertake the further payment obligations after the payment of the fixed expenses for the independent funds; defined benefit plans, refers to the welfare plans after demission except for the defined contribution plans.

Defined contribution plans

During the accounting period that the Company providing the service for the employees, the Company should recognize the liabilities according to the deposited amount calculated by defined contribution plans, and should be included in the current gains and losses or the relevant assets cost.

(3) Accounting Treatment of the Demission Welfare

The Company should recognize the payroll payment liabilities occur from the demission welfare according to the earlier date between the following two conditions and include which in the current gains and losses when providing the demission welfare for the employees: the Company could not unilaterally withdraw the demission welfare owning to the relieve plans of the labor relationship or reduction; when the Company recognizing the costs or expenses related to the reorganization involves with the demission welfare payments.

(4) Accounting Treatment of the Welfare of Other Long-term Staffs

The Company providing employees with demission welfare shall confirm employee benefits liabilities in the earlier one of the following times, and recorded as the current profit or loss: the time when the Company cannot unilaterally withdraw layoff proposal termination benefits provided due to termination of employment; the time when the Company ensures the costs related to the payment for termination benefits related to the restructuring.

23. Estimated Liabilities

(1) Criteria of estimated liabilities

Only if the obligation pertinent to a contingencies shall be recognized as an estimated debts when the following conditions are satisfied simultaneously:

① That obligation is a current obligation of the Company;

② It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation;

③ The amount of the obligation can be measured in a reliable way.

(2) Measurement of estimated liabilities

The Company shall measure the estimated debts in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

The Company shall check the book value of the estimated debts on the Balance Sheet Date. If

there is any conclusive evidence proving that the said book value can't truly reflect the current best estimate, the Company shall, subject to change, make adjustment to carrying value to reflect the current best estimate.

24. Revenue

Is the Company subject to any disclosure requirements for special industries?

No

(1) Recognition of revenue from sale of goods: the revenue from selling shall be recognized by the following conditions: The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant revenue and costs of selling goods can be measured in a reliable way. The amount of the revenue from selling shall ascertain the revenue incurred by selling goods in accordance with the received or receivable price stipulated in the contract or agreement signed between the enterprise and the buyer, unless the received or receivable amount as stipulated in the contract or agreement is unfair.

(2) Recognition of revenue from providing labor services: When the total revenue and costs from providing labor can be measured in a reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be measured in a reliable way, the revenue from providing labor shall be recognized. If the Company can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method on the date of the balance sheet, otherwise the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred and expected to be compensated. The Company recognized the completion process of the transaction concerning the labor services according to the proportion of the occurred cost of the estimated total cost. The total amount of the revenue from providing services should be recognized according to the contract price received or receivable from the accepting of the labor services or the agreement price except for those unfair prices.

(3) Recognition of the revenue from transferring use rights of assets: When the relevant economic benefits are likely to flow into the enterprises and the amount of revenues can be measured in a reliable way, the revenue from abalienating the right to use assets shall be recognized. The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate； the amount of royalty revenue should be measured and confirmed in accordance with the period and

method of charging as stipulated in the relevant contract or agreement; as for the rental revenue: the amount of the rental revenue from the operation lease should be recognized according to the straight-line method during each period of the lease term or accrued into the current gains and losses if rental actual occurred.

25. Government Subsidies

(1) Judgment Basis and Accounting Treatment of Government Subsidies Related to Assets

A government subsidy means the monetary or non-monetary assets obtained free by an enterprise from the government. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income according to the relevant government documents.

For those the government documents not definite stipulate the assistance object, the judgment basis of the Company classifies the government subsidies pertinent to assets and government subsidies pertinent to income is: whether are used for purchasing or constructing or for forming the long-term assets by other methods.

The government subsidies should be recognized only when meet with the attached conditions of the government subsidies as well as could be acquired.

If the government subsidies are the monetary assets, should be measured according to the received or receivable amount; and for the government subsidies are the non-monetary assets, should be measured by fair value.

The government subsidies pertinent to assets shall be recognized as deferred income, and included in the current gains and losses or offset the book value of related assets within the useful lives of the relevant assets with a reasonable and systematic method.

(2) Judgment Basis and Accounting Treatment of Government Subsidies Pertinent to Incomes

Government subsidies used to compensate the relevant costs, expenses or losses of the Company in the subsequent period shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant costs, expenses or losses; those used to compensate the relevant costs, expenses or losses of the Company already happened shall be included in the current gains and losses or used to offset relevant costs directly.

For government subsidies that include both assets-related and income-related parts, they should be distinguished separately for accounting treatment; for government subsidies that are difficult to be distinguished, they should be classified as income-related.

Government subsidies related to the daily activities of the Company shall be included into

other income or used to offset relevant costs by the nature of economic business; those unrelated shall be included into non-operating income.

The government subsidies recognized with relevant deferred income balance but need to return shall be used to offset the book balance of relevant deferred income, the excessive part shall be included in the current gains and losses or adjusting the book value of assets for the government subsidies assets-related that offset the book value of relevant assets when they are initially recognized; those belong to other cases shall be directly included in the current gains and losses.

26. Deferred Income Tax Assets and Liabilities

(1) Basis of recognizing the deferred income tax assets

According to the difference between the book value of the assets and liabilities and their tax basis, A deferred tax assets shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The recognition of the deferred income tax assets is limited by the income tax payable that the Company probably gains for deducting the deductible temporary differences. At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.

(2) Basis of recognizing the deferred income tax liabilities

According to the difference between the book value of the assets and liabilities and their tax basis, A deferred tax liabilities shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

27. Lease

(1) Accounting Treatment of Operating Lease

Lessee in an operating lease shall treat the lease payment under an operating lease as a relevant asset cost or the current profit or loss on a straight-line basis over the lease term. The initial direct costs incurred shall be recognized as the current profit or loss; Contingent rents shall be charged as expenses in the periods in which they are incurred.

Lessors in an operating lease shall be recognized as the current profit or loss on a straight-line basis over the lease term; Initial direct costs incurred by lessors shall be recognized as the current profit or loss; the initial direct expenses occur should be directly included in the current gains and losses except for those with larger amount and be capitalized as well as be included in the gains and losses by stages. Contingent rents shall be charged as expenses in the periods in which they are incurred.

(2) Accounting Treatments of Financial Lease

When the Company as the lessee, On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges and the occurred initial direct expenses, should be recorded in the lease assets value. During each lease period, should recognize the current financing expenses by adopting the actual interest rate.

When the Company as the leasor and on the beginning date of the lease term, the Company shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value and the sum of their present values shall be recognized as unrealized financing income. During each lease period, should recognize the current financing revenues adopting the actual interest rate.

28. Other Significant Accounting Policies and Estimates

(1) Operation termination

Operation termination refers to the compose part that meet with one of the following conditions which had been disposed by the Group or be classified to held-to-sold as well as could be individually distinguished in operating and compiling the financial statement:

① The compose part represents an individual main business or a main operation area;

② The compose part is a part intends to dispose and plan an individual main business or a main operation area;

③ The compose part is a subsidiary which be acquired only for resold.

(2) Hedging accounting

The term “hedging” refers to one or more hedging instruments which are designated by an

enterprise for avoiding the risks of foreign exchange, interest rate, commodity price, stock price, credit and etc., and which is expected to make the changes in fair value or cash flow of hedging instrument(s) to offset all or part of the changes in the fair value or cash flow of the hedged item.

The term “hedging instrument” shall refer to a derivative instrument which is designated by an enterprise for hedging and by which it is expected that changes in its fair value or cash flow can offset the changes in fair value or cash flow of the hedged item. For a hedging of foreign exchange risk, a non-derivative financial asset or non-derivative financial liability may be used as a hedging instrument.

The “hedged item” shall refer to the following items which make an enterprise faced to changes in fair value or cash flow and are designated as the hedged objectives.

The hedging should be executed by the hedging accounting methods when satisfying the following conditions at the same time:

① At the commencement of the hedging, the enterprise shall specify the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging.

② The hedging expectation is highly efficient and meets the risk management strategy, which is confirmed for the hedging relationship by enterprise at the very beginning.

③ For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall make the enterprise faced to the risk of changes in cash flow, which will ultimately affect the profits and losses.

④ The effectiveness of hedging can be reliably measured.

⑤ The hedging is highly effective in accounting period in which the hedging relationship is specified.

29. Changes in Main Accounting Policies and Estimates

(1) Change in Accounting Policies

□ Applicable √ Not applicable

(2) Changes in Accounting Estimates

□ Applicable √ Not applicable

30. Other

Critical accounting judgments and estimates

Due to the inside uncertainty of operating activity, the Group needed to make judgments, estimates and assumption on the book value of the accounts without accurate measurement during

the employment of accounting policies. And these judgments, estimates and assumption were made basing on the prior experience of the senior executives of the Group, as well as in consideration of other factors. These judgments, estimates and assumption would also affect the report amount of income, costs, assets and liabilities, as well as the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of these estimates was likely to cause significant adjustment on the book value of the affected assets and liabilities.

The Group would check periodically the above judgments, estimates and assumption on the basis of continuing operation. For the changes in accounting estimates only affected on the current period, the influence should be recognized at the period of change occurred; for the changes in accounting estimates affected the current period and also the future period, the influence should be recognized at the period of change occurred and future period.

On the balance sheet date, the Group needed to make judgments, estimates and assumption on the accounts in the following important items:

(1) Provision for bad debts

In accordance with the accounting policies of accounts receivable, the Group measured the losses for bad debts by adopting allowance method. The impairment of accounts receivable was based on the appraisal of the recoverability of accounts receivable. The impairment of accounts receivable was dependent on the judgment and estimates. The actual amount and the difference of previous estimates would affect the book value of accounts receivable and the withdrawal and reversal on provision for bad debts of accounts receivable during the period of estimates being changed.

(2) Provision for falling price of inventories

In accordance with the accounting policies of inventories, for the inventories that the costs were more than the net realizable value as well as out-of-date and dull-sale inventories, the Group withdrawn the provision for falling price of inventories on the lower one between costs and net realizable value. Evaluating the falling price of inventories needed the management level gain the valid evidence and take full consideration of the purpose of inventories, influence of events after balance sheet date and other factors, and then made relevant judgments and estimates. The actual amount and the difference of previous estimates would affect the book value of inventories and the withdrawal and reversal on provision for bad debts of inventories during the period of estimates being changed.

(3) Held-to-maturity investment

The Company classifies the non-derivative financial assets which meet with conditions with fixed or confirmable repayment amount and fixed maturity date as well as the Company owns

definite intention and ability to hold until mature as the held-to-maturity investment. To execute the classification needs large judgment. In the process of executing the judgment, the Company would assess the intention and ability of the investment which hold until the due date. Except for the particular situation (for example, selling the investment with insignificant amount when approaching the due date), if the Company fails to hold the investment until the due date, should re-classify the investment to the available-for-sale financial assets and would no more be classified as the held-to-maturity investment in the current fiscal year as well as the afterward two complete fiscal years. If there exits such situation, that would probably cause significant influences on the value of the relevant financial assets presented on the financial statement and may influence the risks management strategies of the financial instruments of the Company.

(4) Held-to-maturity investment impairment

The Company confirms whether the held-to-maturity investment has impairment depends on the judgment from the management layer to a large extent. The objective evidences of the impairments including the issuers which occur serious financial difficulties that lead the financial assets could not continue to trade in the active market and to execute the contracts regulations (for example, to return the interests or the principal violates a treaty) etc. In the process of executing judgment, the Company needs to evaluate the influences of the objective evidences of the impairment on the estimated future cash flow.

(5) The impairment of financial assets available for sale

The Group judged whether the financial assets available for sale were impaired relying heavily on the judgment and assumption of the management team, so as to decide whether recognized the impairment losses in the income statement. During the process of making the judgment and assumption, the Group needed to appraise the balance of the cost of the investment exceeding its fair value and the continuous period, the financial status and business forecast in a short period, including the industrial situation, technical reform, credit level, default rate and risk of counterparty.

(6) Provision for impairment of non-financial non-current assets

The Group made a judgment on the non-current assets other than financial assets whether they had any indication of impairment on the balance sheet date. For the intangible assets without finite service life, other than the annual impairment test, they should be subject to the impairment test when there was any indication of impairment. For other non-current non-financial assets, which should be subjected to impairment test when there was indication of impairment indicated that the book value can’t be recoverable.

When the book value of the assets or assets portfolio was more than the recoverable amount,

which was the higher one between the net amount of fair value after deducting the disposal expenses and the discounted amount of the estimated future cash flow, it means impairment incurred.

The net amount of fair value after deducting the disposal expenses should be fixed the price in the sale agreement for similar assets in the fair transaction minus the increased costs directly attributable to the assets disposal.

When estimated the discounted value of future cash flow, the Group needed to make important judgment on the output, selling price, relevant costs and the discount rate for calculating the discounted amount, etc. When estimated the recoverable amount, the Group would adopt all the available documents, including the prediction for relevant output, selling price and relevant operating costs arising from reasonable and supportive assumptions.

The Group made the impairment test on goodwill at least one time per year, which required to predict the discounted amount of the future cash flow of the assets or assets portfolio with the distributed good will, for which, the Group needed to predict the future cash flow of the assets or assets portfolio, and adopt the property discounted rate to decide the discounted amount of future cash flow.

(7) Depreciation and amortization

For the investment real estate, fixed assets and intangible assets, the Group withdrew the depreciation and amortization by adopting the straight-line method during the service life after full consideration of the salvage value. The Group checked the service life periodically so as to decide the amount of depreciation and amortization at each Reporting Period. The service life was fixed by the Group in accordance with the previous experience of the similar assets and the expected technical update. If there was any significant change on the previous estimates, the depreciation and amortization expenses should be adjusted.

(8) Income tax

During the routine operating activities, there were some uncertainty in the ultimate tax treatment and calculation for parts of transactions. Some accounts of such transaction could be listed as pre-tax expenditures only after the approval of taxation authorities. If there were any differences between the ultimate result of recognition for these taxation maters and their initial estimates, the differences would affect the current income tax and deferred income tax at the period of ultimate recognition.

VI Taxes

1. Main Taxes and Tax Rates

Type of tax	Taxation basis	Tax rates

VAT	Payable to sales revenue	10% and 16% etc
Urban maintenance and construction tax	Taxable turnover amount	Tax paid in accordance with the tax regulations of tax units location
Enterprise income tax	Taxable income	25% or 15%
Educational surtax	Taxable turnover amount	5%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Taxpayer	Income tax rate
Changchai Co., Ltd.	15%
Changchai Wanzhou Diesel Engine Co., Ltd.	15%
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	25%
Changzhou Housheng Investment Co., Ltd.	25%
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	25%
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	25%

2. Tax Preference

In 2015, the Company has been identified as High-tech Enterprises, therefore, it enjoys 15-percent preferential rate for corporate income tax; the Company's controlling subsidiary—Changchai Wanzhou Diesel Engine Co., Ltd., the controlling subsidiary company, shall pay the corporate income tax at tax rate 15% from 1 January 2011 to 31 December 2020 in accordance with the Notice of the Ministry of Finance, the General Administration of Customs of PRC and the National Administration of Taxation about the Preferential Tax Policies for the Western Development.

3. Others

VII. Notes to Main Items of Consolidated Financial Statements

1. Monetary Funds

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	444,203.08	466,356.31
Bank deposits	281,868,723.09	324,781,747.27
Other monetary funds	163,546,000.00	105,057,264.13
Total	445,858,926.17	430,305,367.71

Other notes:

At the end of Reporting Period, the monetary fund of the Company used restrictedly was RMB163,546,000.00, among which cash deposit of bank acceptance bill was RMB163,546,000.00.

2. Notes Receivable

(1) Notes Receivable Disclosed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank's acceptance bill	556,766,558.95	716,404,345.57
Total	556,766,558.95	716,404,345.57

(2) There Were No Notes Receivable Pledged at the Period-end

(3) Notes Receivable which Had Endorsed by the Company or Had Discounted and not Due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank's acceptance bill	403,700,000.00	
Total	403,700,000.00	

(4) There Were No Notes of the Company Transferred to Accounts Receivable owning to the Failure of Performance by the Drawer at the Period-end

3. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	26,463,686.66	2.50%	25,764,923.92	97.36%	698,762.74	26,482,933.51	4.19%	25,729,422.09	97.15%	753,511.42
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	1,031,236,006.08	97.41%	222,474,987.57	21.57%	808,761,018.51	604,209,510.47	95.65%	212,952,068.34	35.24%	391,257,442.13
Accounts receivable with insignificant single amount for which bad debt provision	974,986.14	0.09%	974,986.14	100.00%	0.00	974,986.14	0.16%	974,986.14	100.00%	

separately accrued										
Total	1,058,674,678.88	100.00%	249,214,897.63	23.54%	809,459,781.25	631,667,430.12	100.00%	239,656,476.57	37.94%	392,010,953.55

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

√ Applicable □Not applicable

Unit: RMB

Accounts receivable (classified by units)	Ending balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer 1	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 2	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 3	2,293,090.49	2,175,177.75	94.86%	Expected to difficultly recover
Customer 4	3,279,100.00	3,279,100.00	100.00%	Expected to difficultly recover
Customer 5	2,068,377.01	2,068,377.01	100.00%	Expected to difficultly recover
Customer 6	5,359,381.00	5,359,381.00	100.00%	Difficult to recover
Customer 7	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 8	1,599,243.11	1,599,243.11	100.00%	Difficult to recover
Customer 9	1,161,700.00	580,850.00	50.00%	Expected to difficultly recover
Total	26,463,686.66	25,764,923.92	--	--

In the groups, accounts receivable adopted aging analysis methods to accrue bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Sub-item within 1 year			
Subtotal of within 1 year	809,368,741.65	16,187,374.83	2.00%
1 to 2 years	14,239,832.88	711,991.64	5.00%
2 to 3 years	1,643,225.81	246,483.87	15.00%
3 to 4 years	875,560.19	262,668.06	30.00%
4 to 5 years	105,440.97	63,264.58	60.00%
Over 5 years	205,003,204.58	205,003,204.58	100.00%
Total	1,031,236,006.08	222,474,987.57	

Notes of the basis of recognizing the group:

In the groups, accounts receivable adopted balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

In the groups, accounts receivable adopted other method to withdraw bad debt provision

(2) Bad Debt Provision Withdrawn, Reversed or Recovered during the Reporting Period

The withdrawal amount of the bad debt provision during the reporting period was of RMB10,137,747.23; the amount of the reversed or recovered part during the Reporting Period was of RMB579,326.17.

(3) Top 5 Accounts Receivable in Ending Balance Collected according to the Arrears Party

The total Top 5 accounts receivable in ending balance collected according to the arrears party was RMB484,809,565.40, accounting for 45.79% of the total ending balance of accounts receivable. The ending balance of bad debt provision withdrawn was RMB18,672,083.07.

4. Prepayment

(1) List by Aging

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	19,905,484.12	92.99%	16,300,217.23	91.67%
1 to 2 years	98,245.17	0.46%	110,270.90	0.62%
2 to 3 years	401,279.30	1.87%	384,622.72	2.16%
Over 3 years	1,001,181.18	4.68%	985,896.92	5.55%
Total	21,406,189.77	--	17,781,007.77	--

(2) Top 5 Prepayments in Ending Balance Collected according to the Prepayment Target

The total top 5 prepayments in ending balance collected according to the prepayment target was RMB8,333,140.18, accounting for 38.93% of total ending balance of prepayment.

5. Other Accounts Receivable

(1) Other Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	2,853,188.02	5.43%	2,853,188.02	100.00%		2,853,188.02	7.45%	2,853,188.02	100.00%	

Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	47,561,220.62	90.57%	27,857,305.25	58.57%	19,703,915.37	33,367,460.98	87.08%	27,572,489.76	82.63%	5,794,971.22
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,099,382.02	4.00%	2,099,382.02	100.00%		2,099,382.02	5.47%	2,099,382.02	100.00%	
Total	52,513,790.66	100.00%	32,809,875.29	62.48%	19,703,915.37	38,320,031.02	100.00%	32,525,059.80	84.88%	5,794,971.22

Other accounts receivable with significant single amount for which bad debt provision separately accrued:

√ Applicable □ Not applicable

Unit: RMB

Other accounts receivable (classified by units)	Ending balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Changchai Group Import & Export Company	2,853,188.02	2,853,188.02	100.00%	Difficult to recover
Total	2,853,188.02	2,853,188.02	--	--

In the groups, other accounts receivable adopted aging analysis method to accrue bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

Aging	Ending balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Sub-item within 1 year			
Subtotal of within 1 year	19,255,197.17	385,103.94	2.00%
1-2 years	484,560.67	24,228.03	5.00%
2-3 years	115,247.00	17,287.05	15.00%
3-4 years	78,455.39	23,536.62	30.00%
4-5 years	551,526.97	330,916.18	60.00%
Over 5 years	27,076,233.42	27,076,233.42	100.00%

Total	47,561,220.62	27,857,305.25	

In the groups, other accounts receivable adopted balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

In the groups, other accounts receivable adopted other methods to withdraw bad debt provision:

□ Applicable √ Not applicable

(2) Bad Debt Withdrawn, Reversed or Recovered during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB284,815.49; the amount of the reversed or recovered part during the Reporting Period was of RMB0.00.

(3) Other Accounts Receivable Classified by the Nature of Accounts

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Margin &cash pledge	280,014.00	4,200.00
Intercourse funds	31,019,309.05	21,072,102.14
Petty cash and borrowings by employees	1,658,255.31	1,854,174.11
Other	19,556,212.30	15,389,554.77
Total	52,513,790.66	38,320,031.02

(4) Top 5 Other Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Name of units	Nature	Ending balance	Aging	Proportion to total ending balance of other accounts receivable	Ending balance of bad debt provision
Changzhou Changjiang Casting Materials Co., Ltd.	Intercourse funds	5,000,000.00	1 年以内	9.52%	100,000.00
Xuzhou Huadong Foundry Factory Co., Ltd.	Intercourse funds	3,000,000.00	1 年以内	5.71%	60,000.00
Changzhou Compressors Factory	Intercourse funds	2,940,000.00	5 年以上	5.60%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	5 年以上	5.43%	2,853,188.02
Changzhou New District Accounting Centre	Intercourse funds	1,626,483.25	5 年以上	3.10%	1,626,483.25
Total	--	15,419,671.27	--	29.36%	7,579,671.27

6. Inventory

(1) Category of Inventory

Unit: RMB

Item	Ending balance	Beginning balance

	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	116,430,194.48	3,592,556.38	112,837,638.10	137,637,917.36	5,646,775.16	131,991,142.20
Materials processed on commission	12,407,471.12	226,851.60	12,180,619.52	17,692,442.71	183,111.28	17,509,331.43
Goods in progress	121,436,739.40	17,963,201.71	103,473,537.69	142,366,956.08	18,705,451.92	123,661,504.16
Finished goods	191,108,103.70	15,091,298.80	176,016,804.90	247,668,232.73	15,020,818.93	232,647,413.80
Low priced and easily worn articles	3,582,671.06	1,582,001.67	2,000,669.39	4,212,709.15	1,775,293.26	2,437,415.89
Total	444,965,179.76	38,455,910.16	406,509,269.60	549,578,258.03	41,331,450.55	508,246,807.48

Is it necessary for the Company to observe the disclosure requirements of *Guidelines of Shenzhen Stock Exchange for Industry Information Disclosure No.4-Listed Companies Engaging in Seed Industry and Planting Business*

No

(2) Falling Price Reserves of Inventory

Unit: RMB

Item	Beginning balance	Increased amount		Decreased amount		Ending balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	5,646,775.16			2,054,218.78		3,592,556.38
Materials processed on commission	183,111.28	43,740.32		0.00		226,851.60
Goods in progress	18,705,451.92			742,250.21		17,963,201.71
Finished goods	15,020,818.93	70,479.87		0.00		15,091,298.80
Low priced and easily worn articles	1,775,293.26			193,291.59		1,582,001.67
Total	41,331,450.55	114,220.19		2,989,760.58		38,455,910.16

(3) Inventory which Ending Balance didn't include Capitalized Borrowing Amount

(4) There Were No Completed but Unsettled Assets Caused by Construction Contracts at the Period-end

7. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
The VAT tax credits	3,372,534.38	28,078,565.33
Export rebates receivable		825,933.00
Prepaid expense	345,603.46	135,685.72
Financial products from securities	16,000,000.00	13,500,000.00

companies		
Total	19,718,137.84	42,540,184.05

8. Available-for-sale Financial Assets

(1) List of Available-for-sale Financial Assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Available-for-sale equity instruments	646,466,487.16	1,210,000.00	645,256,487.16	794,732,639.04	1,210,000.00	793,522,639.04
Measured at fair value	537,369,000.00		537,369,000.00	685,837,500.00		685,837,500.00
Measured at cost	109,097,487.16	1,210,000.00	107,887,487.16	108,895,139.04	1,210,000.00	107,685,139.04
Total	646,466,487.16	1,210,000.00	645,256,487.16	794,732,639.04	1,210,000.00	793,522,639.04

(2) Available-for-sale Financial Assets at Fair Value at the Period-end

Unit: RMB

Category	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost of equity instruments /amortized cost of debt instruments	79,874,500.00		79,874,500.00
Fair value	537,369,000.00		537,369,000.00
Accumulated changes in fair value recorded into other comprehensive income	388,870,325.00		388,870,325.00

(3) Available-for-sale Financial Assets Measured by Cost at the Period-end

Unit: RMB

Investee	Carrying amount				Depreciation reserve				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Period-beginning	Increase	Decrease	Period-end	Period-beginning	Increase	Decrease	Period-end		
Liance Tech	7,200,000.00			7,200,000.00					3.20%	
Changzhou Xietong Private Equity Fund (Limited Partnership)	100,000,000.00			100,000,000.00					99.01%	
Guizhou Warmen	200,104.80			200,104.80						

Pharmaceutical Co., Ltd.										
Guizhou Anda Energy Technology Co., Ltd.	195,297.49			195,297.49						
FUNIK Ultrahard Material Co., Ltd.	63,096.08		63,096.08							
Epitop Optoelectronic Co., Ltd.	26,640.67			26,640.67						
Hebei Songhe Recycling Resources Co., Ltd.		104,699.44		104,699.44						
Henan Lantian Gas Co., Ltd.		160,744.76		160,744.76						
Others	1,210,000.00			1,210,000.00	1,210,000.00			1,210,000.00		
Total	108,895,139.04	265,444.20	63,096.08	109,097,487.16	1,210,000.00			1,210,000.00	--	

(4) Changes in the Impairment of the Available-for-sale Assets during the Reporting Period

Unit: RMB

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Beginning balance withdrawn impairment	1,210,000.00		1,210,000.00
Ending balance withdrawn impairment	1,210,000.00		1,210,000.00

9. Long-term Equity Investment

Unit: RMB

Investee	Beginning balance	Increase/decrease								Ending balance	Ending balance of depreciation reserves
		Additional investment	Reduced investment	Profit or loss recognized under the equity method	Adjustment of other comprehensive incom	Changes in other equity	Cash bonus or profits announced to issue	Withdrawal of depreciation reserves	Other		

					e						
I. Joint ventures											
II. Associated enterprises											
Beijing Tsinghua Industrial Investment Management Co., Ltd.	44,182.50									44,182.50	44,182.50
Subtotal	44,182.50									44,182.50	44,182.50
Total	44,182.50									44,182.50	44,182.50

10. Investment Property

(1) Investment Property Adopted the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original carrying value				
1. Beginning balance	87,632,571.14			87,632,571.14
2. Increased amount of the period				
(1) Outsourcing				
(2) Transfer from inventory\fixed assets\construction in progress				
(3) Enterprise combination increase				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	87,632,571.14			87,632,571.14
II. Accumulative depreciation and accumulative amortization				
1. Beginning balance	34,768,222.71			34,768,222.71
2. Increased amount of the period	1,104,170.40			1,104,170.40
(1) Withdrawal or amortization	1,104,170.40			1,104,170.40
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	35,872,393.11			35,872,393.11
III. Depreciation reserves				
1. Beginning balance				
2. Increased amount of the period				

(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance				
IV. Carrying value				
1. Ending carrying value	51,760,178.03			51,760,178.03
2. Beginning carrying value	52,864,348.43			52,864,348.43

(2) Investment Property Adopted the Fair Value Measurement Code

□ Applicable √ not applicable

11. Fixed Assets

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Other equipment	Total
I. Original carrying value					
1. Beginning balance	445,235,823.37	910,680,568.87	23,363,510.00	44,350,166.61	1,423,630,068.85
2. Increased amount of the period	1,018,882.19	4,804,054.41	0.00	263,361.79	6,086,298.39
(1) Purchase	561,488.20	819,633.56		152,360.28	1,533,482.04
(2) Transfer from construction in progress	457,393.99	3,984,420.85		111,001.51	4,552,816.35
(3) Enterprise combination increase					
3. Decreased amount of the period		670,367.80	523,352.00	117,702.62	1,311,422.42
(1) Disposal or Scrap		670,367.80	523,352.00	117,702.62	1,311,422.42
4. Ending balance	446,254,705.56	914,814,255.48	22,840,158.00	44,495,825.78	1,428,404,944.82
II. Accumulative depreciation					
1. Beginning balance	249,203,618.96	561,623,572.09	17,903,567.46	33,355,224.84	862,085,983.35
2. Increased amount of the period	8,520,481.30	33,605,803.64	1,054,969.70	1,945,545.86	45,126,800.50
(1) Withdrawal	8,520,481.30	33,605,803.64	1,054,969.70	1,945,545.86	45,126,800.50
3. Decreased amount of the period	0.00	5,314,955.96	362,140.74	520,156.75	6,197,253.45
(1) Disposal or Scrap		5,314,955.96	362,140.74	520,156.75	6,197,253.45
4. Ending balance	257,724,100.26	589,914,419.77	18,596,396.4	34,780,613.	901,015,530.

			2	95	40
III. Depreciation reserves					
1. Beginning balance		1,494,115.00			1,494,115.00
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal or Scrap					
4. Ending balance		1,494,115.00			1,494,115.00
IV. Carrying value					
1. Ending carrying value	188,530,605.30	323,405,720.71	4,243,761.58	9,715,211.83	525,895,299.42
2. Beginning carrying value	196,032,204.41	347,562,881.78	5,459,942.54	10,994,941.77	560,049,970.50

12. Construction in Progress

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Trial production workshop project technology center	16,504,456.07		16,504,456.07	14,349,461.80		14,349,461.80
Casting renovation project	715,097.59		715,097.59	396,000.00		396,000.00
Expansion capacity of multi-cylinder (The 2nd Period)	11,858,106.49		11,858,106.49	11,217,706.49		11,217,706.49
Diesel Engine Cylinder Body Flexible Manufacturing Line	22,239,955.51		22,239,955.51	20,125,955.51		20,125,955.51
35KV Substation	1,675,876.33		1,675,876.33	1,218,587.83		1,218,587.83
Equipment to be installed and payment for projects	33,382,357.21		33,382,357.21	47,274,277.43		47,274,277.43
Total	86,375,849.20		86,375,849.20	94,581,989.06		94,581,989.06

(2) Changes in Significant Construction in Progress during the Reporting Period

Unit: RMB

Item	Budg	Begin	Incre	Trans	Other	Endin	Propo	Job	Accu	Of	Capit	Capit

	et	ning balance	ased amount	ferred in fixed assets	decreased amount	g balance	rtion of accumulated investment in constructions to budget	schedule	mulated amount of interest capitalization	which: amount of capitalized interests for the Reporting Period	alization rate of interests for the Reporting Period	al resources
Trial production workshop project technology center	22,896,300.00	14,349,461.80	2,154,994.27			16,504,456.07	72.08%	unfinished				others
Expansion capacity of multi-cylinder (The 2nd Period)	70,190,000.00	11,217,706.49	640,400.00			11,858,106.49	92.61%	unfinished				others
Diesel Engin	116,040,000.00	20,125,955.51	2,114,000.00			22,239,955.51	36.05%	unfinished				others

e Cylinder Body Flexible Manufacturing Line												
35KV Substation		1,218,587.83	457,288.50			1,675,876.33		unfinished				others
Total	209,126,300.00	46,911,711.63	5,366,682.77			52,278,394.40	--	--				--

13. Intangible Assets

(1) List of Intangible Assets

Unit: RMB

Item	Land use right	Software	License fee	Total
I. Original carrying value				
1. Beginning balance	144,770,507.85	10,972,366.81	5,488,000.00	161,230,874.66
2. Increased amount of the period				
(1) Purchase				
(2) Internal R&D				
(3) Business combination increase				
3. Decreased amount of the period				
(1) Disposal				
4. Ending balance	144,770,507.85	10,972,366.81	5,488,000.00	161,230,874.66
II. Accumulated amortization				
1. Beginning balance	45,156,044.23	7,821,750.27	457,333.30	53,435,127.80
2. Increased amount of the period	1,486,425.13	1,158,166.61	364,660.91	3,009,252.65
(1) Withdrawal	1,486,425.13	1,158,166.61	364,660.91	3,009,252.65
3. Decreased amount of the period				
(1) Disposal				
4. Ending balance	46,642,469.36	8,979,916.88	821,994.21	56,444,380.45
III. Depreciation reserves				
1. Beginning balance				
2. Increased amount of the period				

(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
4. Ending balance				
IV. Carrying value				
1. Ending carrying value	98,128,038.49	1,992,449.93	4,666,005.79	104,786,494.21
2. Beginning carrying value	99,614,463.62	3,150,616.54	5,030,666.70	107,795,746.86

Proportion of intangible assets generated from internal R&D to the balance of intangible at the period-end:

14. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets Had Not Been Off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	6,519,959.41	1,006,953.81	6,519,959.41	1,006,953.81
Total	6,519,959.41	1,006,953.81	6,519,959.41	1,006,953.81

(2) Deferred Income Tax Liabilities Had Not Been Off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Changes in fair value of available-for-sale financial assets	457,494,500.00	68,624,175.00	605,963,000.00	90,894,450.00
Consolidated assets evaluation appreciation not under the same controller	6,061,317.56	1,515,329.39	6,061,317.56	1,515,329.39
Total	463,555,817.56	70,139,504.39	612,024,317.56	92,409,779.39

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Bad debt provision	275,504,813.51	265,661,576.96
Inventory falling price reserves	38,455,910.16	41,331,450.55
Total	313,960,723.67	306,993,027.51

15. Other Non-current Assets

Unit: RMB

Item	Ending balance	Ending depreciation reserve	Beginning balance	Beginning depreciation reserve
Entrusted loans	14,000,000.00	14,000,000.00	14,000,000.00	14,000,000.00
Total	14,000,000.00	14,000,000.00	14,000,000.00	14,000,000.00

16. Short-term Borrowings

(1) Short-term Borrowings Disclosed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage loans	8,700,000.00	10,000,000.00
Guaranteed loans	10,000,000.00	14,900,000.00
Credit loans	10,000,000.00	
Total	28,700,000.00	24,900,000.00

(2) There Were No Short-term Borrowings Overdue and Unpaid

17. Notes Payable

Unit: RMB

Category	Ending balance	Beginning balance
Bank's acceptance bill	531,820,000.00	347,070,500.00
Total	531,820,000.00	347,070,500.00

Total notes payable overdue but not paid at the end of the Reporting Period was RMB0.00.

18. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	550,059,148.32	616,228,500.18
Total	550,059,148.32	616,228,500.18

(2) There Were No Significant Accounts Payable Aging over One Year at the Period-end

19. Advances from Customers

(1) List of Advances from Customers

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	46,605,126.00	40,153,984.91
Total	46,605,126.00	40,153,984.91

(2) There Were No Significant Advances from Customers Aging over One Year at the Period-end

20. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	51,247,112.66	136,192,006.05	162,192,451.54	25,246,667.17
II. Post-employment benefit-defined contribution plans		20,101,194.15	20,101,194.15	
Total	51,247,112.66	156,293,200.20	182,293,645.69	25,246,667.17

(2) List of Short-term salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance

1. Salary, bonus, allowance, subsidy	42,781,111.59	112,245,515.00	137,600,268.16	17,426,358.43
2. Employee welfare	177,592.74	2,331,722.69	2,509,315.43	
3. Social insurance		10,314,452.06	10,314,452.06	
Of which: Medical insurance premiums		8,441,666.87	8,441,666.87	
Work-related injury insurance		1,130,351.92	1,130,351.92	
Maternity insurance		742,433.27	742,433.27	
4. Housing fund		9,255,406.00	9,255,406.00	
5. Labor union budget and employee education budget	8,288,408.33	2,044,910.30	2,513,009.89	7,820,308.74
Total	51,247,112.66	136,192,006.05	162,192,451.54	25,246,667.17

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits		19,636,879.11	19,636,879.11	
2. Unemployment insurance		464,315.04	464,315.04	
Total		20,101,194.15	20,101,194.15	

21. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	1,809,889.26	257,634.15
Corporate income tax	372,350.60	1,220,803.03
Personal income tax	186,651.65	397,114.88
Urban maintenance and construction tax		850,853.05
Education Surcharge		14,671.54
Comprehensive fees	235,018.47	1,075,134.76
Property tax		173,200.76
Land use tax		21,000.00
Stamp duty		7,508.61
Total	2,603,909.98	4,017,920.78

22. Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Ordinary share dividends	3,243,179.97	3,243,179.97
Dividends for non-controlling shareholders	648,253.86	648,253.86
Total	3,891,433.83	3,891,433.83

23. Other Accounts Payable

(1) Other Accounts Payable Listed by Nature of Account

Unit: RMB

Item	Ending balance	Beginning balance
Margin & cash pledged	4,342,793.03	3,266,453.59
Unit current amount	9,924,455.03	10,838,311.11
Personal amount payable	2,220,578.42	457,465.63
Sales discount and three guarantees	150,114,192.08	142,449,844.40
Other	41,218,787.83	35,082,168.35
Total	207,820,806.39	192,094,243.08

(2) Significant Other Accounts Payable Aging over One Year

The significant other accounts payable aging over one year were mainly unsettled temporary credit and accounts unpaid.

24. Other Current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Sewage charge		54,000.00
Electric charge	2,886,117.93	1,974,937.59
Total	2,886,117.93	2,028,937.59

25. Long-term Borrowings

(1) Category of Long-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage loan	2,000,000.00	2,000,000.00
Loan on credit	19,500,000.00	19,500,000.00
Total	21,500,000.00	21,500,000.00

Notes to the category of long-term borrowings:

The loan on credit at the period-end was RMB19,500,000.00, which was the loan for the technical innovation project by the Company as the parent from Changzhou Branch of CMBC with the duration from 20 September 2017 to 19 September 2019.

The mortgage loan at the period-end was RMB2,000,000.00, which was the loan by the subsidiary-Changchai Wanzhou from Gaosuntang Branch of Chongqing Three Gorges Bank with the duration from 4 December 2017 to 6 November 2020.

Other notes including interest rate range:

The credit loan at the period-end was RMB19,500,000.00 with the interest rate of 4.75%.

The mortgage loan at the period-end was RMB2,000,000.00 with the interest rate of 6.15%.

26. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Formation reasons
Government subsidies	60,992,858.46			60,992,858.46	Government appropriation

Total	60,992,858.46			60,992,858.46	--

Items involved in government subsidies:

Unit: RMB

Item	Beginning balance	Amount of newly subsidy	Amount accrued in non-operating income	Amount accrued in other income	Amount set off cost expenses	Other changes	Ending balance	Related to the assets/ income
Electric control of diesel engine research and development and industrialization allocations	1,045,200.00						1,045,200.00	Related to assets
National major project special allocations	28,770,000.00						28,770,000.00	Related to assets
Remove compensation	21,177,658.46						21,177,658.46	Related to assets
Research and development and industrialization	10,000,000.00						10,000,000.00	Related to assets

allocations of national III/IV standard high-powered efficient diesel engine for agricultural use								
Total	60,992,858.46						60,992,858.46	--

27. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Bonus issue from profit	Other	Subtotal	
The sum of shares	561,374,326.00						561,374,326.00

28. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	143,990,690.24			143,990,690.24
Other capital reserves	20,337,975.19			20,337,975.19
Total	164,328,665.43			164,328,665.43

29. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period					Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in	Less: Income tax expense	Attributable to owners of the Company as the parent	Attributable to non-controlling interests after	

			the Current Period		after tax	tax	
Other comprehensive income that may subsequently reclassified into profit or loss	515,068,550.00	-148,468,500.00		-22,270,275.00	-126,198,225.00		388,870,325.00
Gain/Loss on changes in fair value of available-for-sale financial assets	515,068,550.00	-148,468,500.00		-22,270,275.00	-126,198,225.00		388,870,325.00
Total of other comprehensive income	515,068,550.00	-148,468,500.00		-22,270,275.00	-126,198,225.00		388,870,325.00

30. Specific Reserve

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production cost	13,289,059.21			13,289,059.21
Total	13,289,059.21			13,289,059.21

31. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	300,548,352.26			300,548,352.26
Discretional surplus reserves	13,156,857.90			13,156,857.90
Total	313,705,210.16			313,705,210.16

32. Retained Profits

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained profits before adjustments	679,131,047.06	651,365,935.39
Beginning balance of retained profits after adjustments	679,131,047.06	651,365,935.39
Add: Net profit attributable to owners of the Company as the parent	18,638,557.66	39,679,158.13
dividend of ordinary shares payable	16,841,229.78	16,841,229.78
Ending retained profits	680,928,374.94	674,203,863.74

33. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same Period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,170,216,312.13	1,021,184,769.09	1,297,931,638.97	1,134,816,954.26

Other operations	16,544,580.13	13,170,139.90	10,174,541.95	6,575,367.62
Total	1,186,760,892.26	1,034,354,908.99	1,308,106,180.92	1,141,392,321.88

34. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same Period of last year
Urban maintenance and construction tax	845,650.36	1,420,461.39
Education surcharge	642,651.03	1,010,250.20
Property tax	2,069,927.39	2,185,072.01
Land use tax	1,586,101.00	1,632,123.85
Stamp duty	513,699.80	553,859.70
Vehicle and vessels usage tax		3,495.54
Other taxes	81,443.68	226,866.31
Total	5,739,473.26	7,032,129.00

35. Selling Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Office expenses	3,386,449.10	6,982,458.17
Employee’s remuneration	13,325,262.47	11,332,610.95
Sales promotional expense	4,262,413.37	5,898,980.00
Three guarantees	23,686,879.68	25,519,985.07
Transport fees	2,858,745.16	2,928,996.14
Other	4,708,326.08	3,152,325.80
Total	52,228,075.86	55,815,356.13

36. Administrative Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Office expenses	5,654,457.09	8,272,173.27
Employee’s remuneration	23,558,572.26	30,067,256.77
Depreciation and amortization	6,697,101.23	7,874,255.36
Research and development expense	20,545,742.67	20,745,380.97
Transport fees	1,056,769.14	1,748,122.94
Repair charge	1,032,605.25	2,150,881.75
Safety expenses	414,850.19	584,333.18
Other	3,474,389.63	1,955,663.27
Total	62,434,487.46	73,398,067.51

37. Finance Costs

Unit: RMB

Item	Reporting Period	Same Period of last year
Interest expense	1,805,097.10	2,466,943.16
Less: interest income	891,663.17	1,995,814.22

Net gains or losses of foreign exchange	-1,336,510.72	2,245,667.55
Other	290,739.67	-2,383,345.13
Total	-132,337.12	333,451.36

38. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same Period of last year
I. Bad debt loss	9,843,236.55	9,120,720.94
II. Inventory falling price loss	114,220.19	29,318.33
Total	9,957,456.74	9,150,039.27

39. Investment Income

Unit: RMB

Item	Reporting Period	Same Period of last year
Investment income received from the holding of available-for-sale financial assets	21,000.00	6,952,750.99
Investment income received from the disposal of securities companies' financial products	355,091.68	190,326.41
Difference of equity arising from the measurement of fair value		2,215,049.22
Total	376,091.68	9,358,126.62

40. Other Income

Unit: RMB

Resource	Reporting Period	Same Period of last year
Government subsidies	129,600.00	
Total	129,600.00	

41. Non-operating Income

Unit: RMB

Item	Reporting Period	Same Period of last year	Amount recorded in current non-recurring gains and losses
Total income generated from disposal of non-current assets	220,802.18	94,440.43	220,802.18
Of which: income generated from fixed assets	220,802.18	94,440.43	220,802.18
Insurance indemnity		353,600.00	
Income from penalty	6,021.73		6,021.73
Government subsidies		532,186.81	
Income generated from disposal of current assets	913,253.12	251,402.73	913,253.12
Other	963,006.00	20,541,693.44	963,006.00
Total	2,103,083.03	21,773,323.41	2,103,083.03

Government subsidies recorded into the current gains and losses:

Unit: RMB

Item	Distribution entity	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Reporting Period	Same period of last year	Related to assets/related income
Relocation compensation						0.00	332,986.81	Related to income
R & D and industrialization of off-road diesel engine controlled by electricity						0.00	199,200.00	Related to income
Total	--	--	--	--	--	0.00	532,186.81	--

42. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same Period of last year	Amount recorded in current non-recurring gains and losses
Total losses caused by disposal of non-current assets	759,756.94	18,709.80	759,756.94
Losses caused by disposal of fixed assets	759,756.94	18,709.80	759,756.94
Donations			
Losses caused by disposal of current assets	585,214.30	6,124,349.29	585,214.30
Other	182,194.97	251,596.09	182,194.97
Total	1,527,166.21	6,394,655.18	1,527,166.21

43. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Current income tax expense	4,352,526.65	5,670,998.75
Total	4,352,526.65	5,670,998.75

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Profit before taxation	23,260,435.57
Current income tax expense accounted at statutory/applicable tax rate	3,489,065.34
Influence of applying different tax rates by subsidiaries	376,107.32
Influence of not deductable costs, expenses and losses	1,012,585.21
Other	-525,231.22
Income tax expense	4,352,526.65

44. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Subsidy and appropriation	129,600.00	
Cash received from other current account	5,101,317.80	3,505,477.12
Interest income	891,663.17	1,995,814.22
Total	6,122,580.97	5,501,291.34

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Selling expense paid in cash	21,006,830.47	25,339,487.40
Administrative expense paid in cash	14,557,302.97	23,145,470.19
Handling charge	282,442.51	190,445.34
Other	611,755.52	330,043.88
Total	36,458,331.47	49,005,446.81

45. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	18,907,908.92	40,050,611.87
Add: Provision for impairment of assets	9,957,456.74	9,150,039.27
Depreciation of fixed assets, oil-gas assets, and productive living assets	45,126,800.50	46,215,003.48
Amortization of intangible assets	3,009,252.65	2,951,641.28
Losses on disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	521,857.30	-65,821.39
Finance costs (gains: negative)	668,251.41	568,840.63
Investment loss (gains: negative)	-376,091.68	-7,143,077.40
Decrease in inventory (gains: negative)	84,613,078.27	45,213,642.10
Decrease in accounts receivable generated from operating activities (gains: negative)	-250,092,116.94	-97,396,929.18
Increase in accounts payable used in operating activities (decrease: negative)	84,973,677.86	30,817,483.85
Others	-2,918,928.18	-5,982,111.20
Net cash generated from/used in operating activities	-5,608,853.15	64,379,323.31
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--

3. Net increase/decrease of cash and cash equivalent:	--	--
Ending balance of cash	282,312,926.17	589,472,465.73
Less: beginning balance of cash	325,263,654.43	583,278,129.09
Add: ending balance of cash equivalents		0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-42,950,728.26	6,194,336.64

(2) Cash and Cash Equivalent

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	282,312,926.17	325,263,654.43
Of which: cash on hand	444,203.08	466,356.31
Bank deposits on demand	281,868,723.09	324,781,747.27
Other monetary fund on demand		15,550.85
II. Cash equivalents		0.00
III. Ending balance of cash and cash equivalents	282,312,926.17	325,263,654.43

46. The Assets with the Ownership or Use Right Restricted

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary capital	163,546,000.00	Cash deposits for bank's acceptance bill
Houses and buildings	12,255,901.93	As pledge for bank's borrowings
Land use right	18,676,590.92	As pledge for bank's borrowings
Total	194,478,492.85	--

47. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capital			
Including: USD	2,586,982.64	6.6166	17,117,029.34
HKD	251,970.08	0.8431	212,435.97
SGD	54,427.95	4.8386	263,355.08
Accounts receivable			
Including: USD	9,138,031.84	6.6166	60,462,701.47

VIII. Changes of Consolidation Scope

No such case in Reporting Period.

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	

Changchai Wanzhou Diesel Engine Co., Ltd.	Chongqing	Chongqing	Industry	60.00%		Set-up
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	Changzhou City	Changzhou City	Industry	99.00%	1.00%	Set-up
Changzhou Housheng Investment Co., Ltd.	Changzhou City	Changzhou City	Service	100.00%		Set-up
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	Changzhou City	Changzhou City	Industry	70.00%	25.00%	Set-up
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	Changzhou City	Changzhou City	Industry	100.00%		Investment

(2) Significant Not Wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to non-controlling interests	Declaring dividends distributed to non-controlling interests	Ending balance of non-controlling interests
Changchai Wanzhou Diesel Engine Co., Ltd.	40.00%	241,336.42		19,343,969.45
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	5.00%	28,014.84		398,538.12

(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Changchai Wanzhou Diesel Engine Co., Ltd.	50,263,472.26	27,197,323.56	77,460,795.82	27,100,872.20	2,000,000.00	29,100,872.20	51,974,844.72	27,420,469.36	79,395,314.08	29,638,731.50	2,000,000.00	31,638,731.50
Changzhou Changchai	35,496,936.27	659,870.33	36,156,806.60	28,186,044.17		28,186,044.17	38,597,424.23	346,526.83	38,943,951.06	31,533,485.51		31,533,485.51

Housheng Agricultural Equipment Co., Ltd.												

Unit: RMB

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Changchai Wanzhou Diesel Engine Co., Ltd.	27,534,782.67	603,341.04	603,341.04	-817,231.49	32,078,103.46	867,855.82	867,855.82	1,475,032.87
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	11,788,194.43	560,296.88	560,296.88	-6,844,681.85	8,689,291.61	486,228.32	486,228.32	-10,269,003.10

2. Equity in the Structured Entity not Included in the Scope of Consolidated Financial Statements

Related notes to structured entity not included in the scope of consolidated financial statements:

On 18 October 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment, of which, RMB1 million was invested by the general partner- Synergetic Innovation Fund Management Co., Ltd., and RMB100 million was invested by the limited partner-Changchai Co., Ltd. In accordance with the *Partnership Agreement*, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

X. The Risk Related to Financial Instruments

The goal of the Company's risk management was gaining the balance between the risk and income, and reduced the negative impact to the operation performance of the Company in the lowest level and maximized the interests of shareholders and other equity investors. Base on the risk management goal, the basis strategy of the Company's risk management was to recognized and analyze all kinds of risk that the Company faced, set up suitable risk bottom line and conduct

risk management, and supervised the risks timely and reliably and control the risk within the limited scope.

The main risks of the Company due to financial instruments were credit risk, liquidity risk and market risk. The management level had reviewed and approved the policies to manage the risks, which summarized as follows:

(I) Credit Risk

Credit risk was one party of the contract failed to fulfill the obligations and causes loss of financial assets of the other party.

The credit of risk of the Company mainly was related to account receivable, in order to control the risk, the Company conduct the following methods.

The Company only conducts related transaction with approved and reputable third party, in line with the policy of the Company, the Company need to conduct credit-check for the clients adopting way of credit to conduct transaction. In addition, the Company continuously monitors the balance of account receivable to ensure the Company would not face the significant bad debt risk.

(II) Liquidity Risk

Liquidity risk is referred to the risk of incurring capital shortage when performing settlement obligation in the way of cash payment or other financial assets. The policies of the Company are to ensure that there was sufficient cash to pay the due liabilities.

The liquidity risk was centralized controlled by the financial department of the Company. The financial departments through supervising the balance of the cash and securities can be convert to cash at any time and the rolling prediction of cash flow in future 12 months to ensure the Company have sufficient cash to pay the liabilities under the case of all reasonable prediction.

(III) Market Risk

Market risk is refer to risk of the fair value or future cash flow of financial instrument changed due to the change of market price, including: foreign exchange rate risk, interest rate risk.

1. Interest Rate Risk

Interest rate risk is refers to fluctuation risk of the fair value or future cash flow of financial instrument change due to the change of market price.

2. Foreign Exchange Risk

Foreign exchange rate risk is referred to the risk incurred form the change of exchange rate. As for the Company’s export business, customers will be given a certain credit term, if the RMB appreciates against the dollar, the company's accounts receivable will incur foreign currency exchange loss.

XI. The Disclosure of Fair Value

1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
Including： Available-for-sale financial assets	537,369,000.00			537,369,000.00
Equity instrument investment	537,369,000.00			537,369,000.00
Total assets consistently measured by fair value	537,369,000.00			537,369,000.00
II. Inconsistent fair value measurement	--	--	--	--

2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

XII. Connected Party and Connected Transaction

1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company (%)	Proportion of voting rights owned by the Company as the parent against the Company (%)
Changzhou Government State-owned Assets Supervision and Administration Commission	Changzhou			30.43%	30.43%

Notes

The actual controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission. As of 30 June 2018, it held 30.43% shares of the Company (state owned shares).

The final controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission.

2. Subsidiaries of the Company

Refer to Note IX Equity in Other Entities for details.

3. Information on Other Connected Parties

Name	Relationship
Synergetic Innovation Fund Management Co., Ltd.	The director of the Company serves as the senior

	executive of that company

XIII. Commitments and Contingency

1. Significant Commitments

Significant commitments on balance sheet date

As of 30 June 2018, there were no significant commitments to be disclosed.

2. Contingency

(1) Significant Contingency on Balance Sheet Date

Litigation and arbitration in the Reporting Period:

Name of the entity	Date of accepted	Name of the litigation or arbitration institutions	Amount involved (RMB'0,000)	Notes
Shandong Hongli Group Co., Ltd.	27 June 2001	Changzhou Intermediate People's Court	1,436.00	Under the bankruptcy and liquidation
Total	1,436.00			

Notes:

About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB 14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April 2002. Currently, the defendant has started the bankruptcy procedure. The aforesaid payment has arranged for the full provision for bad debts.

XIV. Other Significant Events

1. Segment Information

(1) Basis for Determination of Segments and Governing Accounting Policies

Due to the operation scope of the Company and subsidiaries were similar, the Company conduct common management, did not divide business unit, so the Company only made single branch report.

(2) Reasons Should Be Given when the Company Has no Segment, or the Total Assets and Total Liabilities of Various Segments Could Not Be Disclosed

Due to the operation scope of the Company and subsidiaries were similar, the Company conduct common management, did not divide business unit, so the Company only made single branch report.

XV. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal		Amount	Proportion	Amount	Withdrawal	

				propo rtion					proporti on	
Accounts receivable with significant single amount for which bad debt provision separately accrued	35,035,845.53	3.68%	30,436,502.68	86.87%	4,599,342.85	35,274,603.67	6.52%	30,401,000.85	86.18%	4,873,602.82
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	915,639,116.61	96.22%	197,538,994.32	21.57%	718,100,122.29	505,142,981.60	93.30%	190,129,532.72	37.64%	315,013,448.88
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	974,986.14	0.10%	974,986.14	100.00%		974,986.14	0.18%	974,986.14	100.00%	
Total	951,649,948.28	100.00%	228,950,483.14	24.06%	722,699,465.14	541,392,571.41	100.00%	221,505,519.71	40.91%	319,887,051.70

Accounts receivable with single significant amount for which bad debt provision separately accrued at the end of the period

√ Applicable □ not applicable

Unit: RMB

Accounts receivable (by units)	Ending balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer 1	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 2	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 3	2,293,090.49	2,175,177.75	94.86%	Expected to difficultly recover
Customer 4	3,279,100.00	3,279,100.00	100.00%	Expected to difficultly recover
Customer 5	2,068,377.01	2,068,377.01	100.00%	Expected to difficultly recover
Customer 6	5,359,381.00	5,359,381.00	100.00%	Difficult to recover
Customer 7	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 8	1,599,243.11	1,599,243.11	100.00%	Difficult to recover

Customer 9	1,161,700.00	580,850.00	50.00%	Expected to difficultly recover
Customer 10	8,572,158.87	4,671,578.76	54.50%	Expected to difficultly recover
Total	35,035,845.53	30,436,502.68	--	--

In the groups, accounts receivable adopted aging analysis method to withdraw bad debt provision:
√ Applicable □ not applicable

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Subtotal of within 1 year	721,605,061.45	14,432,101.23	2.00%
1 to 2 years	9,503,940.54	475,197.03	5.00%
2 to 3 years	1,485,730.74	222,859.61	15.00%
3 to 4 years	850,024.71	255,007.41	30.00%
4 to 5 years	101,325.32	60,795.19	60.00%
Over 5 years	182,093,033.85	182,093,033.85	100.00%
Total	915,639,116.61	197,538,994.32	

Notes to the basis for the determination of the groups:
In the groups, accounts receivable adopted balance percentage method to withdraw bad debt provision:
□ Applicable √ Not applicable

(2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB10,137,747.23; the amount of the reversed or recovered part during the Reporting Period was of RMB579,326.17.

(3) Top 5 Accounts Receivable in Ending Balance Collected according to the Arrears Party

The total top 5 accounts receivable in ending balance collected according to the arrears party was RMB484,809,565.40, accounting for 50.94% of the total ending balance of accounts receivable. The corresponding ending balance of bad debt provision withdrawn was RMB18,672,083.07.

2. Other Accounts Receivable

(1) Other Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with	2,853,188.0	7.32%	2,853,188.0	100.00%		2,853,18	6.83%	2,853,188.02	100.00%	

significant single amount for which bad debt provision separately accrued	2		2			8.02				
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	34,026,192.31	87.29%	25,172,489.76	73.98%	8,853,702.55	36,815,664.59	88.14%	25,017,453.19	67.95%	11,798,211.40
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,099,382.02	5.39%	2,099,382.02	100.00%		2,099,382.02	5.03%	2,099,382.02	100.00%	
Total	38,978,762.35	100.00%	30,125,059.80	77.29%	8,853,702.55	41,768,234.63	100.00%	29,970,023.23	71.75%	11,798,211.40

Other receivable with single significant amount for which bad debt provision separately accrued at the end of the period：

√ Applicable □ not applicable

Unit: RMB

Other accounts receivable (unit)	Ending balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Changchai Group Imp. & Exp. Co., Ltd.	2,853,188.02	2,853,188.02	100.00%	Difficult to recover
Total	2,853,188.02	2,853,188.02	--	--

In the groups, other accounts receivable adopted aging analysis method to withdraw bad debt provision:

√Applicable ☐ not applicable

Unit: RMB

Aging	Ending balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Subtotal of within 1 year	8,235,668.29	164,713.37	2.00%

1 to 2 years	440,089.30	22,004.47	5.00%
2 to 3 years	114,223.10	17,133.47	15.00%
3 to 4 years	72,458.31	21,737.49	30.00%
4 to 5 years	542,130.85	325,278.51	60.00%
Over 5 years	24,621,622.46	24,621,622.46	100.00%
Total	34,026,192.31	25,172,489.76	

Notes:

In the groups, other accounts receivable adopted balance percentage method to withdraw bad debt provision:

□ Applicable √ Not applicable

In the groups, other accounts receivable adopted other methods to withdraw bad debt provision:

□ Applicable √ Not applicable

(2) There Were No Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

(3) Other Account Receivable Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Cash deposit & Margin	280,014.00	4,200.00
Intercourse funds among units	17,329,166.58	25,497,534.34
Petty cash and borrowings by employees	8,955,031.25	912,133.46
Other	12,414,550.52	15,354,366.83
Total	38,978,762.35	41,768,234.63

(4) Top 5 Other Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other accounts receivable	Ending balance of bad debt provision
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	Intercourse funds	7,156,197.71	Within 1 year	18.36%	143,123.95
Changzhou Compressors Factory	Intercourse funds	2,940,000.00	Over 5 years	7.54%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	7.32%	2,853,188.02
Changzhou New District Accounting Centre	Intercourse funds	1,626,483.25	Over 5 years	4.17%	1,626,483.25
Changchai Group Settlement Centre	Intercourse funds	1,140,722.16	Over 5 years	2.93%	1,140,722.16
Total	--	15,716,591.14	--	40.32%	

3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	231,752,730.03		231,752,730.03	231,752,730.03		231,752,730.03
Investment to joint ventures or associated enterprises	44,182.50	44,182.50		44,182.50	44,182.50	
Total	231,796,912.53	44,182.50	231,752,730.03	231,796,912.53	44,182.50	231,752,730.03

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Changchai Wanzhou Diesel Engine Co., Ltd.	51,000,000.00			51,000,000.00		
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	96,466,500.00			96,466,500.00		
Changzhou Housheng Investment Co., Ltd.	30,000,000.00			30,000,000.00		
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	7,000,000.00			7,000,000.00		
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	47,286,230.03			47,286,230.03		
Total	231,752,730.03			231,752,730.03		0.00

(2) Investment to Joint Ventures or Associated Enterprises

Unit: RMB

Investee	Beginning balance	Increase/decrease								Closing balance	Ending balance of impairment provision
		Additional investment	Reduced investment	Gains and losses recognized under the equity	Adjustment of other comprehensive income	Changes in other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		

				method							
I. Joint ventures											
II. Associated enterprises											
Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd.	44,182.50									44,182.50	44,182.50
Subtotal	44,182.50									44,182.50	44,182.50
Total	44,182.50									44,182.50	44,182.50

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,105,442,892.03	978,595,283.86	1,219,777,917.09	1,080,764,388.78
Other operations	15,892,231.12	12,482,560.63	9,529,630.03	5,985,445.18
Total	1,121,335,123.15	991,077,844.49	1,229,307,547.12	1,086,749,833.96

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Investment income generated from the holding of available-for-sale financial assets	21,000.00	6,952,750.99
Total	21,000.00	6,952,750.99

XVI. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses on the disposal of non-current assets	-512,440.14	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	129,600.00	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses	573,182.00	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	355,091.68	

Other non-operating income and expense other than the above	1,114,871.58	
Less: Income tax effects	284,570.71	
Total	1,375,734.41	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

□ Applicable √ Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	0.86%	0.03	0.03
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	0.78%	0.03	0.03

3. Differences between Accounting Data under Domestic and Overseas Accounting Standards

(1) Differences of Net Profit and Net Assets Disclosed in Financial Reports Prepared under International and Chinese Accounting Standards

□ Applicable √ Not applicable

(2) Differences of Net Profit and Net Assets Disclosed in Financial Reports Prepared under Overseas and Chinese Accounting Standards

□ Applicable √ Not applicable

Changchai Company, Limited

August 24, 2018