



无锡威孚高科技集团股份有限公司

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

**Semi-Annual Financial Report 2020**

**August 2020**

## I. Audit report

Whether the semi annual report is audited

Yes  No

The company's semi annual financial report has not been audited

## II. Financial statement

Unit in note of financial statement refers to CNY: RMB (Yuan)

### 1. Consolidated balance sheet

Prepared by Weifu High-Technology Group Co., Ltd

2020-06-30

In RMB

Item	2020-6-30	2019-12-31
Current assets:		
Monetary funds	2,564,147,609.58	1,596,893,711.87
Settlement provisions		
Capital lent		
Transaction financial assets	3,186,262,183.13	3,940,885,674.32
Derivative financial assets		
Note receivable	985,930,905.61	1,812,141,371.94
Account receivable	3,674,151,635.33	2,310,666,475.89
Receivable financing	756,743,779.54	23,873,317.86
Accounts paid in advance	224,243,911.70	139,241,917.78
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	1,129,113,083.12	43,730,023.31
Including: Interest receivable	2,091,107.78	655,052.98
Dividend receivable	1,092,040,579.49	1,070,000.00
Buying back the sale of financial assets		
Inventories	1,670,738,746.77	2,418,744,835.82
Contractual assets		
Assets held for sale		

Non-current asset due within one year		
Other current assets	547,477,135.79	1,012,055,605.74
Total current assets	14,738,808,990.57	13,298,232,934.53
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Other debt investment		
Long-term account receivable		
Long-term equity investment	3,977,690,136.49	5,322,405,953.35
Investment in other equity instrument	285,048,000.00	285,048,000.00
Other non-current financial assets	1,723,343,284.00	1,043,589,987.43
Investment real estate	21,648,596.74	22,410,511.87
Fixed assets	2,875,000,573.89	2,845,176,078.20
Construction in progress	253,735,407.77	247,857,777.25
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	416,926,802.38	430,594,372.12
Expense on Research and Development		
Goodwill	1,784,086.79	1,784,086.79
Long-term expenses to be apportioned	22,170,795.30	18,536,000.25
Deferred income tax asset	229,081,360.18	212,476,501.54
Other non-current asset	210,102,212.32	230,235,982.45
Total non-current asset	10,016,531,255.86	10,660,115,251.25
Total assets	24,755,340,246.43	23,958,348,185.78
Current liabilities:		
Short-term loans	328,308,738.00	312,153,969.81
Loan from central bank		
Capital borrowed		
Trading financial liability		
Derivative financial liability		
Note payable	1,339,329,488.99	1,745,218,439.52
Account payable	4,190,201,244.86	3,312,254,229.84
Accounts received in advance	1,873,510.34	113,737,432.61

Contractual liability	58,136,812.04	
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	243,039,308.55	314,343,737.66
Taxes payable	99,211,334.02	129,538,411.86
Other account payable	433,417,811.60	65,266,262.39
Including: Interest payable	5,348.44	
Dividend payable	367,000,766.60	
Commission charge and commission payable		
Reinsurance payable		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities	147,739,169.58	
Total current liabilities	6,841,257,417.98	5,992,512,483.69
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	20,000,000.00	
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable	35,108,263.11	35,108,263.11
Long-term wages payable	58,392,053.61	58,392,053.61
Accrual liability		
Deferred income	342,551,476.28	365,116,022.98
Deferred income tax liabilities	21,045,135.05	22,566,051.72
Other non-current liabilities		
Total non-current liabilities	477,096,928.05	481,182,391.42
Total liabilities	7,318,354,346.03	6,473,694,875.11
Owner's equity:		
Share capital	1,008,950,570.00	1,008,950,570.00
Other equity instrument		

Including: Preferred stock		
Perpetual capital securities		
Capital public reserve	3,391,527,806.33	3,391,527,806.33
Less: Inventory shares	300,007,852.84	
Other comprehensive income	137,919.77	134,871.67
Reasonable reserve	2,636,485.98	3,247,757.06
Surplus public reserve	510,100,496.00	510,100,496.00
Provision of general risk		
Retained profit	12,309,546,790.54	12,076,443,635.56
Total owner's equity attributable to parent company	16,922,892,215.78	16,990,405,136.62
Minority interests	514,093,684.62	494,248,174.05
Total owner's equity	17,436,985,900.40	17,484,653,310.67
Total liabilities and owner's equity	24,755,340,246.43	23,958,348,185.78

Legal Representative: Wang Xiaodong

Person in charge of accounting works: OuJianbin

Person in charge of accounting institute: OuJianbin

## 2. Balance Sheet of Parent Company

In RMB

Item	2020-6-30	2019-12-31
Current assets:		
Monetary funds	1,814,721,636.94	965,770,877.82
Trading financial assets	3,053,235,591.18	3,758,789,072.68
Derivative financial assets		
Note receivable	301,148,395.76	202,403,993.13
Account receivable	1,161,589,142.48	768,500,929.93
Receivable financing		
Accounts paid in advance	125,616,113.42	89,116,730.45
Other account receivable	1,404,402,207.25	250,014,956.74
Including: Interest receivable	2,280,037.26	804,929.68
Dividend receivable	1,115,292,687.93	1,070,000.00
Inventories	460,669,652.62	565,144,234.49

Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	399,924,007.15	938,616,881.51
Total current assets	8,721,306,746.80	7,538,357,676.75
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	4,849,926,353.51	6,331,363,630.04
Investment in other equity instrument	209,108,000.00	209,108,000.00
Other non-current financial assets	1,723,343,284.00	1,043,589,987.43
Investment real estate		
Fixed assets	1,806,345,623.11	1,646,333,216.50
Construction in progress	145,355,080.49	136,573,912.28
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	211,198,062.84	203,663,423.60
Research and development costs		
Goodwill		
Long-term deferred expenses	260,105.36	
Deferred income tax assets	112,121,048.86	105,137,877.84
Other non-current assets	137,027,549.83	172,646,721.05
Total non-current assets	9,194,685,108.00	9,848,416,768.74
Total assets	17,915,991,854.80	17,386,774,445.49
Current liabilities		
Short-term borrowings	156,224,237.11	116,126,459.33
Trading financial liability		
Derivative financial liability		
Notes payable	343,305,621.14	284,054,137.00
Account payable	1,174,285,272.28	930,273,146.35
Accounts received in advance		12,010,730.30
Contractual liability	9,004,203.84	

Wage payable	183,677,527.12	213,626,754.45
Taxes payable	56,030,565.60	56,540,307.59
Other accounts payable	378,353,017.16	11,976,576.21
Including: Interest payable		
Dividend payable	351,251,997.80	
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities	105,837,709.56	
Total current liabilities	2,406,718,153.81	1,624,608,111.23
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable		
Long term employee compensation payable	50,058,386.76	50,058,386.76
Accrued liabilities		
Deferred income	301,626,400.33	322,971,778.82
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	351,684,787.09	373,030,165.58
Total liabilities	2,758,402,940.90	1,997,638,276.81
Owners' equity:		
Share capital	1,008,950,570.00	1,008,950,570.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	3,481,221,286.39	3,488,221,286.39
Less: Inventory shares	300,007,852.84	
Other comprehensive income		
Special reserve		
Surplus reserve	510,100,496.00	510,100,496.00
Retained profit	10,457,324,414.35	10,381,863,816.29

Total owner's equity	15,157,588,913.90	15,389,136,168.68
Total liabilities and owner's equity	17,915,991,854.80	17,386,774,445.49

### 3. Consolidated Profit Statement

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Total operating income	6,594,403,624.56	4,403,444,346.05
Including: Operating income	6,594,403,624.56	4,403,444,346.05
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	6,098,234,750.74	4,005,776,550.51
Including: Operating cost	5,413,969,374.53	3,405,386,504.44
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Tax and extras	31,961,549.15	34,534,571.66
Sales expense	138,394,171.31	104,270,647.40
Administrative expense	336,984,661.28	310,909,980.43
R&D expense	211,531,953.72	180,167,642.16
Financial expense	-34,606,959.25	-29,492,795.58
Including: Interest expenses	5,800,553.09	9,264,648.42
Interest income	43,053,210.79	48,416,919.83
Add: other income	43,932,417.68	17,632,117.95
Investment income (Loss is listed with "-")	923,574,526.61	888,216,680.48
Including: Investment income on affiliated company and joint venture	785,533,710.72	790,465,131.05
The termination of income recognition for financial assets measured by amortized cost(Loss is listed with "-")	-408,092.36	
Exchange income (Loss is listed with "-")		



Net exposure hedging income (Loss is listed with “-”)		
Income from change of fair value (Loss is listed with “-”)	258,157.65	30,686,277.13
Loss of credit impairment (Loss is listed with “-”)	-3,622,549.31	-6,237,790.75
Losses of devaluation of asset (Loss is listed with “-”)	-52,807,909.47	-1,500,885.27
Income from assets disposal (Loss is listed with “-”)	232,499.55	5,107,848.45
III. Operating profit (Loss is listed with “-”)	1,407,736,016.53	1,331,572,043.53
Add: Non-operating income	164,150.94	27,544,757.26
Less: Non-operating expense	4,124,451.68	2,631,453.02
IV. Total profit (Loss is listed with “-”)	1,403,775,715.79	1,356,485,347.77
Less: Income tax expense	57,505,452.12	81,382,654.54
V. Net profit (Net loss is listed with “-”)	1,346,270,263.67	1,275,102,693.23
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	1,346,270,263.67	1,275,102,693.23
2.termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	1,326,344,424.98	1,256,661,577.09
2.Minority shareholders’ gains and losses	19,925,838.69	18,441,116.14
VI. Net after-tax of other comprehensive income	4,618.33	271,537.20
Net after-tax of other comprehensive income attributable to owners of parent company	3,048.10	261,591.54
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1.Changes of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss	3,048.10	261,591.54
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		

3.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements	3,048.10	261,591.54
7.Other		
Net after-tax of other comprehensive income attributable to minority shareholders	1,570.23	9,945.66
VII. Total comprehensive income	1,346,274,882.00	1,275,374,230.43
Total comprehensive income attributable to owners of parent Company	1,326,347,473.08	1,256,923,168.63
Total comprehensive income attributable to minority shareholders	19,927,408.92	18,451,061.80
VIII. Earnings per share:		
(i) Basic earnings per share	1.32	1.25
(ii) Diluted earnings per share	1.32	1.25

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal Representative: Wang Xiaodong

Person in charge of accounting works: OuJianbin

Person in charge of accounting institute: OuJianbin

#### 4. Profit Statement of Parent Company

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Operating income	2,336,262,373.08	2,092,474,460.24
Less: Operating cost	1,686,488,679.58	1,471,971,514.70
Taxes and surcharge	18,740,531.01	17,510,903.97
Sales expenses	13,053,690.12	15,320,342.43
Administration expenses	227,324,018.06	211,000,027.34
R&D expenses	90,410,044.71	75,873,810.90
Financial expenses	-40,808,506.49	-41,092,188.59

Including: interest expenses	2,501,198.55	3,597,363.92
Interest income	39,756,148.10	44,742,417.24
Add: other income	35,239,425.50	11,683,224.30
Investment income (Loss is listed with “-”)	907,907,258.50	840,215,361.66
Including: Investment income on affiliated Company and joint venture	708,709,791.17	742,463,812.23
The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value (Loss is listed with “-”)	-403,481.50	30,195,948.00
Loss of credit impairment (Loss is listed with “-”)	-1,033,980.28	-1,901,377.70
Losses of devaluation of asset (Loss is listed with “-”)	-3,370,784.10	-24,294.39
Income on disposal of assets (Loss is listed with “-”)	-174,293.98	1,844,051.48
II. Operating profit (Loss is listed with “-”)	1,279,218,060.23	1,223,902,962.84
Add: Non-operating income	22,947.75	15,034.36
Less: Non-operating expense	3,443,673.01	1,196,252.91
III. Total Profit (Loss is listed with “-”)	1,275,797,334.97	1,222,721,744.29
Less: Income tax	57,174,946.95	73,937,477.28
IV. Net profit (Net loss is listed with “-”)	1,218,622,388.02	1,148,784,267.01
(i)continuous operating net profit (net loss listed with “-”)	1,218,622,388.02	1,148,784,267.01
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1.Changes of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method		

that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements		
7.Other		
VI. Total comprehensive income	1,218,622,388.02	1,148,784,267.01
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	5,676,491,804.78	4,275,001,010.93
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Net cash received by agents in sale and purchase of securities		
Write-back of tax received	15,404,444.43	25,327,532.10
Other cash received concerning operating activities	70,801,912.94	85,775,494.76

Subtotal of cash inflow arising from operating activities	5,762,698,162.15	4,386,104,037.79
Cash paid for purchasing commodities and receiving labor service	4,122,764,678.30	2,534,137,461.67
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Net increase of capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	630,754,424.71	681,756,769.56
Taxes paid	314,691,082.22	310,797,279.61
Other cash paid concerning operating activities	256,830,904.51	169,088,618.70
Subtotal of cash outflow arising from operating activities	5,325,041,089.74	3,695,780,129.54
Net cash flows arising from operating activities	437,657,072.41	690,323,908.25
II. Cash flows arising from investing activities:		
Cash received from recovering investment	4,008,128,352.27	3,686,500,000.00
Cash received from investment income	1,183,089,487.76	525,843,992.65
Net cash received from disposal of fixed, intangible and other long-term assets	25,781,114.63	72,457,256.41
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	5,216,998,954.66	4,284,801,249.06
Cash paid for purchasing fixed, intangible and other long-term assets	218,473,940.03	237,326,162.98
Cash paid for investment	3,553,000,000.00	3,658,800,000.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		49,930,736.62
Other cash paid concerning investing activities		24,000,000.00
Subtotal of cash outflow from investing activities	3,771,473,940.03	3,970,056,899.60
Net cash flows arising from investing activities	1,445,525,014.63	314,744,349.46
III. Cash flows arising from financing activities		
Cash received from absorbing investment		13,880,037.60
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		13,880,037.60

Cash received from loans	245,289,418.04	393,249,222.11
Other cash received concerning financing activities	5,470,000.00	
Subtotal of cash inflow from financing activities	250,759,418.04	407,129,259.71
Cash paid for settling debts	203,192,671.61	378,622,036.77
Cash paid for dividend and profit distributing or interest paying	747,748,424.37	836,528,586.57
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	300,007,852.84	5,809,091.00
Subtotal of cash outflow from financing activities	1,250,948,948.82	1,220,959,714.34
Net cash flows arising from financing activities	-1,000,189,530.78	-813,830,454.63
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	4,663,278.76	415,189.69
V. Net increase of cash and cash equivalents	887,655,835.02	191,652,992.77
Add: Balance of cash and cash equivalents at the period -begin	820,498,653.85	2,404,674,139.49
VI. Balance of cash and cash equivalents at the period -end	1,708,154,488.87	2,596,327,132.26

## 6. Cash Flow Statement of Parent Company

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	2,137,522,482.58	2,342,213,493.89
Write-back of tax received		
Other cash received concerning operating activities	53,647,269.21	48,525,763.15
Subtotal of cash inflow arising from operating activities	2,191,169,751.79	2,390,739,257.04
Cash paid for purchasing commodities and receiving labor service	1,258,667,867.50	1,218,981,667.53
Cash paid to/for staff and workers	356,095,444.60	369,225,756.08
Taxes paid	199,611,845.20	186,084,989.75
Other cash paid concerning operating activities	107,303,419.41	107,664,076.68
Subtotal of cash outflow arising from operating activities	1,921,678,576.71	1,881,956,490.04
Net cash flows arising from operating activities	269,491,175.08	508,782,767.00
II. Cash flows arising from investing activities:		

Cash received from recovering investment	3,605,396,703.43	3,521,500,000.00
Cash received from investment income	1,141,100,004.91	506,897,740.22
Net cash received from disposal of fixed, intangible and other long-term assets	3,870,511.23	4,034,532.29
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	139,134,277.49	215,512,158.54
Subtotal of cash inflow from investing activities	4,889,501,497.06	4,247,944,431.05
Cash paid for purchasing fixed, intangible and other long-term assets	113,826,331.79	158,044,430.36
Cash paid for investment	3,070,448,157.81	3,328,800,000.00
Net cash received from subsidiaries and other units obtained		82,156,428.71
Other cash paid concerning investing activities	150,000,000.00	187,880,372.33
Subtotal of cash outflow from investing activities	3,334,274,489.60	3,756,881,231.40
Net cash flows arising from investing activities	1,555,227,007.46	491,063,199.65
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	100,000,000.00	160,000,000.00
Other cash received concerning financing activities	21,620,000.00	
Subtotal of cash inflow from financing activities	121,620,000.00	160,000,000.00
Cash paid for settling debts	60,000,000.00	180,000,000.00
Cash paid for dividend and profit distributing or interest paying	744,490,470.75	831,020,889.20
Other cash paid concerning financing activities	316,627,852.84	
Subtotal of cash outflow from financing activities	1,121,118,323.59	1,011,020,889.20
Net cash flows arising from financing activities	-999,498,323.59	-851,020,889.20
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	4,152,072.50	593,522.94
V. Net increase of cash and cash equivalents	829,371,931.45	149,418,600.39
Add: Balance of cash and cash equivalents at the period -begin	532,115,862.26	1,920,076,358.43
VI. Balance of cash and cash equivalents at the period -end	1,361,487,793.71	2,069,494,958.82

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

This Period

In RMB

Item	2020 semi-annual														
	Owners' equity attributable to the parent Company												Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit	Other			Subtotal
	Prefe red stoc k	Perp etual capit al secu rities	Ot her												
I. Balance at the end of the last year	1,008,950,570.00				3,391,527,806.33		134,871.67	3,247,757.06	510,100,496.00		12,076,443,635.56		16,990,405,136.62	494,248,174.05	17,484,653,310.67
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															
II. Balance at the beginning of this year	1,008,950,570.00				3,391,527,806.33		134,871.67	3,247,757.06	510,100,496.00		12,076,443,635.56		16,990,405,136.62	494,248,174.05	17,484,653,310.67
III. Increase/Decrease in this year (Decrease is listed with "-")						300,007,852.84	3,048.10	-611,271.08			233,103,154.98		-67,512,920.84	19,845,510.57	-47,667,410.27



(i) Total comprehensive income						3,048.10					1,326,344,424.98		1,326,347,473.08	19,927,408.92	1,346,274,882.00
(ii) Owners' devoted and decreased capital						300,007,852.84							-300,007,852.84	15,598,792.00	-284,409,060.84
1.Common shares invested by shareholders														15,598,792.00	15,598,792.00
2. Capital invested by holders of other equity instruments															
3.Amount reckoned into owners equity with share-based payment															
4. Other						300,007,852.84							-300,007,852.84		-300,007,852.84
(III)Profit distribution											-1,093,241,270.00		-1,093,241,270.00	-15,748,768.80	-1,108,990,038.80
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provisions															
3. Distribution for owners (or shareholders)											-1,093,241,270.00		-1,093,241,270.00	-15,748,768.80	-1,108,990,038.80
4. Other															
(IV)Carrying forward internal owners' equity															
1. Capital reserves															



Last Period

In RMB

Item	2019 semi-annual													
	Owners' equity attributable to the parent Company											Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Les: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit			Other
	Preferred stock	Perpetual capital securities	Other											
I. Balance at the end of the last year	1,008,950,570.00				3,416,022,795.14		-19,809,442.95	1,618,490.50	510,100,496.00		10,996,945,870.13	15,913,828,778.82	538,142,268.53	16,451,971,047.35
Add: Changes of accounting policy							19,809,442.95				-19,809,442.95			
Error correction of the last period														
Enterprise combine under the same control														
Other														
II. Balance at the beginning of this year	1,008,950,570.00				3,416,022,795.14		0.00	1,618,490.50	510,100,496.00		10,977,136,427.18	15,913,828,778.82	538,142,268.53	16,451,971,047.35
III. Increase/Decrease in this year (Decrease is							261,591.54	917,170.19			82,068,587.53	83,247,349.26	33,215,155.68	116,462,504.94





period													
2. Usage in the report period						9,184,693.55				9,184,693.55	589,681.20	9,774,374.75	
(VI)Others					261,591.54					261,591.54		261,591.54	
IV. Balance at the end of the report period	1,008,950,570.00			3,416,022,795.14	261,591.54	2,535,660.69	510,100,496.00		11,059,205,014.71	15,997,076,128.08	571,357,424.21	16,568,433,552.29	

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

This Period

In RMB

Item	2020 semi-annual											
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' equity
		Preferr ed stock	Perpetual capital securities	Othe r								
I. Balance at the end of the last year	1,008,950,570.00				3,488,221,286.39		0.00		510,100,496.00	10,381,863,816.29		15,389,136,168.68
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	1,008,950,570.00				3,488,221,286.39		0.00		510,100,496.00	10,381,863,816.29		15,389,136,168.68
III. Increase/ Decrease in this year (Decrease is listed with "-")					-7,000,000.00	300,007,852.84				75,460,598.06		-231,547,254.78

(i) Total comprehensive income										1,218,622,388.02		1,218,622,388.02
(ii) Owners' devoted and decreased capital						300,007,852.84				-49,920,519.96		-349,928,372.80
1.Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other						300,007,852.84				-49,920,519.96		-349,928,372.80
(III) Profit distribution										-1,093,241,270.00		-1,093,241,270.00
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)										-1,093,241,270.00		-1,093,241,270.00
3. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves converted to capital (share capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remedying loss with surplus reserve												
4 . Carry-over retained earnings from the defined benefit plans												
5 . Carry-over retained earnings from other comprehensive income												

6. Other												
(V) Reasonable reserve								-1,177,442.02				-1,177,442.02
1. Withdrawal in the report period								2,924,878.27				2,924,878.27
2. Usage in the report period								4,102,320.29				4,102,320.29
(VI)Others					-7,000,000.00			1,177,442.02				-5,822,557.98
IV. Balance at the end of the report period	1,008,950,570.00				3,481,221,286.39	300,007,852.84	0.00		510,100,496.00	10,457,324,414.35		15,157,588,913.90

Last period

In RMB

Item	2019 semi-annual											
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' equity
		Preferred stock	Perpetual capital securities	Other								
I. Balance at the end of the last year	1,008,950,570.00				3,488,221,286.39		-19,809,442.95		510,100,496.00	9,340,610,451.36		14,328,073,360.80
Add: Changes of accounting policy							19,809,442.95			-19,809,442.95		
Error correction of the last period												
Other												
II. Balance at the beginning of this year	1,008,950,570				3,488,221,286.39		0.00		510,100,496.00	9,320,801,008.41		14,328,073,360.80



	.00											
III. Increase/ Decrease in this year (Decrease is listed with “-”)											-25,808,722.55	-25,808,722.55
(i) Total comprehensive income											1,148,784,267.01	1,148,784,267.01
(ii) Owners’ devoted and decreased capital												
1. Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other												
(III) Profit distribution											-1,174,592,989.56	-1,174,592,989.56
1. Withdrawal of surplus reserves												
2. Distribution for owners (or shareholders)											-1,210,740,684.00	-1,210,740,684.00
3. Other											36,147,694.44	36,147,694.44
(IV) Carrying forward internal owners’ equity												
1. Capital reserves conversed to capital (share capital)												
2. Surplus reserves conversed to capital (share capital)												
3. Remedying loss with surplus reserve												

4 . Carry-over retained earnings from the defined benefit plans												
5 . Carry-over retained earnings from other comprehensive income												
6. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period								1,474,547.80				1,474,547.80
2. Usage in the report period								1,474,547.80				1,474,547.80
(VI)Others												
IV. Balance at the end of the report period	1,008,950,570.00				3,488,221,286.39		0.00		510,100,496.00	9,294,992,285.86		14,302,264,638.25

### III. Basic information of the Company

#### 1. Historical origin of the Company

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

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

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

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

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

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

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

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

conditions, the scheme has been implemented on April 5, 2006.

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

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

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

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

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

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

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

Unified social credit code: 91320200250456967N

The Company sets up Shareholders' General Meeting, the Board of Directors (BOD) and the Board of Supervisors (BOS)

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

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

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

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

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

Financial report of the Company were approved by the Board of Directors for reporting dated 21 August 2020.

### 5. Scope of consolidate financial statement

Name of subsidiary	Short name of subsidiary	Shareholding ratio (%)		Proportion of votes (%)	Registered capital (in 10 thousand Yuan)	Business scope	Statement consolidate (Y/N)
		Directly	Indirectly				
Nanjing Weifu Jinning Co., Ltd.	Weifu Jinning	80.00	--	80.00	34,628.70	Internal-combustion engine accessories	Y
Wuxi Weifu Leader Catalytic Converter Co., Ltd.	Weifu Leader	94.81	--	94.81	50,259.63	Purifier and muffler	Y
Weifu Mashan Pump Glib Co., Ltd.	Weifu Mashan	100.00	--	100.00	16,500	Internal-combustion engine accessories	Y
Wuxi Weifu Chang'an Co., Ltd.	Weifu Chang'an	100.00	--	100.00	21,000	Internal-combustion engine accessories	Y
Wuxi Weifu International Trade Co. Ltd.	Weifu International Trade	100.00	--	100.00	3,000	Trade	Y
Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.	Weifu Schmidt	66.00	--	66.00	7,600	Internal-combustion engine accessories	Y
Ningbo Weifu Tianli	Weifu Tianli	98.83	1.17	100.00	11,136	Internal-combustion	Y

Supercharging Technique Co., Ltd.						engine accessories	
Wuxi Weifu-Autocam Fine Machinery Co. Ltd.	Weifu Autocam	51.00	--	51.00	USD2,110	Automobile components	Y
Wuxi Weifu Leader Catalytic Converter (Wuhan) Co., Ltd.	Weifu Leader (Wuhan)	--	60.00	60.00	1,000	Purifier and muffler	Y
Weifu Leader (Chongqing) Automobile Components Co., Ltd	Weifu Leader (Chongqing)	--	100.00	100.00	5,000	Purifier and muffler	Y
Nanchang Weifu Leader Automobile components Co., Ltd.	Weifu Leader (Nanchang)	--	100.00	100.00	5,000	Purifier and muffler	Y
Wuxi Weifu Electric Drive Technology Co., Ltd.	Weifu Electric Drive	80.00	--	80.00	USD2,000	Hub motor	Y
Weifu Holding ApS	SPV	100.00	--	100.00	DKK 37	Investment	Y
IRD Fuel Cells A/S	IRD	--	66.00	66.00	DKK8,560	Fuel cell components	Y
IRD FUEL CELLS LLC	IRD America	--	66.00	66.00	USD300	Fuel cell components	Y

Wuxi Weifu ITM Supercharging Technique Co., Ltd was absorbed and merged by the Company on January 1, 2020. So, compared with the end of last year, it was not listed separately in Scope of consolidate financial statement.

#### IV. Basis of preparation of financial statements

##### 1. Preparation base

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

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

## **2. Going concern**

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

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

Specific accounting policies and estimation attention:

The Company and its subsidiaries are mainly engaged in the manufacture and sales of engine fuel oil system products, automobile components, mufflers and purifiers etc., in line with the real operational characteristics and relevant accounting standards, many specific accounting policies and estimation have been formulated for the transactions and events with revenue recognized concerned. As for the explanation on major accounting judgment and estimation, found more in Note V-32- Other important accounting policy and accounting estimation.

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

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

### **2. Accounting period**

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

### **3. Business cycles**

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

### **4. Recording currency**

The Company's reporting currency is the RMB Yuan.

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

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

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

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

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

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

## 6. Preparation method for consolidated financial statement

### (1) Recognition principle of consolidated scope

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

### (2) Basis of control

Control is the right to govern an invested party so as to obtain variable return through participating in the invested



party's relevant activities and the ability to affect such return by use of the aforesaid right over the invested party. Relevant activates refers to activates have major influence on return of the invested party's.

### (3) Consolidation process

Subsidiaries are consolidated from the date on which the company obtains their actual control, and are de-consolidated from the date that such control ceases. All significant inter-group balances, investment, transactions and unrealized profits are eliminated in the consolidated financial statements. For subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

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

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

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

The share of the subsidiary's ownership interest not attributable to the Company is listed as "minority interest" item under the ownership interest in the consolidated balance sheet. The share of the subsidiary's current profit or

loss attributable to the minority interests is listed as "minority interest" item under the net profit item in the consolidated income statement. The share of the subsidiary's current consolidated income attributable to the minority interests is listed as the "total consolidated income attributable to the minority shareholders" item under the total consolidated income item in the consolidated income statement. If there are minority shareholders, add the "minority interests" item in the consolidated statement of change in equity to reflect the changes of the minority interests. If the losses of the current period shared by a subsidiary's minority shareholders exceed the share that the minority shareholders hold in the subsidiary ownership interest in the beginning of the period, the balance still charges against the minority interests.

When the control over a subsidiary is ceased due to disposal of a portion of an interest in a subsidiary, the fair value of the remaining equity interest is re-measured on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the company since the acquisition date, is recognized as the investment income from the loss of control. Other comprehensive income relating to original equity investment in subsidiaries shall be treated on the same basis as if the relevant assets or liabilities were disposed of by the purchaser directly when the control is lost, namely be transferred to current investment income other than the relevant part of the movement arising from re-measuring net liabilities or net assets under defined benefit scheme by the original subsidiary. Subsequent measurement of the remaining equity interests shall be in accordance with relevant accounting standards such as *Accounting Standards for business Enterprises 2 – Long-term Equity Investments* or *Accounting Standards for business Enterprises 22 – Financial Instruments Recognition and Measurement*.

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

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

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

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

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

## 8. Recognition standards for cash and cash equivalent

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

## 9. Foreign currency business and conversion

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

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

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

included in the current profits and losses as the gains and losses from changes in fair value.

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

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

## 10. Financial instrument

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

### (1) Recognition and termination of financial instrument

A financial asset or liability is recognized when the group becomes a party to a financial instrument contract.

The recognition of a financial assets shall be terminated if it meets one of the following conditions:

- ① the contractual right to receive the cash flow of the financial assets terminates;
- ②The financial asset has been transferred, and the Company has transferred almost all risks and rewards of the ownership of the financial asset to the transferee;
- ③The financial asset has been transferred. Although the Company has neither transferred nor retained almost all the risks and rewards of the ownership of the financial asset, it has given up the control of the financial asset.

If all or part of the current obligations of a financial liability has been discharged, the financial liability or part of it is terminated for recognition. When the Company (debtor) and the creditor sign an agreement to replace the existing financial liabilities with new financial liabilities, and the new financial liabilities and the existing financial liabilities are substantially different from the contract terms, terminated the recognition of the existing financial liabilities and recognize the new financial liabilities at the same time.

Financial assets are traded in the normal way and their accounting recognition and terminated the recognition of proceed on a trade date basis.

## (2) Classification and measurement of financial assets

At the initial recognition, according to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies the financial assets into the financial assets measured at amortized cost, the financial assets measured at fair value and whose changes are included in other comprehensive income, and the financial assets measured at fair value and whose changes are included in current profit or loss. Financial assets are measured at fair value at initial recognition, but if the receivables or receivables financing arising from the sale of goods or the provision of services do not include a significant financing component or do not consider a financing component that does not exceed one year, it shall be initially measured in accordance with the transaction value. For financial assets measured at fair value and whose changes are included in the current profit or loss, related transaction costs are directly included in the current profit and loss; for other types of financial assets, related transaction costs are included in the initially recognized amount.

The business model for managing financial assets refers to how the Company manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Company is based on contract cash flow, selling financial assets or both. The Company determines the business model for managing financial assets based on objective facts and based on the specific business objectives of financial assets management determined by key management personnel.

The Company evaluates the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a specific date are only payments for the principal and the interest based on the outstanding principal amount. The principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and other basic borrowing risks, costs and consideration of profit. In addition, the Company evaluates the contractual terms that may result in changes in the time distribution or the amount of contractual cash flows of the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

Only when the Company changes its business model of managing financial assets, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes, otherwise the financial assets are not allowed to be reclassified after initial recognition.

### ① Financial assets measured at amortized cost

The Company classifies the financial assets that meet the following conditions and haven't been designated as financial assets measured at fair value and whose changes are included in current profit or loss as financial assets measured at amortized cost:

A. the group's business model for managing the financial assets is to collect contractual cash flows; and

B. the contractual terms of the financial assets stipulate that cash flow generated on a specific date is only paid for the principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets are measured at amortized cost by using the effective interest method. Gains or losses arising from financial assets which are measured at amortized cost and are not a component of any hedging relationship are included in current profit or loss when being derecognized, amortized by effective interest method, or impaired.

② Financial assets measured at fair value and whose changes are included in other comprehensive income

The Company classifies the financial assets that meet the following conditions and haven't been designated as financial assets measured at fair value and whose changes are included in current profit or loss as financial assets measured at fair value and whose changes are included in other comprehensive income:

A. the Group's business model for managing the financial assets is targeted at both the collection of contractual cash flows and the sale of financial assets; and

B. the contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

After initial recognition, such financial assets are subsequently measured at fair value. Interests, impairment losses or gains and exchange gains and losses calculated by using the effective interest method are included in profit or loss for the period, and other gains or losses are included in other comprehensive income. When being terminate for recognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in current profit or loss.

③ Financial assets measured at fair value and whose changes are included in current profit or loss

Except for the above financial assets measured at amortized cost and measured at fair value and whose changes are included in other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value and whose changes are included in current profit or loss. In the initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company irreversibly designates part of the financial assets that should be measured at amortized cost or measured at fair value and whose changes are included in the other comprehensive income as the financial assets measured at fair value and whose changes are included in current profit or loss.

After the initial recognition, such financial assets are subsequently measured at fair value, and the gains or losses (including interests and dividend income) are included in the current profit and loss, unless the financial assets are part of the hedging relationship.

However, for non-trading equity instrument investments, the Company irreversibly designates them as the financial assets that are measured at fair value and whose changes are included in other comprehensive income in the initial recognition. The designation is made based on a single investment and the relevant investment is in line with the

definition of equity instruments from the issuer's perspective. After initial recognition, such financial assets are subsequently measured at fair value. Dividend income that meets the conditions is included in profit or loss, and other gains or losses and changes in fair value are included in other comprehensive income. When it is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

### (3) Classification and measurement of financial liabilities

The financial liabilities of the Company are classified as financial liabilities measured at fair value and whose changes are included in current profit or loss and financial liabilities measured at amortized cost at the initial recognition. For financial liabilities that are not classified as financial liabilities measured at fair value and whose changes are included in current profit or loss, the related transaction expenses are included in the initial recognition amount.

#### ① Financial liability measured by fair value and with variation reckoned into current gains/losses

Financial liability measured by fair value and with variation reckoned into current gains/losses including Transaction financial liability and the financial liabilities that are designated as fair value in the initial recognition and whose changes are included in current profit or loss. For such financial liabilities, the subsequent measurement is based on fair value, and the gains or losses arising from changes in fair value and the dividends and interest expenses related to these financial liabilities are included in current profit or loss.

#### ② Financial liability measured by amortized cost

Other financial liabilities are subsequently measured at amortized cost by using the effective interest method. The gain or loss arising from recognition termination or amortization is included in current profit or loss.

#### ③ Distinctions between financial liabilities and equity instruments

Financial liabilities are liabilities that meet one of the following conditions:

- A. Contractual obligations to deliver cash or other financial assets to other parties.
- B. Contractual obligations to exchange financial assets or financial liabilities with other parties under potentially adverse conditions.
- C. Non-derivative contracts that must be settled or that can be settled by the company's own equity instruments in the future, and the enterprise will deliver a variable amount of its own equity instruments according to the contract.
- D. Derivative contracts that must be settled or that can be settled by the company's own equity instruments in the future, except for derivatives contracts that exchange a fixed amount of cash or other financial assets with a fixed amount of their own equity instruments.

An equity instrument is a contract that proves it has a residual equity in the assets of an enterprise after deducting all liabilities.

If the Company cannot unconditionally avoid performing a contractual obligation by delivering cash or other financial assets, the contractual obligation is consistent with the definition of financial liability.

If a financial instrument is required to be settled or can be settled by the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are a substitute for cash or other financial assets, or to make the instrument holder enjoy the residual equity in the assets of the issuer after deducting all liabilities. In the former case, the instrument is the Company's financial liability; if it is the latter, the instrument is the Company's equity instrument.

#### (4) Fair value of financial instruments

The company uses valuation techniques that are applicable under current circumstances and that have sufficient available data and other information support to determine the fair value of related financial assets and financial liabilities. The company divides the input values used by valuation techniques into the following levels and uses them in sequence:

- ① The first-level input value is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;
- ② The second-level input value is the direct or indirect observable input value of the relevant assets or liabilities other than the first-level input value, including quotations of similar assets or liabilities in an active market; quotations of same or similar assets or liabilities in an active market; other observable input value other than quotations, such as interest rate and yield curves that are observable during the normal quote interval; market-validated input value, etc.;
- ③ The third-level input value is the unobservable input value of the relevant assets or liabilities, including the interest rate that cannot be directly observed or cannot be verified by observable market data, stock volatility, future cash flow of the retirement obligation assumed in the business combination, and financial forecasting made by its own data, etc.

#### (5) Impairment of financial assets

On the basis of expected credit losses, the Company performs impairment treatment on financial assets measured at amortized cost and creditors' investment measured at fair value and whose changes are included in other comprehensive income and recognize the provisions for loss. For the account receivable or receivable financing resulting by selling goods or providing services, if they contains no significant financing components or without consider the financing components no more than one year, the company always measures its loss provisions according to the amount of expected credit losses during the entire renewal period.

##### ① Measurement of expected credit losses

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows that the Company discounts at the



original actual interest rate and are receivable in accordance with contract and all cash flows expected to be received, that is, the present value of all cash shortages. Among them, for the purchase or source of financial assets that have suffered credit impairment, the Company discounts the financial assets at the actual interest rate adjusted by credit.

When measuring expected credit losses, the Company individually evaluates credit risk for financial assets with significantly different credit risks, such as receivables involving litigation and arbitration with the other party, or receivables having obvious indications that the debtor is likely to be unable to fulfill its repayment obligations, and so on.

Except for the financial assets that separately assess the credit risks, the Company classified the account receivable according to their characteristic of risks, calculated the expected credit losses on basis of portfolio. Basis for determining the portfolio as follow:

A - Note receivable

Note receivable 1: bank acceptance

Note receivable 2: trade acceptance

B - Account receivable

Account receivable 1: receivable from clients

Account receivable 2: receivable from internal related party

C-Other account receivables

Other account receivables 1: receivable from internal related party

Other account receivables 2: receivable from others

As for the note receivable, account receivable and other account receivable classified in portfolio, by referring to the experience of historical credit loss, the expected credit loss is calculated by combining the current situation and the forecast of future economic conditions.

On December 31, 2019, the company reviewed the appropriateness of the provision for bad debts of receivables of previous years. Based on the credit risk characteristics of bills receivable, comprehensively evaluated the credit risk of bills receivable, the Company did not accrue credit impairment losses for bills receivable. There was a correlation between the default probability of accounts receivable portfolio and other accounts receivable portfolio and the aging, the aging was still a sign of whether the credit risk of the Company's receivables had increased significantly. Therefore, the Company's credit loss risk from June 30, 2020 was estimated on the basis of the aging and based on the original loss ratio.

Except for the above-mentioned financial assets adopting simplified metering method, the Company assesses at each balance sheet date whether its credit risk has increased significantly since initial recognition. If credit risk has not increased significantly since initial recognition, it is in the first stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss in the next 12 months; if the credit risk has

increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss for the entire duration; if credit impairment occurs after initial recognition, it is in the third stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss for the entire duration. For financial instruments with low credit risks at the balance sheet date, the Company assumes that their credit risks have not increased significantly since initial recognition.

The Company evaluates the expected credit losses of financial instruments based on individual items and portfolios. The Company considers the credit risk characteristics of different customers and evaluates the expected credit losses of receivables based on the aging portfolios.

When assessing expected credit losses, the Company considers reasonable and evidence-based information about past events, current conditions, and forecasts of future economic conditions.

When the Company no longer reasonably expects to be able to fully or partially recover the contractual cash flow of a financial asset, the Company directly writes down the book balance of the financial asset.

#### ②Assessment of a significant increase in credit risk:

The Company determines the relative changes in default risk of the financial instrument occurred in the expected duration and assess whether the credit risks of financial instrument has increased significantly since the initial recognition by comparing the risk of default of the financial instrument on the balance sheet date with the risk of default of financial instrument on the initial recognition date. When determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and evidence-based information that can be obtained without unnecessary additional costs or effort, including forward-looking information. The information considered by the Company includes:

- A. The debtor fails to pay the principal and interest according to the contractual maturity date;
- B. Serious worsening of external or internal credit rating (if any) of the financial instruments that have occurred or are expected;
- C. Serious deterioration of the debtor's operating results that have occurred or are expected;
- D. Changes in existing or anticipated technical, market, economic or legal circumstances that will have a material adverse effect on the debtor's ability to repay the company.

Based on the nature of financial instruments, the Company assesses whether credit risk has increased significantly on the basis of a single financial instrument or combination of financial instruments. When conducting an assessment based on a combination of financial instruments, the Company can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

The Company believes that financial assets are subject to default in the following circumstances:

The debtor is unlikely to pay the full amount to the Company, and the assessment does not consider the Company to take recourse actions such as realizing collateral (if held).

#### ③Financial assets with credit impairment

On the balance sheet date, the Company assesses whether the credit of financial assets measured at amortized cost and the credit of debt investments measured at fair value and whose changes are included in other comprehensive income has been impaired. When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:

- A. The issuer or the debtor has significant financial difficulties;
- B. The debtor breaches the contract, such as default or overdue repayment of interest or principal;
- C. The Company gives concessions to the debtor that will not be made in any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
- D. The debtor is likely to go bankrupt or carry out other financial restructurings;
- E. The financial difficulties of the issuer or the debtor have caused the active market of the financial asset to disappear.

#### ④ Presentation of expected credit loss provisions

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Company re-measures the expected credit losses on each balance sheet date, and the resulting increase or reversal of the loss provisions shall be included in current profit and loss as impairment losses or gains. For financial assets measured at amortized cost, the loss provisions are written off against the book value of the financial assets listed in the balance sheet; for debt investments measured at fair value and whose changes are included in other comprehensive income, the Company recognizes the loss provisions in other comprehensive income and does not deduct the book value of the financial asset.

#### ⑤ Write-off

If the Company no longer reasonably expects that the financial asset contract cash flow can be fully or partially recovered, directly write down the book balance of the financial asset. Such write-downs constitute the termination of recognition for related financial assets. This usually occurs when the Company determines that the debtor has no assets or sources of income to generate sufficient cash flow to repay the amount that will be written down. However, according to the Company's procedures for recovering the due amount, the financial assets that have been written down may still be affected by the execution activities.

If the financial assets that have been written down are recovered afterwards, they shall be included in the profit or loss of the period being recovered as the reversal of the impairment loss

#### (6) Transfer of financial assets

The transfer of financial assets refers to the transfer or delivery of financial assets to the other party (the transferee) other than the issuer of the financial assets.

For financial assets that the Company has transferred almost all risks and rewards of ownership of financial assets to the transferee, terminate the recognition of the financial assets; if almost all the risks and rewards of ownership of financial assets have been retained, do not terminate the recognition of the financial assets.

If the Company has neither transferred nor retained almost all the risks and rewards of ownership of financial assets, dispose as following situations: If the control of the financial assets is abandoned, terminate the recognition of the financial assets and determine the resulting assets and liabilities. If the control of the financial assets is not abandoned, determine the relevant financial assets according to the extent to which they continue to be involved in the transferred financial assets, and determine the related liabilities accordingly.

#### (7) Balance-out between the financial assets and liabilities

As the Group has the legal right to balance out the financial liabilities by the net or liquidation of the financial assets, the balance-out sum between the financial assets and liabilities is listed in the balance sheet. In addition, the financial assets and liabilities are listed in the balance sheet without being balanced out.

### 11. Note receivable

The notes receivable settled by the Company are all bank acceptance and letters of credit, based on the credit risk characteristics of notes receivable, the credit risk of notes receivable is comprehensively evaluated, the Company does not make credit impairment losses for notes receivable.

### 12. Account receivable

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

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

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

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

#### ① Accrual ratio for bad debt provision of account receivable based on age analysis in account age portfolio:

Account age	Accrual ratio for account receivable	Accrual ratio for other receivables
Within 6 months	Without accrual	Without accrual
6 months to one year	10%	10%
1—2 years	20%	20%
2—3 years	40%	40%
Over 3 years	100%	100%

②As for the receivable for parent company or the related party under the control of same parent company, no bad debt provision accrual.

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

Reasons for accrual: The present value of future cash flow has major difference with the receivable group's present value of future cash flow.

Accrual method for bad debt provision: Carried out impairment test independently, accrual bad debt reserves according to the difference of present value of future cash flow lower its book value

The recognition standards and accrual method for bad debt provision of account receivable found more in "10.Financial instrument".

### 13.Account receivable financing

The Company measures the loss provision for the financing of receivables at the amount equivalent to the expected credit loss during the entire duration, and the resulting increase or reversal of the loss provision is included in the current profit and loss as an impairment loss or profit.

### 14. Other account receivables

Method for determining expected credit losses of other receivables and accounting treatment methods

For other receivables, whether or not it contains significant financing components, the company always measures its loss provisions according to the amount of expected credit losses during the entire renewal period, and the resulting increase or reversal amount of loss provisions is included in the current profit and loss as an impairment loss.

The company classifies other receivables into several combinations based on similar credit risk characteristics, and calculates the expected credit losses based on all reasonable and evidenced information (including forward-looking information) on the basis of combination, the basis for determining the combination is as follows:

Item	Basis for determining portfolio	Method of measuring expected credit loss
Other account	Account age	Refer to the historical credit loss experience, combine with the current situation and the forecast

receivables		of future economic conditions, compile a comparison table of the age of other receivables and the expected credit loss rate of the entire renewal period, and calculate the expected credit losses.
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## 15. Inventory

### (1) Classification of inventories

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

### (2) Pricing for delivered inventories

The cost of inventory at the time of acquisition and delivery is calculated according to the standard cost method, and the difference in cost that it should bear is carried forward at the end of the period, and the standard cost is adjusted to the actual cost.

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

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

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

### (4) Inventory system

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

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

#### ① Low-value consumables

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

## ②Wrappage

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

## 16. Assets held for sale

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

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

The purchase commitment identified refers to the legally binding purchase agreement entered into between the Company and other parties, which sets out certain major terms relating to transaction price, time and adequately stringent punishment for default, which render an extremely minor possibility for material adjustment or revocation of the agreement.

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

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

not be reverted.

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

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

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

(ii) The recoverable amount.

## 17. Long-term equity investment

Long-term equity investments refer to long-term equity investments in which the Company has control, joint control or significant influence over the invested party. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured by fair value and with variation reckoned into current gains/losses. As for other accounting policies found more in “10. Financial instrument” in Note V.

### (1) Determination of initial investment cost

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

① For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as “transactions in a basket”. If they belong to “transactions in a basket”, these



transactions will be accounted for a transaction in obtaining control. If they are not belong to “transactions in a basket”, the initial investment cost of the long-term equity investment shall be the absorbing party’s share of the carrying amount of the owner’s equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for available-for-sale financial assets will not be accounted for.

②For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued, plus the combination cost measured by costs which have directly connection with acquisition are considered as initial investment cost of such long-term equity investment. Realizable assets and liabilities undertaken by such assets (including contingent liabilities) of the party being combined as at the combination date are all measured at fair values, without consideration to amount of minority interests. The surplus of combination cost less fair value net realizable assets of the party being combined is recorded as goodwill, and the deficit is directly recognized in the consolidated statement of gains and losses.

For business combination resulted in an enterprise not under common control by acquiring equity of the acquire under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as “transactions in a basket”. If they belong to “transactions in a basket”, these transactions will be accounted for a transaction in obtaining control. If they are not belong to “transactions in a basket”, the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquire and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.

③Long-term investments obtained through other ways:

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

B. Initial investment cost of long-term equity investment obtained through issuance of equity securities is

determined at fair value of such securities;

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

D. Initial investment cost of long-term equity investment obtained through debt reorganization is determined at fair value of such investment.

## (2) Subsequent measurement on long-term equity investment

① Presented controlling ability on invested party, the investment shall use cost method for measurement.

② Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the invested party are accounted for using equity method.

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

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group's share of the net profits or losses and other comprehensive income made by the invested party, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the invested party. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of invested party, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the invested party's net profits or losses based on the fair values of the invested party's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of in-conformity between the accounting policies and accounting periods of the invested party and the Company, the financial statements of the invested party shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealized gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an invested party is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the

investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with “Accounting Standards for Business Enterprises No. 20 “Business combination”. All profit or loss related to the transaction shall be accounted for.

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

#### ③Acquisition of minority interest

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

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

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

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

In respect of long-term equity investment accounted for using equity method with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners’ equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant

asset or liability by invested party on pro rata basis at the time of disposal. The owners' equity recognized for the movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution of invested party) shall be transferred to profit or loss for the current period on pro rata basis.

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

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

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

owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of invested party accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

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

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

Found more in Note V-23."impairment of long-term assets"

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

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

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

## 18. Investment real estate

Measurement mode

Measured by cost method

Depreciation or amortization method

Investment real estate is stated at cost. During which, the cost of externally purchased properties held-for-investment includes purchasing price, relevant taxes and surcharges and other expenses which are directly attributable to the asset. Cost of self construction of properties held for investment is composed of necessary expenses occurred for constructing those assets to a state expected to be available for use. Properties held for investment by investors are stated at the value agreed in an investment contract or agreement, but those

under contract or agreement without fair value are stated at fair value.

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

The basis of provision for impairment of properties held for investment is referred to Note V-“23.Impairment of long-term assets”

## 19. Fixed assets

### (1) Recognition conditions

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

### (2) Depreciation methods

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

For the fixed assets with impairment provision, the depreciation amount shall be calculated after deducting the accumulated amount of impairment provision for fixed assets

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

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

- ① Agreed in the lease contract (or made a reasonable judgment according to the correlated conditions on the lease commencement date), the ownership of lease fixed assets can be transferred to the Company after the expiry of the lease period;
- ② The Company has the option to purchase or lease the fixed assets, and the purchase price is estimated to be much less than the fair value of the lease of fixed assets when exercises the options, so whether the Company will exercise the option can be reasonably determined on the lease commencement date;
- ③ Even though the fixed asset ownership is not transferred, the lease term accounts for 75% of the service life of the lease fixed assets;
- ④ The present value of the Company's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date; the present value of the

leser's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date;

⑤ The leased assets with special properties can only be used by the Company without major modifications. The fixed assets rented by finance leases is calculated as the book value according to the lower one between the fair value of leased assets on the lease commencement date and the present value of the minimum lease payments.

(4) The impairment test method of fixed assets and the method of provision for impairment see Note V-“23.Impairment of long-term assets”.

## 20. Construction in progress

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

The basis of provision for impairment of properties held for construction in process is referred to Note V-“23.Impairment of long-term assets”

## 21. Borrowing costs

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

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

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

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

Borrowing costs arising from purchasing fixed asset, investment real estate and inventory, and occurred after such assets reached to its intended use of status or sales, than reckoned into assets costs while satisfy the above mentioned capitalization condition; capitalization of borrowing costs shall be suspended and recognized as current

expenditure during periods in which construction of fixed assets, investment real estate and inventory are interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed; capitalization shall discontinue when the qualifying asset is ready for its intended use or sale, the borrowing costs occurred subsequently shall reckoned into financial expenses while occurring for the current period.

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

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

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

## 22. Intangible assets

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

#### ① Measurement of intangible assets

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

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

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

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

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

#### ② Amortization methods and time limit for intangible assets:

Land use right of the company had average amortization by the transfer years from the beginning date of transfer (date of getting land use light); Patented technology, non-patented technology and other intangible assets of the Company are amortized evenly with the shortest terms among expected useful life, benefit years regulated in the



contract and effective age regulated by the laws. The amortization amount shall count in relevant assets costs and current gains/losses according to the benefit object.

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

Impairment testing methods and accrual for depreciation reserves for the intangible assets found more in Note V-“23. Impairment of long-term assets”.

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

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

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

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

## **23. Impairment of long-term assets**

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

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be

determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

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

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

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

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

#### **25. Contract liability**

The Company lists contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company offsets the contract assets and contract liabilities under the same contract and lists as a net amount.

Contract liabilities refer to the obligations to transfer goods or services to customers for the consideration received or receivable from customers, such as the payment received by an enterprise before the transfer of promised goods or services.

## **26. Employee compensation**

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

During the accounting period when the staff providing service to the Company, the short-term remuneration actual occurred shall recognized as liability and reckoned into current gains/losses. During the accounting period when staff providing service to the Company, the actual short-term compensation occurred shall recognized as liabilities and reckoned into current gains/losses, except for those in line with accounting standards or allow to reckoned into capital costs; the welfare occurred shall reckoned into current gains/losses or relevant asses costs while actually occurred. The employee compensation shall recognize as liabilities and reckoned into current gains/losses or relevant assets costs while actually occurred. The employee benefits that belong to non-monetary benefits are measured in accordance with the fair value; the social insurances including the medical insurance, work-injury insurance and maternity insurance and the housing fund that the enterprise pays for the employees as well as the labor union expenditure and employee education funds withdrawn by rule should be calculated and determined as the corresponding compensation amount and determined the corresponding liabilities in accordance with the specified withdrawing basis and proportion, and reckoned in the current profits and losses or relevant asset costs in the accounting period that the employees provide services.

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

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

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

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

profit or loss by the Group if the recognition principles for provisions are satisfied.

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

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

### **27. Accrual liabilities**

#### **(1) Recognition principle**

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

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

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

### **28. Revenue**

Accounting policies for recognition and measurement of revenue  
(applicable since 1 Jan. 2020)

#### **1. Revenue recognition principle**

On the starting date of the contract, the company evaluates the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain point in time.

When one of the following conditions is met, it belongs to the performance obligation within a certain period of time, otherwise, it belongs to the performance obligation at a certain point in time: (1) The customer obtains and consumes the economic benefits brought by the company's performance while the company performs the contract;

(2) The customer can control the goods or services under construction during the company's performance; (3) The goods or services produced during the company's performance have irreplaceable uses, and the company has the right to collect payment for the performance part that has been completed so far during the entire contract period.

For performance obligations performed within a certain period of time, the company recognizes revenue in accordance with the performance progress during that period. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue shall be recognized according to the amount of the cost incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, revenue is recognized at the point when the customer obtains control of the relevant goods or services. When judging whether the customer has obtained control of the goods, the company considers the following signs: (1) The company has the current right to receive payment for the goods, that is, the customer has the current payment obligation for the goods; (2) The company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods; (3) The company has transferred the goods to the customer in kind, that is, the customer has physically taken possession of the goods; (4) The company has transferred the main risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the goods; (5) The customer has accepted the goods; (6) Other signs that the customer has obtained control of the goods.

## 2. Revenue measurement principle

(1) The company measures revenue based on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the company expects to be entitled to receive due to the transfer of goods or services to customers, and does not include payments collected on behalf of third parties and payments expected to be returned to customers.

(2) If there is variable consideration in the contract, the company shall determine the best estimate of the variable consideration according to the expected value or the most likely amount, but the transaction price including the variable consideration shall not exceed the amount of cumulatively recognized revenue that is unlikely to be significantly turned back when the relevant uncertainty is eliminated.

(3) If there is a significant financing component in the contract, the company shall determine the transaction price based on the amount payable that the customer is assumed to pay in cash when obtaining the control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. On the starting date of the contract, if the company expects that the customer pays the price within one year after obtaining control of the goods or services, the significant financing components in the contract shall not be considered.

(4) If the contract contains two or more performance obligations, the company will allocate the transaction price to each individual performance obligation based on the relative proportion of the stand-alone selling price of the goods promised by each individual performance obligation on the starting date of the contract.

## 3. The specific method of revenue recognition

### (1) Goods sales

The company's sales of internal combustion engine accessories, purifiers, mufflers and other products belong to the performance obligations at a certain point in time. The following conditions must be met for the revenue recognition of domestic products: the company has delivered the product to the customer in accordance with the contract and the customer has accepted the product, the payment has been collected or the receipt of payment has been obtained, and the relevant economic benefits are likely to flow in, the main risks and rewards of the ownership of the goods have been transferred, the legal ownership of the goods has been transferred. The following conditions must be met to confirm the revenue of export products: the company has declared the product in accordance with the contract, obtained the bill of lading, collected the payment or obtained the receipt of payment, and related economic benefits are likely to flow in, and the main risks and rewards of the ownership of the goods have been transferred, and the legal ownership of the goods has been transferred.

#### (2) Service delivery

Revenue from the delivery of service contracts between the company and its customers, because the customer obtains and consumes the economic benefits brought about by the company's performance at the same time when the company performs the contract, and the company has the right to collect the revenue payment from the completed performance during the entire contract period, the company regards it as a performance obligation performed within a certain period of time, and recognizes revenue according to the performance progress, unless the performance progress cannot be reasonably determined. The company determines the performance progress of the service delivery according to the input method or output method. When the performance progress cannot be reasonably determined, if the company's incurred costs are expected to be compensated, the revenue shall be recognized according to the amount of the incurred costs until the performance progress can be reasonably determined.

#### (3) Rental income

Rental income of operating lease is recognized in accordance with the straight-line method during each period of the lease term, and contingent rentals are included in the current profit and loss when they actually occur.

### **29. Government grants**

#### (1) Types

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

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

#### (2) Recognition and measure

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

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

### (3) Accounting treatment

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

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

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

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

## **30. Deferred income tax assets/Deferred income tax liabilities**

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

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

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

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

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

### 31. Lease

#### (1) Accounting for operating lease

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

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

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

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

#### (2) Accounting for financing lease

Assets lease-in by financing: On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognized as unrecognized financing expenses. Unrecognized financing expenses shall be reckoned in financial expenses and amortized and using effective interest method during the leasing period. The initial direct costs incurred by the Company shall be reckoned into value of assets lease-in.

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



### 32. Other important accounting policy and accounting estimation

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

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

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

#### (1) Provision for bad debts

The Company has used the expected credit loss model to assess the impairment of financial instruments since 2019. The application of the expected credit loss model requires significant judgement and estimates, and must consider all reasonable and evidence-based information, including forward-looking information. In making such judgments and estimates, the Company infers the expected changes in debtors' credit risks based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors.

#### (2) Inventory impairment

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

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

The Company checks whether the non-current assets except for the financial assets may decrease in value at the

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

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

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

When estimating the present value of the future cash flow, the Company needs to make significant judgments to the output, price, and related operating expenses of the asset (or asset group) and the discount rate used for calculating the present value. When estimating the recoverable amount, the Company shall adopt all the relevant information can be obtained, including the prediction related to the output, price, and related operating expenses based on the reasonable and supportable assumptions.

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

#### (4) Depreciation and amortization

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

#### (5) Fair value of financial instrument

Financial instruments that do not have active markets to provide quotes need to use valuation techniques to determine fair value. Valuation techniques include the latest transaction information, discounted cash flow methods, and option pricing models. The Company has established a set of work processes to ensure that qualified personnel are responsible for the calculation, verification and review of fair value. The valuation model used by the

Company uses the market information as much as possible and uses the Company-specific information as little as possible. It should be noted that part of the information used in the valuation model requires management's estimation (such as discount rate, target exchange rate volatility, etc.). The Company regularly reviews the above estimates and assumptions and makes adjustments if necessary.

#### (6) Income tax

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

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

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

Applicable  Not applicable

In accordance with the relevant requirements of the Accounting Standards for Business Enterprises No. 14-Revenue (CK [2017] No. 22) issued by the Ministry of Finance on July 5, 2017, the company made corresponding changes and adjustments to the new revenue standards. The details are as follows:

1. Incorporate the current revenue and construction contract standards into a unified revenue recognition model;
2. Use the transfer of control rights instead of the transfer of risk rewards as the criterion for determining the point in time of revenue recognition;
3. Identify each individual performance obligation contained in the contract and recognize revenue separately when performing it;
4. Provide clearer guidance for the accounting treatment of contracts that include multiple transaction arrangements;
5. Regulations are explicitly stipulated for the revenue recognition and measurement of certain specific transactions (or events).

#### (2) Changes of important accounting estimate

Applicable  Not applicable

#### (3) Adjustment the financial statements at the beginning of the first year of implementation of new financial instrument standards, new revenue standards and new leasing standards since 2020

Applicable

Whether need to adjust the items in balance sheet at the beginning of the year

√Yes □No

## Consolidate balance sheet

In RMB

Item	2019-12-31	2020-01-01	Adjustments
<b>Current assets:</b>			
Monetary funds	1,596,893,711.87	1,596,893,711.87	
Settlement provisions			
Capital lent			
Transaction financial asset	3,940,885,674.32	3,940,885,674.32	
Derivative financial assets			
Note receivable	1,812,141,371.94	1,812,141,371.94	
Account receivable	2,310,666,475.89	2,406,712,915.10	96,046,439.21
Receivables financing	23,873,317.86	23,873,317.86	
Account paid in advance	139,241,917.78	139,241,917.78	
Insurance receivable			
Reinsurance receivables			
Contract reserve of reinsurance receivable			
Other account receivables	43,730,023.31	43,730,023.31	
Including: Interest receivable	655,052.98	655,052.98	
Dividend receivable	1,070,000.00	1,070,000.00	
Buying back the sale of financial assets			
Inventory	2,418,744,835.82	2,418,744,835.82	
Contract assets			
Assets held for sale			
Non-current asset due within one year			
Other current assets	1,012,055,605.74	1,012,055,605.74	
<b>Total current assets</b>	<b>13,298,232,934.53</b>	<b>13,394,279,373.74</b>	<b>96,046,439.21</b>
<b>Non-current assets:</b>			
Loans and payments on behalf			
Creditors' investment			
Other creditors' investment			
Long-term account receivables			
Long-term equity investment	5,322,405,953.35	5,322,405,953.35	
Other equity instrument investment	285,048,000.00	285,048,000.00	

Other non-current financial assets	1,043,589,987.43	1,043,589,987.43	
Investment real estate	22,410,511.87	22,410,511.87	
Fixed assets	2,845,176,078.20	2,845,176,078.20	
Construction in progress	247,857,777.25	247,857,777.25	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	430,594,372.12	430,594,372.12	
Research and development costs			
Goodwill	1,784,086.79	1,784,086.79	
Long-term deferred expenses	18,536,000.25	18,536,000.25	
Deferred income tax assets	212,476,501.54	212,476,501.54	
Other non-current assets	230,235,982.45	230,235,982.45	
Total non-current assets	10,660,115,251.25	10,660,115,251.25	
Total assets	23,958,348,185.78	24,054,394,624.99	96,046,439.21
Current liabilities:			
Short-term borrowings	312,153,969.81	312,153,969.81	
Loan from central bank			
Capital borrowed			
Transaction financial liability			
Derivative financial liability			
Note payable	1,745,218,439.52	1,745,218,439.52	
Account payable	3,312,254,229.84	3,312,254,229.84	
Accounts received in advance	113,737,432.61	1,493,602.00	-112,243,830.61
Contractual liability		112,243,830.61	112,243,830.61
Selling financial asset of repurchase			
Absorbing deposit and interbank deposit			
Security trading of agency			
Security sales of agency			
Employee compensation payable	314,343,737.66	314,343,737.66	
Taxes payable	129,538,411.86	129,538,411.86	
Other account payable	65,266,262.39	65,266,262.39	
Including: Interest payable			

Dividend payable			
Commission charge and commission payable			
Reinsurance payable			
Liability held for sale			
Non-current liabilities due within one year			
Other current liabilities		96,046,439.21	96,046,439.21
Total current liabilities	5,992,512,483.69	6,088,558,922.90	96,046,439.21
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Lease liability			
Long-term account payable	35,108,263.11	35,108,263.11	
Long-term employee compensation payable	58,392,053.61	58,392,053.61	
Accrual liabilities			
Deferred income	365,116,022.98	365,116,022.98	
Deferred income tax liabilities	22,566,051.72	22,566,051.72	
Other non-current liabilities			
Total non-current liabilities	481,182,391.42	481,182,391.42	
Total liabilities	6,473,694,875.11	6,569,741,314.32	96,046,439.21
Owners' equity:			
Share capital	1,008,950,570.00	1,008,950,570.00	
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital reserve	3,391,527,806.33	3,391,527,806.33	
Less: Inventory shares			
Other comprehensive income	134,871.67	134,871.67	
Reasonable reserve	3,247,757.06	3,247,757.06	
Surplus reserve	510,100,496.00	510,100,496.00	
Provision of general risk			

Retained profit	12,076,443,635.56	12,076,443,635.56	
Total owners' equity attributable to parent company	16,990,405,136.62	16,990,405,136.62	
Minority interests	494,248,174.05	494,248,174.05	
Total owners' equity	17,484,653,310.67	17,484,653,310.67	
Total liabilities and owner's equity	23,958,348,185.78	24,054,394,624.99	96,046,439.21

## Balance sheet of parent company

In RMB

Item	2019-12-31	2020-01-01	Adjustments
Current assets:			
Monetary funds	965,770,877.82	965,770,877.82	
Transaction financial asset	3,758,789,072.68	3,758,789,072.68	
Derivative financial assets			
Note receivable	202,403,993.13	202,403,993.13	
Account receivable	768,500,929.93	836,014,968.93	67,514,039.00
Receivables financing			
Account paid in advance	89,116,730.45	89,116,730.45	
Other account receivables	250,014,956.74	250,014,956.74	
Including: Interest receivable	804,929.68	804,929.68	
Dividend receivable	1,070,000.00	1,070,000.00	
Inventory	565,144,234.49	565,144,234.49	
Contract assets			
Assets held for sale			
Non-current asset due within one year			
Other current assets	938,616,881.51	938,616,881.51	
Total current assets	7,538,357,676.75	7,605,871,715.75	67,514,039.00
Non-current assets:			
Creditors' investment			
Other creditors' investment			
Long-term account receivables			
Long-term equity investment	6,331,363,630.04	6,331,363,630.04	
Other equity instrument investment	209,108,000.00	209,108,000.00	
Other non-current financial assets	1,043,589,987.43	1,043,589,987.43	

Investment real estate			
Fixed assets	1,646,333,216.50	1,646,333,216.50	
Construction in progress	136,573,912.28	136,573,912.28	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	203,663,423.60	203,663,423.60	
Research and development costs			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	105,137,877.84	105,137,877.84	
Other non-current assets	172,646,721.05	172,646,721.05	
Total non-current assets	9,848,416,768.74	9,848,416,768.74	
Total assets	17,386,774,445.49	17,454,288,484.49	67,514,039.00
Current liabilities:			
Short-term borrowings	116,126,459.33	116,126,459.33	
Transaction financial liability			
Derivative financial liability			
Note payable	284,054,137.00	284,054,137.00	
Account payable	930,273,146.35	930,273,146.35	
Accounts received in advance	12,010,730.30		-12,010,730.30
Contract liability		12,010,730.30	12,010,730.30
Employee compensation payable	213,626,754.45	213,626,754.45	
Taxes payable	56,540,307.59	56,540,307.59	
Other account payable	11,976,576.21	11,976,576.21	
Including: Interest payable			
Dividend payable			
Liability held for sale			
Non-current liabilities due within one year			
Other current liabilities		67,514,039.00	67,514,039.00
Total current liabilities	1,624,608,111.23	1,692,122,150.23	67,514,039.00
Non-current liabilities:			
Long-term borrowings			



Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Lease liability			
Long-term account payable			
Long-term employee compensation payable	50,058,386.76	50,058,386.76	
Accrual liabilities			
Deferred income	322,971,778.82	322,971,778.82	
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	373,030,165.58	373,030,165.58	
Total liabilities	1,997,638,276.81	2,065,152,315.81	67,514,039.00
Owners' equity:			
Share capital	1,008,950,570.00	1,008,950,570.00	
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital reserve	3,488,221,286.39	3,488,221,286.39	
Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus reserve	510,100,496.00	510,100,496.00	
Retained profit	10,381,863,816.29	10,381,863,816.29	
Total owners' equity	15,389,136,168.68	15,389,136,168.68	
Total liabilities and owner's equity	17,386,774,445.49	17,454,288,484.49	67,514,039.00

**(4) Retrospective adjustment of early comparison data description when initially implemented the new financial instrument standards and new leasing standards since 2020**

Applicable     Not applicable

**34. Other**

Nil

## VI. Taxation

### 1. Major taxes and tax rates

Tax	Basis	Tax rate
VAT	Taxable income	16%, 13%, 6%, Collection rate 5%, 25%(IRD), rate for exported commodities is stipulated by the state with declaration of export tax rebate, rate of tax may be “exempted, credited and refunded”
City maintaining & construction tax	Turnover tax payable	7%
Corporation income tax	Taxable income	25%, 22%, 15%
Educational surtax	Turnover tax payable	5%, 4.5%

Disclose reasons for different taxpaying body

Taxpaying body	Income tax rate
Weifu Mashan, Weifu Chang'an, Weifu International Trade., Weifu Schmidt, Weifu Leader (Wuhan), Weifu Leader(Nanchang), Weifu Electronic Drive	25%
The Company, Weifu Jinning, Weifu Leader, Weifu Tianli, Weifu Autocam, Weifu Leader(Chongqing)	15%
SPV、IRD	22%

### 2. Tax preference

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

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

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

On 29 November 2017, Weifu Tianli got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Bureau of Ningbo, Department of Finance of Ningbo, Ningbo Office, SAT and Ningbo, Zhejiang

Provincial Local Taxation Bureau, certificate No.: GR201733100363. Corporate income tax of the Weifu Tianli shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

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

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

### **3. Other**

Nil

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

### 1. Monetary funds

In RMB/CNY

Item	Ending balance	Opening balance
Cash on hand	76,486.27	93,165.33
Cash in bank	2,479,078,002.60	1,531,405,488.52
Other monetary funds	84,993,120.71	65,395,058.02
Total	2,564,147,609.58	1,596,893,711.87
Including: Total amount saving aboard	15,183,975.35	31,442,836.86

Other notes

The ending balance of other monetary funds includes a bank acceptance bill deposit of RMB 32,786,262.96, a stock repurchase amount of RMB 50,000,000.00, and a frozen dividend of RMB 2,206,857.75. The frozen dividend of 2,206,857.75 Yuan represents the part of dividends distributed by SDEC (stock code: 600841) and Miracle Automation (stock code: 002009) for 2017 to 2019 held by the Company as Transaction financial assets. According to the notices numbered Yue 03MC[2016]2490 and Yue 03MC[2016]2492 served by Guangdong Shenzhen Intermediate People's Court, these dividends were frozen.

### 2. Transaction financial assets

In RMB/CNY

Item	Ending balance	Opening balance
Financial assets measured by fair value and with variation reckoned into current gains/losses	3,186,262,183.13	3,940,885,674.32
Including:		
Including: SDEC stock	90,523,572.00	91,822,332.00
Miracle Automation stock	36,125,700.00	36,031,500.00
financial products	3,059,612,911.13	3,813,031,842.32
Including:		
Total	3,186,262,183.13	3,940,885,674.32

### 3. Note receivable

#### (1) Classification of notes receivable

In RMB/CNY

Item	Ending balance	Opening balance
Bank acceptance bill	832,078,337.35	1,755,135,175.42
Trade acceptance bill	153,852,568.26	57,006,196.52
Total	985,930,905.61	1,812,141,371.94

In RMB/CNY

Category	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Note receivable with bad debt provision accrual on portfolio	985,930,905.61	100.00%			985,930,905.61	1,812,141,371.94	100.00%			1,812,141,371.94
Including:										
Portfolio 1: bank acceptance bill	832,078,337.35	84.40%			832,078,337.35	1,755,135,175.42	96.85%			1,755,135,175.42
Portfolio 2: trade acceptance bill	153,852,568.26	15.60%			153,852,568.26	57,006,196.52	3.15%			57,006,196.52
Total	985,930,905.61	100.00%			985,930,905.61	1,812,141,371.94	100.00%			1,812,141,371.94

Bad debt provision accrual on a single basis: nil

Bad debt provision accrual on portfolio: nil

If the provision for bad debts of note receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

Applicable  Not applicable

## (2) Bad debt provision accrual collected or switch back

Applicable  Not applicable

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

In RMB/CNY

Item	Amount pledge at period-end
Bank acceptance bill	632,125,894.23
Trade acceptance bill	13,421,185.00
Total	645,547,079.23

**(4) Notes endorsement or discount and undue on balance sheet date**

In RMB/CNY

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance bill	371,597,001.62	
Trade acceptance bill	26,771,185.00	
Total	398,368,186.62	

**(5) Notes transfer to account receivable due for failure implementation by drawer at period-end**

In RMB/CNY

Item	Amount transfer to account receivable at period-end
Trade acceptance bill	5,300,000.00
Total	5,300,000.00

Other explanation

The trade acceptance bill that the company transferred to the accounts receivable due to in 2018 the failure of the drawer to perform the agreement at the end of the period were the bills of the subsidiaries controlled by Baota Petrochemical Group Co., Ltd. and the bills accepted by Baota Petrochemical Group Finance Co., Ltd. (hereinafter referred to as “BD bills”); In 2018, the amount transferred to account receivable was 7 million yuan, and 1.7 million yuan has been recovered in 2019.

**(6) Note receivable actually written-off in the period**

Nil

**4. Account receivable****(1) Classification of account receivable**

In RMB/CNY

Category	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable with bad debt provision accrual on a single basis	61,818,802.14	1.64%	61,818,802.14	100.00%		64,818,802.14	2.60%	64,818,802.14	100.00%	
Including:										

Account receivable with bad debt provision accrual on portfolio	3,703,821,632.46	98.36%	29,669,997.13	0.80%	3,674,151,635.33	2,429,517,785.18	97.40%	22,804,870.08	0.94%	2,406,712,915.10
Including:										
Total	3,765,640,434.60	100.00%	91,488,799.27	2.43%	3,674,151,635.33	2,494,336,587.32	100.00%	87,623,672.22	3.51%	2,406,712,915.10

Bad debt provision accrual on single basis: RMB 61,818,802.14

In RMB/CNY

Name	Ending balance			
	Book balance	Bad debt reserve	Accrual ratio	Accrual causes
Hubei Meiyang Auto Industry Co., Ltd.	20,139,669.45	20,139,669.45	100.00%	Have difficulty in collection
Hunan Leopard Auto Co., Ltd.	8,989,202.97	8,989,202.97	100.00%	Have difficulty in collection
Linyi Zotye Auto Parts Manufacturing Co., Ltd.	6,193,466.77	6,193,466.77	100.00%	Have difficulty in collection
Changchun FAW Sihuan Engine Manufacturing Co., Ltd.	5,852,415.65	5,852,415.65	100.00%	Have difficulty in collection
BD bills	5,300,000.00	5,300,000.00	100.00%	Have difficulty in collection
Tongling Ruineng Purchasing Co., Ltd.	4,199,674.50	4,199,674.50	100.00%	Have difficulty in collection
Zhejiang Zotye Auto Manufacturing Co., Ltd.	3,217,763.27	3,217,763.27	100.00%	Have difficulty in collection
Jiangsu Kawei Auto Industrial Group Co., Ltd.	1,932,476.26	1,932,476.26	100.00%	Have difficulty in collection
Wuxi Kipor Machinery Co., Ltd	1,220,384.74	1,220,384.74	100.00%	Have difficulty in collection
Fujian Zhao'an Country Minyue Bianjie Agricultural Machinery Auto Parts Co., Ltd.	1,111,007.12	1,111,007.12	100.00%	Have difficulty in collection
Other custom	3,662,741.41	3,662,741.41	100.00%	Have difficulty in collection
Total	61,818,802.14	61,818,802.14	--	--

Bad debt provision accrual on portfolio: RMB 29,669,997.13

In RMB/CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Accrual ratio
Within 6 months	3,538,196,231.24	0.00	
6 months to one year	116,206,384.18	11,620,638.42	10.00%
1-2 years	33,160,913.66	6,632,182.73	20.00%
2-3 years	8,068,212.31	3,227,284.91	40.00%

Over 3 years	8,189,891.07	8,189,891.07	100.00%
Total	3,703,821,632.46	29,669,997.13	--

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

Applicable  Not applicable

By account age

In RMB/CNY

Account age	Book balance
Within one year (One year included)	3,659,886,447.14
Including: within 6 months	3,542,172,732.40
6 months to one year	117,713,714.74
1-2 years	73,223,880.48
2-3 years	21,499,873.00
Over 3 years	11,030,233.98
3-4 years	11,030,233.98
Total	3,765,640,434.60

## (2) Bad debt provision accrual collected or switch back

Bad debt provision accrual in the period:

In RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Bad debt provision	87,623,672.22	12,538,618.35	8,673,491.30			91,488,799.27
Total	87,623,672.22	12,538,618.35	8,673,491.30			91,488,799.27

Important bad debt provision collected or switch back:

In RMB/CNY

Enterprise	Amount collected or switch back	Collection way
Hunan Leopard Automobile Co., Ltd.	3,000,000.00	Cash
Total	3,000,000.00	--

## (3) Account receivable actual charge off in the Period

Nil



**(4) Top 5 receivables at ending balance by arrears party**

In RMB/CNY

Name	Ending balance of account receivable	Ratio in total ending balance of account receivables	Ending balance of bad debt reserve
Bosch Automobile Diesel System Co., Ltd.	712,061,865.41	18.91%	868.90
Custom 1	308,560,656.96	8.19%	758,123.22
Custom 2	214,144,964.18	5.69%	1,097.47
Custom 3	174,254,129.96	4.63%	5,152,919.37
Custom 4	166,220,032.40	4.41%	369,367.22
Total	1,575,241,648.91	41.83%	

**(5) Account receivable derecognition due to financial assets transfer**

Nil

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

Nil

**5. Receivables financing**

In RMB/CNY

Item	Ending balance	Opening balance
Note receivable	756,743,779.54	23,873,317.86
Including: bank acceptance bill	756,743,779.54	23,873,317.86
Total	756,743,779.54	23,873,317.86

Increase and decrease in current period and changes in fair value of receivables financing

 Applicable  Not applicable

If the bad debt provision for account receivable is calculated and withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other account receivables in aspect of impairment provision:

 Applicable  Not applicable**6. Account paid in advance****(1) Account age of account paid in advance**

In RMB/CNY

Account age	Ending balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	204,078,981.25	91.01%	118,030,952.47	84.77%
1-2 years	17,421,411.19	7.77%	19,644,713.49	14.11%
2-3 years	1,847,381.49	0.82%	683,098.16	0.49%
Over 3 years	896,137.77	0.40%	883,153.66	0.63%
Total	224,243,911.70	--	139,241,917.78	--

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

Nil

## (2) Top 5 account paid in advance at ending balance by prepayment object

Total year-end balance of top five account paid in advance by prepayment object amounted to 121,104,997.78 Yuan, takes 54.01 percent of the total advance payment at year-end.

## 7. Other account receivables

In RMB/CNY

Item	Ending balance	Opening balance
Interest receivable	2,091,107.78	655,052.98
Dividend receivable	1,092,040,579.49	1,070,000.00
Other account receivables	34,981,395.85	42,004,970.33
Total	1,129,113,083.12	43,730,023.31

### (1) Interest receivable

#### 1) Category of interest receivable

In RMB/CNY

Item	Ending balance	Opening balance
Interest of fund occupation	2,091,107.78	655,052.98
Total	2,091,107.78	655,052.98

#### 2) Significant overdue interest

Nil

**3) Accrual of bad debt provision**

□ Applicable    √ Not applicable

**(2) Dividend receivable****1) Category of dividend receivable**

In RMB/CNY

Item (or invested enterprise)	Ending balance	Opening balance
Weifu Precision Machinery Manufacturing Co., Ltd.		1,070,000.00
Bosch Automobile Diesel System Co., Ltd.	900,840,579.49	
Zhonglian Automobile Electronic Co., Ltd.	191,200,000.00	
Total	1,092,040,579.49	1,070,000.00

**2) Important dividend receivable with account age over one year**

Nil

**(3) Other account receivables****1) Other account receivables classification by nature**

In RMB/CNY

Nature	Ending book balance	Opening book balance
Intercourse funds from units	37,906,531.13	35,441,483.88
Equity disposal fund of Protean Holdings Corp.		10,654,092.89
Cash deposit	2,797,435.00	3,625,917.96
Staff loans and petty cash	2,947,266.36	1,346,241.81
Other	450,558.75	300,206.93
Total	44,101,791.24	51,367,943.47

**2) Accrual of bad debt provision**

In RMB/CNY

Bad debt reserve	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	

Balance on Jan. 1, 2020	7,848,301.94		1,514,671.20	9,362,973.14
Balance of Jan. 1, 2020 in the period	—	—	—	—
Current accrual	1,352,021.01			1,352,021.01
Current reversal	1,525,891.90		68,706.86	1,594,598.76
Balance on Jun. 30, 2020	7,674,431.05		1,445,964.34	9,120,395.39

Change of book balance of loss provision with amount has major changes in the period

Applicable  Not applicable

By account age

In RMB/CNY

Account age	Book balance
Within one year (One year included)	15,141,754.76
Within 6 months	15,109,948.53
6 months to one year	31,806.23
1-2 years	24,798,127.14
2-3 years	7,200.00
Over 3 years	4,154,709.34
3-4 years	4,154,709.34
Total	44,101,791.24

### 3) Bad debt provision accrual, collected or switch back

Bad debt provision accrual in the period:

In RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Bad debt provision	9,362,973.14	1,352,021.01	1,594,598.76			9,120,395.39
Total	9,362,973.14	1,352,021.01	1,594,598.76			9,120,395.39

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

In RMB/CNY

Name	Reversal or recovery	Recovery method
Robert Bosch Company	1,520,000.00	Cash
Total	1,520,000.00	--

**4) Other receivables actually written-off during the reporting period**

Nil

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

In RMB/CNY

Enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other receivables	Ending balance of bad debt reserve
Troowin Power System Technology Co., Ltd.	Intercourse funds of unit	24,000,000.00	1-2 years	54.42%	4,800,000.00
Ningbo Jiangbei High-Tech Industry Park Development Construction Co., Ltd.	Performance bond	1,767,000.00	Over 3 years	4.01%	1,767,000.00
American HESS Company	Intercourse funds of unit	1,445,964.34	Over 3 years	3.28%	1,445,964.34
Nanjing Property Service Guidance Center	Intercourse funds of unit	1,301,567.91	Within 6 months	2.95%	0.00
China Combustion City Gas Development Co., Ltd.	deposit	575,640.00	Over 3 years	1.31%	575,640.00
Total	--	29,090,172.25	--	65.96%	8,588,604.34

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

Nil

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

Nil

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

Nil

**8. Inventory****(1) Category of inventory**

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Inventory depreciation reserve or Provision for impairment of contract performance costs	Book value	Book balance	Inventory depreciation reserve or Provision for impairment of contract performance costs	Book value
Raw materials	393,084,028.86	76,901,935.24	316,182,093.62	495,927,678.66	81,069,128.03	414,858,550.63
Goods in process	314,390,207.52	9,632,421.12	304,757,786.40	243,525,007.82	13,963,866.92	229,561,140.90
Finished goods	1,220,723,800.47	170,924,933.72	1,049,798,866.75	1,937,368,868.87	163,043,724.58	1,774,325,144.29
Total	1,928,198,036.85	257,459,290.08	1,670,738,746.77	2,676,821,555.35	258,076,719.53	2,418,744,835.82

## (2) Inventory depreciation reserve and provision for impairment of contract performance costs

In RMB/CNY

Item	Opening balance	Current increased		Current decreased		Ending balance
		Accrual	Other	Switch back or write-off	Other	
Raw materials	81,069,128.03	4,148,326.81		8,315,519.60		76,901,935.24
Goods in process	13,963,866.92	419,958.18		4,751,403.98		9,632,421.12
Finished goods	163,043,724.58	48,239,624.48		40,358,415.34		170,924,933.72
Total	258,076,719.53	52,807,909.47		53,425,338.92		257,459,290.08

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

② Accrual basis for inventory depreciation reserve:

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

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

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

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

Nil

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

Nil

## 9. Other current assets

In RMB/CNY

Item	Ending balance	Opening balance
Structured deposits	525,000,000.00	965,000,000.00
Receivable export tax rebates	3,791,825.38	5,383,485.34
VAT refund receivable		1,648,669.86
Prepaid taxes and VAT retained	18,165,659.42	36,067,254.77
Input tax to be deducted and certification	188,191.44	764,895.21
Other	331,459.55	3,191,300.56
Total	547,477,135.79	1,012,055,605.74

## 10. Long-term equity investments

In RMB/CNY

The invested entity	Opening balance (book value)	Current changes (+, -)								Ending balance (book value)	Ending balance of depreciation reserves	
		Additonal investment	Capital reduction	Investment gain/loss recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other			
I. Joint venture												
Wuxi Weifu Environment Catalyst Co., Ltd.	578,366,832.27			53,821,724.29							632,188,556.56	

Subtotal	578,366,832. 27			53,821,724. 29						632,188,5 56.56
II. Associated enterprise										
Bosch Automobile Diesel System Co., Ltd.	3,417,092,13 6.65			600,783,01 3.31			1,801,681,1 59.00			2,216,193 ,990.96
Zhonglian Automobile Electronic Co., Ltd.	1,261,232,63 5.30			126,848,34 0.16			331,400,00 0.00			1,056,680 ,975.46
Weifu Precision Machinery Manufacturi ng Co., Ltd.	61,536,602.8 2			7,644,513.8 0						69,181,11 6.62
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	4,177,746.31			-732,249.4 2						3,445,496 .89
Subtotal	4,744,039,12 1.08			734,543,61 7.85			2,133,081,1 59.00			3,345,501 ,579.93
Total	5,322,405,95 3.35			788,365,34 2.14			2,133,081,1 59.00			3,977,690 ,136.49

## 11. Other equity instrument investment

In RMB/CNY

Item	Ending balance	Opening balance
Wuxi Xidong Science & Technology Industrial Park	5,000,000.00	5,000,000.00
Beijing Zhike Industry Investment Holding Group Co., Ltd.	75,940,000.00	75,940,000.00
Rare earth Catalysis Innovation Research Institute (Dongying) Co., Ltd.	4,108,000.00	4,108,000.00
Wuxi Xichang Microchip Semi-Conductor	200,000,000.00	200,000,000.00
Total	285,048,000.00	285,048,000.00



**12. Other non-current financial assets**

In RMB/CNY

Item	Ending balance	Opening balance
Transaction financial assets holding for over one year	1,680,000,000.00	1,000,246,703.43
Equity instrument investment	43,343,284.00	43,343,284.00
Total	1,723,343,284.00	1,043,589,987.43

**13. Investment real estate****(1) Investment real estate measured by cost**

√ Applicable □ Not applicable

In RMB/CNY

Item	House and Building	Land use right	Construction in progress	Total
I. original book value				
1. Opening balance	65,524,052.61			65,524,052.61
2. Current increased				
(1) outsourcing				
(2) Inventory\fixed assets\construction in process transfer-in				
(3) increased by combination				
3. Current decreased				
(1) disposal				
(2) other transfer-out				
4. Ending balance	65,524,052.61			65,524,052.61
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	43,113,540.74			43,113,540.74
2. Current increased	761,915.13			761,915.13
(1) accrual or amortization	761,915.13			761,915.13
3. Current decreased				
(1) disposal				
(2) other transfer-out				
4. Ending balance	43,875,455.87			43,875,455.87
III. Depreciation reserves				

1. Opening balance				
2. Current increased				
(1) accrual				
3. Current decreased				
(1) disposal				
(2) other transfer-out				
4. Ending balance				
IV. Book value				
1. Ending Book value	21,648,596.74			21,648,596.74
2. Opening Book value	22,410,511.87			22,410,511.87

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

Applicable  Not applicable

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

Nil

**14. Fixed assets**

In RMB/CNY

Item	Ending balance	Opening balance
Fixed assets	2,875,000,573.89	2,845,176,078.20
Total	2,875,000,573.89	2,845,176,078.20

**(1) Fixed assets**

In RMB/CNY

Item	House and Building	Machinery equipment	Transportation equipment	Electronic and other equipment	Total
I. original book value:					
1. Opening balance	1,577,727,234.03	2,892,177,324.22	33,031,605.81	518,844,612.28	5,021,780,776.34
2. Current increased	16,580,464.39	156,035,593.57	54,194.02	59,652,213.15	232,322,465.13
(1) Purchase				1,019,898.68	1,019,898.68
(2) Construction in progress transfer-in	16,580,464.39	156,035,593.57	54,194.02	58,632,314.47	231,302,566.45

(3) increased by combination					
3.Current decreased	4,451,607.84	33,908,468.53	531,811.45	9,601,849.61	48,493,737.43
(1) disposal or scrapping	4,451,607.84	33,908,468.53	531,811.45	9,601,849.61	48,493,737.43
4.Ending balance	1,589,856,090.58	3,014,304,449.26	32,553,988.38	568,894,975.82	5,205,609,504.04
II. Accumulated depreciation					
1.Opening balance	373,468,771.98	1,466,289,636.27	24,572,383.79	259,549,999.99	2,123,880,792.03
2.Current increased	22,964,995.05	96,438,233.50	741,420.15	49,391,915.07	169,536,563.77
(1) accrual	22,964,995.05	96,438,233.50	741,420.15	49,391,915.07	169,536,563.77
3.Current decreased		10,373,103.90	483,657.79	4,595,144.28	15,451,905.97
(1) disposal or scrapping		10,373,103.90	483,657.79	4,595,144.28	15,451,905.97
4.Ending balance	396,433,767.03	1,552,354,765.87	24,830,146.15	304,346,770.78	2,277,965,449.83
III. Depreciation reserves					
1.Opening balance		45,370,341.62	73,319.90	7,280,244.59	52,723,906.11
2.Current increased					
(1) accrual					
3.Current decreased		80,425.79			80,425.79
(1) disposal or scrapping		80,425.79			80,425.79
4.Ending balance		45,289,915.83	73,319.90	7,280,244.59	52,643,480.32
IV. Book value					
1.Ending Book value	1,193,422,323.55	1,416,659,767.56	7,650,522.33	257,267,960.45	2,875,000,573.89
2.Opening Book value	1,204,258,462.05	1,380,517,346.33	8,385,902.12	252,014,367.70	2,845,176,078.20

**(2) Temporarily idle fixed assets**

Nil

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

Nil

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

Nil

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

In RMB/CNY

Item	Book value	Reasons for without the property certification
Plant and office building of Weifu Chang'an	34,963,912.96	Still in process of relevant property procedures

**(6) Disposal of fixed assets**

Nil

**15. Construction in progress**

In RMB/CNY

Item	Ending balance	Opening balance
Construction in progress	253,735,407.77	247,857,777.25
Total	253,735,407.77	247,857,777.25

**(1) Construction in progress**

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Technical transformation of parent company	85,075,711.80		85,075,711.80	98,032,515.22		98,032,515.22
Technical transformation of Weifu Autocam	47,416,945.57		47,416,945.57	44,412,832.62		44,412,832.62
Technical transformation of Weifu Leader	26,198,395.28		26,198,395.28	25,051,156.03		25,051,156.03
Other item	95,044,355.12		95,044,355.12	80,361,273.38		80,361,273.38
Total	253,735,407.77		253,735,407.77	247,857,777.25		247,857,777.25

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

In RMB/CNY

Item	Budget	Opening balance	Current increased	Fixed assets transfer-in in the Period	Other decreased in the Period	Ending balance	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including: interest capitalized amount of the year	Interest capitalization rate of the year	Source of funds
Technical transformation of parent company		98,032,515.22	160,045,127.43	173,001,930.85		85,075,711.80						Other
Technical transformation of Weifu Autocam		44,412,832.62	25,534,724.10	22,530,611.15		47,416,945.57						Other
Technical transformation of Weifu Leader		25,051,156.03	17,978,696.63	16,831,457.38		26,198,395.28						Other
Total		167,496,503.87	203,558,548.16	212,363,999.38		158,691,052.65	--	--				--

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

Nil

### (4) Engineer material

Nil

## 16. Intangible assets

### (1) Intangible assets

In RMB/CNY

Item	Land use right	Patent	Non-patent technology	Computer software	Trademark and trademark license	Total
I. original book value						
1. Opening balance	380,986,757.11		105,086,673.46	81,823,603.48	41,597,126.47	609,494,160.52
2. Current increased	30,091.08	0.00	0.00	5,763,026.69	0.00	5,793,117.77

(1) Purchase	30,091.08			5,763,026.69		5,793,117.77
(2) internal R&D						
(3) increased by combination						
3.Current decreased						
(1) disposal						
4.Ending balance	381,016,848.19	0.00	105,086,673.46	87,586,630.17	41,597,126.47	615,287,278.29
II. accumulated amortization						
1.Opening balance	88,200,675.16		9,823,965.21	54,519,248.03	9,709,000.00	162,252,888.40
2.Current increased	4,173,215.03	0.00	5,235,571.44	8,447,242.60	0.00	17,856,029.07
(1) accrual	4,173,215.03		5,235,571.44	8,447,242.60		17,856,029.07
3.Current decreased						
(1) disposal						
4.Conversion of foreign currency financial statement			1,604,658.44			1,604,658.44
5.Ending balance	92,373,890.19	0.00	16,664,195.09	62,966,490.63	9,709,000.00	181,713,575.91
III. Depreciation reserves						
1.Opening balance					16,646,900.00	16,646,900.00
2.Current increased						
(1) accrual						
3.Current decreased						
(1) disposal						
4.Ending balance					16,646,900.00	16,646,900.00
IV. Book value						
1.Ending Book value	288,642,958.00	0.00	88,422,478.37	24,620,139.54	15,241,226.47	416,926,802.38
2.Opening Book value	292,786,081.95	0.00	95,262,708.25	27,304,355.45	15,241,226.47	430,594,372.12

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

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

Nil

## 17. Goodwill

### (1) Original book value of goodwill

In RMB/CNY

The invested entity or matters forming goodwill	Opening balance	Current increased	Current decreased	Ending balance
		Formed by business combination	Disposal	
Weifu Tianli	1,784,086.79			1,784,086.79
Total	1,784,086.79			1,784,086.79

### (2) Goodwill depreciation reserves

Nil

Information about the asset group or combination of asset groups where the goodwill is located

In 2010, the company controlled and merged Weifu Tianli by means of cash capital increase, and the goodwill was the part of the merger cost greater than the fair value of Weifu Tianli's identifiable net assets.

## 18. Long-term deferred expenses

In RMB/CNY

Item	Opening balance	Current increased	Amortized in the Period	Other decrease	Ending balance
Remodeling costs etc.	18,536,000.25	5,851,016.31	2,216,221.26		22,170,795.30
Total	18,536,000.25	5,851,016.31	2,216,221.26		22,170,795.30

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

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

In RMB/CNY

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt reserve	98,150,512.49	14,890,245.91	94,527,571.76	14,302,572.39
Inventory depreciation reserve	244,900,480.12	39,024,354.66	237,900,564.04	38,773,864.59
Depreciation reserves of fixed assets	19,117,108.21	3,083,687.26	19,197,534.00	3,095,824.19
Depreciation reserves of intangible assets	16,646,900.00	2,497,035.00	16,646,900.00	2,497,035.00
Other equity instrument investment	10,000,000.00	1,500,000.00	10,000,000.00	1,500,000.00

Change of fair value of transaction financial asset	17,721,963.00	2,658,294.45	16,517,403.00	2,477,610.45
Deferred income	341,129,475.72	51,573,421.36	362,993,022.12	54,664,953.32
Internal un-realized profit	41,257,493.69	6,365,502.03	22,481,656.04	4,568,190.39
Payable salary, accrued expenses etc.	752,208,481.53	115,559,690.71	622,348,855.94	96,720,511.00
Depreciation assets, amortization difference	39,437,881.45	6,311,625.21	49,220,776.87	7,779,059.56
Deductible loss of subsidiary	21,714,524.19	4,101,171.83	21,714,524.19	4,101,171.83
Total	1,602,284,820.40	247,565,028.42	1,473,548,807.96	230,480,792.72

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

In RMB/CNY

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment for combination not under the same control	11,641,299.47	1,746,194.96	12,011,409.46	1,801,711.40
The difference between the fair value and taxation basis of IRD assets in a merger not under the same control	87,722,454.97	19,298,940.09	94,383,365.10	20,764,340.32
Change of fair value of transaction financial asset	21,427,689.29	3,214,153.41	18,231,842.32	2,734,776.35
Accelerated depreciation of fixed assets	98,019,924.32	15,269,514.83	98,019,924.32	15,269,514.83
Total	218,811,368.05	39,528,803.29	222,646,541.20	40,570,342.90

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

In RMB/CNY

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets	-18,483,668.24	229,081,360.18	-18,004,291.18	212,476,501.54
Deferred income tax liabilities	-18,483,668.24	21,045,135.05	-18,004,291.18	22,566,051.72



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

In RMB/CNY

Item	Ending balance	Opening balance
Bad debt reserve	2,458,682.17	2,459,073.60
Inventory depreciation reserve	12,558,809.96	20,176,155.49
Loss from subsidiary	90,708,868.39	103,734,801.82
Depreciation reserves of fixed assets	33,526,372.11	33,526,372.11
Other equity instrument investment	46,600,000.00	48,633,106.95
<b>Total</b>	<b>185,852,732.63</b>	<b>208,529,509.97</b>

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

In RMB/CNY

Maturity year	Ending amount	Opening amount	Note
2020	18,809,345.29	23,567,088.89	Subsidiaries have operating losses
2021	32,724,018.08	43,218,245.04	Subsidiaries have operating losses
2022	9,891,309.24	9,901,777.74	Subsidiaries have operating losses
2023	7,882,026.39	7,882,026.39	Subsidiaries have operating losses
2024	19,165,663.76	19,165,663.76	Subsidiaries have operating losses
2025	2,236,505.63		Subsidiaries have operating losses
<b>Total</b>	<b>90,708,868.39</b>	<b>103,734,801.82</b>	--

**20. Other non-current assets**

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Engineering equipment paid in advance	210,102,212.32		210,102,212.32	230,235,982.45		230,235,982.45
<b>Total</b>	<b>210,102,212.32</b>		<b>210,102,212.32</b>	<b>230,235,982.45</b>		<b>230,235,982.45</b>

**21. Short-term borrowings****(1) Category of short-term borrowings**

In RMB/CNY

Item	Ending balance	Opening balance
Credit loan	327,932,554.71	305,835,808.28
Bill financing		5,976,347.95
Accrued interest	376,183.29	341,813.58
Total	328,308,738.00	312,153,969.81

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

Nil

## 22. Note payable

In RMB/CNY

Category	Ending balance	Opening balance
Bank acceptance bill	1,339,329,488.99	1,745,218,439.52
Total	1,339,329,488.99	1,745,218,439.52

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

## 23. Account payable

### (1) Account payable

In RMB/CNY

Item	Ending balance	Opening balance
Within 1 year	4,083,158,782.01	3,214,392,402.81
1-2 years	84,295,174.53	74,021,217.00
2-3 years	10,362,261.24	5,854,811.50
Over three years	12,385,027.08	17,985,798.53
Total	4,190,201,244.86	3,312,254,229.84

### (2) Important account payable with account age over one year

Nil

## 24. Accounts received in advance

### (1) Accounts received in advance

In RMB/CNY

Item	Ending balance	Opening balance
Within 1 year	1,873,510.34	1,493,602.00
1-2 years		
2-3 years		
Over three years		
Total	1,873,510.34	1,493,602.00

## (2) Important accounts received in advance with account age over one year

Nil

## 25. Contract liabilities

In RMB/CNY

Item	Ending balance	Opening balance
Within 1 year	55,285,401.22	110,256,431.74
1-2 years	1,289,811.86	698,914.28
2-3 years	697,976.58	260,387.26
Over three years	863,622.38	1,028,097.33
Total	58,136,812.04	112,243,830.61

## 26. Wage payable

### (1) Wage payable

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
I. Short-term compensation	161,202,257.62	513,510,301.70	547,181,210.50	127,531,348.82
II. Post-employment welfare- defined contribution plans	27,587,740.03	45,843,040.90	50,962,710.85	22,468,070.08
III. Dismissed welfare	2,249,529.82	96,653.00	96,653.00	2,249,529.82
IV. Other welfare due within one year	106,180,000.00		31,541,027.96	74,638,972.04
V. Other short-term welfare-Housing subsidies, employee benefits and welfare funds	17,124,210.19		972,822.40	16,151,387.79
Total	314,343,737.66	559,449,995.60	630,754,424.71	243,039,308.55

**(2) Short-term compensation**

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Wages, bonuses, allowances and subsidies	141,247,196.85	424,901,003.55	454,531,155.68	111,617,044.72
2. Welfare for workers and staff		28,353,036.34	28,353,036.34	0.00
3. Social insurance	8,701,447.13	19,046,975.56	23,041,946.62	4,706,476.07
Including: Medical insurance	7,575,173.65	15,378,319.54	18,984,989.97	3,968,503.22
Work injury insurance	541,230.02	1,130,519.15	1,283,219.25	388,529.92
Maternity insurance	585,043.46	2,538,136.87	2,773,737.40	349,442.93
4. Housing accumulation fund	679,677.00	33,920,015.00	33,868,163.00	731,529.00
5. Labor union expenditure and personnel education expense	10,573,936.64	7,289,271.25	7,386,908.86	10,476,299.03
Total	161,202,257.62	513,510,301.70	547,181,210.50	127,531,348.82

**(3) Defined contribution plans**

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Basic endowment insurance	9,782,749.83	31,942,527.72	30,034,012.54	11,691,265.01
2. Unemployment insurance	412,974.22	807,532.44	942,478.37	278,028.29
3. Enterprise annuity	17,392,015.98	13,092,980.74	19,986,219.94	10,498,776.78
Total	27,587,740.03	45,843,040.90	50,962,710.85	22,468,070.08

**27. Taxes payable**

In RMB/CNY

Item	Ending balance	Opening balance
Value-added tax	47,094,179.93	61,749,095.75
Corporation income tax	37,089,173.54	50,686,013.43
Individual income tax	449,693.94	2,689,642.51
City maintaining & construction tax	3,324,045.95	4,348,399.47

Educational surtax	2,374,318.52	3,105,999.62
Other (including stamp tax and local funds)	8,879,922.14	6,959,261.08
Total	99,211,334.02	129,538,411.86

## 28. Other account payable

In RMB/CNY

Item	Ending balance	Opening balance
Interest payable	5,348.44	
Dividend payable	367,000,766.60	
Other accounts payable	66,411,696.56	65,266,262.39
Total	433,417,811.60	65,266,262.39

### (1) Interest payable

In RMB/CNY

Item	Ending balance	Opening balance
Other	5,348.44	
Total	5,348.44	

### (2) Dividend payable

In RMB/CNY

Item	Ending balance	Opening balance
Common stock dividend	367,000,766.60	
Total	367,000,766.60	

### (3) Other account payable

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

In RMB/CNY

Item	Ending balance	Opening balance
Deposit and margin	10,030,431.49	14,458,865.71
Social insurance and reserves funds that withholding	8,425,868.28	8,434,584.35
Intercourse funds of unit	38,960,145.98	37,055,997.50
Other	8,995,250.81	5,316,814.83

Total	66,411,696.56	65,266,262.39
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## 2) Significant other payable with over one year age

In RMB/CNY

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

## 29. Other current liabilities

In RMB/CNY

Item	Ending balance	Opening balance
Rebate payable	147,739,169.58	96,046,439.21
Total	147,739,169.58	96,046,439.21

## 30. Long-term borrowings

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

In RMB/CNY

Item	Ending balance	Opening balance
Credit loan	20,000,000.00	
Total	20,000,000.00	

## 31. Long-term account payable

In RMB/CNY

Item	Ending balance	Opening balance
Long-term account payable	16,843,181.00	16,843,181.00
Special accounts payable	18,265,082.11	18,265,082.11
Total	35,108,263.11	35,108,263.11

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

In RMB/CNY

Item	Ending balance	Opening balance
Hi-tech Branch of Nanjing Finance Bureau (note ①) Financial support funds (2005)	1,140,000.00	1,140,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ②) Financial support funds (2006)	1,250,000.00	1,250,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ③) Financial support funds (2007)	1,230,000.00	1,230,000.00
Loan transferred from treasury bond (note ④)	678,181.00	678,181.00
Hi-tech Branch of Nanjing Finance Bureau (note ⑤) Financial support funds (2008)	2,750,000.00	2,750,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ⑥) Financial support funds (2009)	1,030,000.00	1,030,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ⑦) Financial support funds (2010)	960,000.00	960,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ⑧) Financial support funds (2011)	5,040,000.00	5,040,000.00
Hi-tech Branch of Nanjing Finance Bureau (note ⑨) Financial support funds (2013)	2,740,000.00	2,740,000.00
Total	16,818,181.00	16,818,181.00

Other explanation:

Note ①: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 20 October 2005 to 20 October 2020. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note ②: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 20 July 2006 to 20 July 2021. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note ③: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 17 September 2007 to 17 September 2022. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note ④: Loan transferred from treasury bond: Weifu Jinning received RMB 1.87 million Yuan of special funds from budget of the central government, and RMB 1.73 million Yuan of special funds from budget of the local government. The non-operating income transferred in was 1.87 million Yuan in 2011 which was confirmed not to return, if the Company pays back special funds of 3.73 million Yuan to the local government in 11 years since 2012.

Note ⑤: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 10 November 2008 to 10 November 2023. Provided that the operation period in the zone is

less than 15 years, financial supporting capital will be reimbursed.

Note ⑥: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 27 October 2009 to 27 October 2024. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note ⑦: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 27 December 2010 to 27 December 2025. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note ⑧: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 28 December 2011 to 28 December 2026. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

Note ⑨: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 18 December 2013 to 18 December 2028. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

## (2) Special accounts payable

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance	Cause of formation
Removal compensation of subsidiary Weifu Jinning	18,265,082.11			18,265,082.11	
Total	18,265,082.11			18,265,082.11	--

## 32. Long-term wages payable

### (1) Long-term wages payable

In RMB/CNY

Item	Ending balance	Opening balance
I. Post-employment benefits-defined benefit plan net liabilities	0	0
II. Dismiss welfare	8,333,666.85	8,333,666.85
III. Other long-term welfare	50,058,386.76	50,058,386.76
Total	58,392,053.61	58,392,053.61

### (2) Changes in defined benefit plans

Nil



## 33. Deferred income

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance	Cause of formation
Government grand	365,116,022.98	14,454,400.00	37,018,946.70	342,551,476.28	Financial allocation received
Total	365,116,022.98	14,454,400.00	37,018,946.70	342,551,476.28	--

Item with government grants involved:

In RMB/CNY

Item	Opening balance	New grants in the Period	Amount reckoned in non-operation revenue	Amount reckoned into other income in the period	Cost reduction in the period	Other changes	Ending balance	Assets related/Income related
Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used	2,163,000.86			721,000.30			1,442,000.56	Assets related/Income related
Appropriation on reforming of production line technology and R&D ability of common rail system for diesel by distributive high-voltage	7,100,000.00						7,100,000.00	Assets related
Fund of industry upgrade (2012)	26,657,526.17			17,681,780.09			8,975,746.08	Income related
Fund of industry upgrade (2013)	60,520,000.00						60,520,000.00	Income related
Appropriation on central basic construction investment	1,428,571.45			357,142.86			1,071,428.59	Assets related

R&D and industrialization of the high-pressure variable pump of the common rail system of diesel engine for automobile	6,870,714.16			771,547.64			6,099,166.52	Assets related
Research institute of motor vehicle exhaust after-treatment technology	1,836,712.58			304,455.15			1,532,257.43	Assets related
Fund of industry upgrade (2014)	36,831,000.00						36,831,000.00	Income related
New-built assets compensation after the removal of parent company	124,849,393.92			10,331,805.43			114,517,588.49	Assets related
Fund of industry upgrade (2016)	40,000,000.00						40,000,000.00	Income related
Guiding capital for the technical reform from State Hi-Tech Technical Commission	8,147,430.27			973,816.75			7,173,613.52	Assets related
Implementation of the variable cross-section turbocharger for diesel engine	8,972,771.42			804,991.33			8,167,780.09	Assets related
Demonstration project for intelligent manufacturing	1,148,441.34			135,174.43			1,013,266.91	Assets related
Other	38,590,460.81	14,454,400.00		4,937,232.72			48,107,628.09	Assets related/ Income related
Total	365,116,022.98	14,454,400.00	0.00	37,018,946.70	0.00	0.00	342,551,476.28	

Other explanation:

(1) Appropriation on industrialization project of electrical control and high voltage jet VE system of low emissions diesel: in September 2009, Weifu Jinning signed “Project Contract of Technology Outcome Transferring Special Capital in Jiangsu Province” with Nanjing Technical Bureau, according to which Weifu Jinning received appropriation 6.35 million Yuan in 2009, 4.775 million Yuan received in 2010 and 0.875 million Yuan received in 2011. According to the contract, the attendance date of this project was: from October of 2009 to March of 2012. This contract agreed 62% of newly increased investment in project would be spent in fixed assets investment which are belongs to the government grand with assets/income concerned. In 2013, accepted by the science & technology agency of Jiangsu Province, and 4,789,997.04 Yuan with income related was reckoned into current operation revenue directly; the 7,210,002.96 Yuan with assets related was amortized during the predicted service period of the assets, and 721,000.30 Yuan amortized in the Period.

(2) The appropriation for research and development ability of distributive high-pressure common rail system for diesel engine use and production line technological transformation project: according to X CJ No. [2010] 59, the Company has received special funds of 7.1 million Yuan appropriated by Finance Bureau of Wuxi New District in 2011 and used for the Company’s research and development ability of distributive high-pressure common rail system for diesel engine use and production line technological transformation project; this appropriation belongs to government subsidies related to assets, and will be amortized according to the depreciation process of the underlying assets when the project is completed.

(3) Industry upgrading funds (2012): In accordance with the document Xi Xin Guanjing Fa [2012] No.216 and Document Xi Xin Guancai Fa [2012] No. 85, the Company received funds of 60.4 million Yuan appropriated for industry upgrading this year. Current write off: 17,681,780.09Yuan.

(4) Industry upgrading funds (2013): In accordance with the document Xi Xin Guan Jing Fa [2013] No.379, Xi Xin Guan Jing Fa [2013] No.455, Xi Xin Guan Cai Fa [2013] No.128 and Xi Xin Guan Cai Fa [2013] No.153, the Company received funds of 60.52 million Yuan appropriated for industry upgrading in 2013.

(5) Appropriation for investment of capital construction from the central government: In accordance with the document Xi Caijian [2012] No.43, the Company received appropriation of 5 million Yuan for investment of capital construction from the central government in 2012. The project has passed the acceptance check in current period, this appropriation should be amortized within the surplus service life of current assets, and amortization amount of current period is 357,142.86 Yuan.

(6) R&D and industrialization of the high pressure variable pump of the common rail system of diesel engine for automobile: the Company received appropriated for the project in 2013 with 8.05 million Yuan in line with documents of Xi Ke Ji [2013] No.186, Xi Ke Ji [2013] No.208, Xi Cai Gong Mao [2013] No.104, Xi Cai Gong Mao [2013] No.138, Xi Ke Ji [2014] No.125, Xi Cai Gong Mao [2014] No.58, Xi Ke Ji [2014] No. 246 and Xi Cai Gong Mao [2014] No.162. Received 3 million Yuan in 2014 and 0.45 million Yuan in 2015; and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 771,547.64 Yuan amortizes in the period.

(7) Vehicle exhaust after-treatment technology research institute project: in 2012, the subsidiary Weifu Leader has applied for equipment purchase assisting funds to Wuxi Huishan Science and Technology Bureau and Wuxi

Science and Technology Bureau for the vehicle exhaust after-treatment technology research institute project. This declaration has been approved by Wuxi Huishan Science and Technology Bureau and Wuxi Science and Technology Bureau in 2012, and the company has received appropriation of 2.4 million Yuan in 2012, and received appropriation of 1.6 million Yuan in 2013. This appropriation belongs to government subsidies related to assets and will be amortized according to the depreciation process, amount of 304,455.15 Yuan amortizes in the period.

(8) Industry upgrading funds (2014): In accordance with the document Xi Xin Guan Jing Fa [2014] No.427 and Xi Xin Guan Cai Fa [2014] No.143, the Company received funds of 36.831 million Yuan appropriated for industry upgrading in 2014.

(9) New-built assets compensation after the removal of parent company: policy relocation compensation received by the Company, and will be amortized according to the depreciation of new-built assets, amount of 10,331,805.43 Yuan amortizes in the period.

(10) Fund of industry upgrade (2016): In accordance with the document Xi Xin Guan Jing Fa [2016] No.585 and Xi Xin Fa [2016] No.70, the Company received funds of 40 million Yuan appropriated for industry upgrading in 2016.

(11) Guiding capital for the technical reform from State Hi-Tech Technical Commission: In accordance with the document Xi Jing Xin ZH [2016] No.9 and Xi Cai GM [2016] No.56, the Company received a 9.74 million Yuan for the guiding capital of technical reform (1st batch) from Wuxi for year of 2016, and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 973,816.75 Yuan amortize in the period.

(12) Implementation of the variable cross-section turbocharger for diesel engine: In accordance with the document YCZ Fa[2016] NO.623 and “Strong Industrial Base Project Contract for year of 2016”, subsidiary Weifu Tianli received a specific subsidy of 16.97 million Yuan (760,000 Yuan received in 2018), the fund supporting strong industrial base project (made-in-China 2025) of central industrial transformation and upgrading 2016 from Ministry of Industry and Information Technology; and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 804,991.33 Yuan amortize in the period.

(13) Demonstration project for intelligent manufacturing: under the Notice Relating to Selection of the Intelligent Manufacturing Model Project in Huishan District in 2016 (HJXF[2016]No.36), a fiscal subsidy of 3,000,000 Yuan was granted by relevant government authority in Huishan district to our subsidiary Weifu Leader in 2017 to be utilized for transformation and upgrade of Weifu Leader’s intelligent manufacturing facilities. This subsidy belongs to government grant related to assets which shall be amortized based on the depreciation progress of the assets. Amortization for the period amounts to 135,174.43 Yuan.

### 34. Share capital

In RMB/CNY

	Opening balance	Change during the year(+, -)					Ending balance
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Total shares	1,008,950,570.00						1,008,950,570.00

### 35. Capital reserve

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
Capital premium (Share capital premium)	3,346,333,817.41			3,346,333,817.41
Other Capital reserve	45,193,988.92			45,193,988.92
Total	3,391,527,806.33			3,391,527,806.33

### 36. Treasury stock

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
Stock repurchase		300,007,852.84		300,007,852.84
Total		300,007,852.84		300,007,852.84

### 37. Other comprehensive income

In RMB/CNY

Item	Opening balance	Current period						Ending balance
		Account before income tax in the year	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period	Less: written in other comprehensive income in previous period and carried forward to retained earnings in current period	Less: income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	

II. Other comprehensive income items which will be reclassified subsequently to profit or loss	134,871.67	4,618.33				3,048.10	1,570.23	137,919.77
Conversion difference of foreign currency financial statement	134,871.67	4,618.33				3,048.10	1,570.23	137,919.77
Total other comprehensive income	134,871.67	4,618.33				3,048.10	1,570.23	137,919.77

### 38. Reasonable reserve

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
Safety production costs	3,247,757.06	11,612,779.18	12,224,050.26	2,636,485.98
Total	3,247,757.06	11,612,779.18	12,224,050.26	2,636,485.98

### 39. Surplus reserve

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
Statutory surplus reserves	510,100,496.00			510,100,496.00
Total	510,100,496.00			510,100,496.00

### 40. Retained profit

In RMB/CNY

Item	Current period	Last period
Retained profits at the end of last year before adjustment	12,076,443,635.56	10,996,945,870.13
Total retained profit at beginning of the adjustment (+ for increased, -for decreased)		1,584,556.37
Retained profits at the beginning of the year after adjustment	12,076,443,635.56	10,998,530,426.50
Add: The net profits belong to owners of patent company of this period	1,326,344,424.98	2,268,026,432.78
Common dividend payable	1,093,241,270.00	1,210,740,684.00
Add: Net effect of disposal other equity instrument investment		20,627,460.28
Retained profit at period-end	12,309,546,790.54	12,076,443,635.56

Details about adjusting the retained profits at the beginning of the period:

1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.

- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan

#### 41. Operating income and cost

In RMB/CNY

Item	Current period		Last Period	
	Income	Cost	Income	Cost
Main operating	6,352,974,489.95	5,256,052,615.30	4,133,178,892.36	3,179,484,258.13
Other business	241,429,134.61	157,916,759.23	270,265,453.69	225,902,246.31
Total	6,594,403,624.56	5,413,969,374.53	4,403,444,346.05	3,405,386,504.44

Information related to performance obligations:

Nil

Information related to the transaction price apportioned to the remaining performance obligations:

At the end of the reporting period, the amount of revenue corresponding to the performance obligations that have been signed but not yet fulfilled or not yet completed is RMB 0.00.

#### 42. Operating tax and extras

In RMB/CNY

Item	Current period	Last Period
City maintaining & construction tax	11,315,610.47	12,840,319.07
Educational surtax	8,082,578.87	9,260,002.10
Property tax	8,136,007.34	7,976,886.64
Land use tax	2,258,583.38	3,000,765.60
Vehicle use tax	17,455.52	5,540.64
Stamp duty	2,074,390.19	1,349,389.57
Other taxes	76,923.38	101,668.04
Total	31,961,549.15	34,534,571.66

#### 43. Sales expenses

In RMB/CNY

Item	Current period	Last Period
Salary and fringe benefit	25,826,320.40	26,545,495.48

Consumption of office materials and business travel charge	3,267,626.29	5,902,212.14
Transportation charge	22,287,326.77	13,044,708.75
Warehouse charge	7,320,422.39	2,516,917.39
Three guarantees cost	65,575,346.96	39,932,538.62
Business entertainment fee	8,669,963.79	9,328,770.85
Other	5,447,164.71	7,000,004.17
<b>Total</b>	<b>138,394,171.31</b>	<b>104,270,647.40</b>

#### 44. Administration expenses

In RMB/CNY

Item	Current period	Last Period
Salary and fringe benefit	125,724,396.50	134,821,395.41
Depreciation charger and long-term assets amortization	30,914,703.59	17,239,939.30
Consumption of office materials and business travel charge	5,274,784.55	5,392,838.23
Incentive fund	45,360,000.00	35,940,000.00
Other	129,710,776.64	117,515,807.49
<b>Total</b>	<b>336,984,661.28</b>	<b>310,909,980.43</b>

#### 44. R&D expenses

In RMB/CNY

Item	Current period	Last Period
Technological development expenses	211,531,953.72	180,167,642.16
<b>Total</b>	<b>211,531,953.72</b>	<b>180,167,642.16</b>

#### 46. Financial expenses

In RMB/CNY

Item	Current period	Last Period
Interest expenses	5,800,553.09	9,264,648.42
Note discount interest expenses	5,393,256.06	6,867,326.37
Deposit interest income	-43,053,210.79	-48,416,919.83
Gains/losses from exchange	-4,472,009.34	583,881.77



Handling charges	1,724,451.73	2,208,267.69
Total	-34,606,959.25	-29,492,795.58

**47. Other income**

In RMB/CNY

Sources of income generated	Current period	Last Period
Government grants with routine operation activity concerned	43,932,417.68	17,632,117.95
Total	43,932,417.68	17,632,117.95

**48. Investment income**

In RMB/CNY

Item	Current period	Last Period
Income of long-term equity investment calculated based on equity	785,533,710.72	790,465,131.05
Investment income from holding financial assets available for sales		2,287,308.59
Investment income of financial products	138,448,908.25	95,464,240.84
Other	-408,092.36	
Total	923,574,526.61	888,216,680.48

**49. Net exposure hedge income**

Nil

**50. Income from change of fair value**

In RMB/CNY

Sources	Current period	Last Period
Transaction financial asset	258,157.65	30,195,948.00
Investment income from disposal of trading financial assets, etc.		490,329.13
Total	258,157.65	30,686,277.13

**51. Credit impairment loss**

In RMB/CNY

Item	Current period	Last Period
Bad debt losses on other receivables		-33,433.24
Bad debt losses on accounts receivable	-3,622,549.31	-6,204,357.51
Total	-3,622,549.31	-6,237,790.75

## 52. Assets impairment loss

In RMB/CNY

Item	Current period	Last Period
II. Loss of inventory fall in price and impairment loss of contract performance cost	-52,807,909.47	-1,500,885.27
Total	-52,807,909.47	-1,500,885.27

## 53. Income from assets disposal

In RMB/CNY

Sources	Current period	Last Period
Income from disposal of non-current assets	503,005.53	5,542,556.91
Losses from disposal of non-current assets	-270,505.98	-434,708.46
Total	232,499.55	5,107,848.45

## 54. Non-operating income

In RMB/CNY

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Government subsidy		26,547,209.00	
Other	164,150.94	997,548.26	164,150.94
Total	164,150.94	27,544,757.26	164,150.94

Government subsidies included in current profit and loss: nil

## 55. Non-operating expense

In RMB/CNY

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Donation	3,003,503.70	43,500.00	3,003,503.70
Total non-current asset retirement losses	775,870.54	180,170.75	775,870.54

Including: loss of fixed assets scrap	775,870.54	180,170.75	775,870.54
Local fund	343,760.00	2,291,966.58	
Other	1,317.44	115,815.69	1,317.44
Total	4,124,451.68	2,631,453.02	3,780,691.68

## 56. Income tax expense

### (1) Income tax expense

In RMB/CNY

Item	Current period	Last Period
Payable tax in current period	79,048,948.52	52,525,690.93
Adjusted the previous income tax	-3,635,148.44	3,839,633.55
Increase/decrease of deferred income tax assets	-16,387,431.29	20,543,454.34
Increase/decrease of deferred income tax liability	-1,520,916.67	4,473,875.72
Total	57,505,452.12	81,382,654.54

### (2) Adjustment on accounting profit and income tax expenses

In RMB/CNY

Item	Current period
Total profit	1,403,775,715.79
Income tax measured by statutory/applicable tax rate	210,566,357.37
Impact by different tax rate applied by subsidies	933,534.12
Adjusted the previous income tax	-3,635,148.44
Impact by non-taxable revenue	-117,889,611.93
Impact by the deductible losses of the un-recognized previous deferred income tax	-736,289.69
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	-3,291,618.66
Impact on additional deduction	-13,068,335.67
Other	-15,373,434.98
Income tax expense	57,505,452.12

## 57. Other comprehensive income

See Note 37

**58. Items of ash flow statement****(1) Other cash received in relation to operation activities**

In RMB/CNY

Item	Current period	Last Period
Interest income from bank deposits	43,053,210.79	49,585,253.17
Government grants	21,365,245.08	33,827,547.71
Other	6,383,457.07	2,362,693.88
Total	70,801,912.94	85,775,494.76

**(2) Other cash paid in relation to operation activities**

In RMB/CNY

Item	Current period	Last Period
Cash cost	244,636,121.10	158,648,871.84
Other	12,194,783.41	10,439,746.86
Total	256,830,904.51	169,088,618.70

**(3) Cash received from other investment activities**

Nil

**(4) Cash paid related with investment activities**

In RMB/CNY

Item	Current period	Last Period
Pay Wuhan Zhongyu loan		24,000,000.00
Total		24,000,000.00

**(5) Other cash received in relation to financing activities**

In RMB/CNY

Item	Current period	Last Period
Weifu Leader receives loans from Wuxi Industry Group	5,470,000.00	
Total	5,470,000.00	

**(6) Cash paid related with financing activities**

In RMB/CNY

Item	Current period	Last Period
Weifu Leader pays loans from Wuxi Industry Group		5,470,000.00
Repayment of national debt into loan		339,091.00
Stock repurchase	300,007,852.84	
Total	300,007,852.84	5,809,091.00

**59. Supplementary information to statement of cash flow****(1) Supplementary information to statement of cash flow**

In RMB/CNY

Supplementary information	Current period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	1,346,270,263.67	1,275,102,693.23
Add: Assets impairment provision	56,430,458.78	7,738,676.02
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	170,298,478.93	150,680,275.86
Amortization of intangible assets	17,856,029.07	7,769,977.82
Amortization of long-term deferred expenses	2,216,221.26	1,498,822.02
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is listed with "--")	-232,499.55	-5,107,848.45
Losses on scrapping of fixed assets (gain is listed with "--")	775,870.54	180,170.75
Gain/loss of fair value changes (gain is listed with "--")	-258,157.65	-30,686,277.13
Financial expenses (gain is listed with "--")	1,308,072.77	8,918,152.92
Investment loss (gain is listed with "--")	-923,574,526.61	-885,938,793.49
Decrease of deferred income tax asset ((increase is listed with "--")	-16,604,858.64	17,047,670.29
Increase of deferred income tax liability (decrease is listed with "--")	-1,520,916.67	-55,516.90
Decrease of inventory (increase is listed with "--")	722,938,987.42	9,891,557.33
Decrease of operating receivable accounts (increase is listed with "--")	-1,396,333,918.08	-802,107,175.59
Increase of operating payable accounts (decrease is listed with "--")	457,453,317.78	934,171,985.46
Other	634,249.39	1,219,538.11
Net cash flows arising from operating activities	437,657,072.41	690,323,908.25
2. Material investment and financing not involved in cash flow	--	--

3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	1,708,154,488.87	2,596,327,132.26
Less: Balance of cash equivalent at year-begin	820,498,653.85	2,404,674,139.49
Net increase of cash and cash equivalents	887,655,835.02	191,652,992.77

## (2) Net cash payment for the acquisition of a subsidiary in the period

Nil

## (3) Net cash received from the disposal of subsidiaries

Nil

## (4) Constitution of cash and cash equivalent

In RMB/CNY

Item	Ending balance	Opening balance
I. Cash	1,708,154,488.87	820,498,653.85
Including: Cash on hand	76,486.27	93,165.33
Bank deposit available for payment at any time	1,708,078,002.60	820,405,488.52
III. Balance of cash and cash equivalents at the period-end	1,708,154,488.87	820,498,653.85

## 60. Note of the changes of owners' equity

Explain the items and amount at period-end adjusted for "Other" at end of the last year: nil

## 61. Assets with ownership or use right restricted

In RMB/CNY

Item	Ending Book value	Restriction reason
Monetary funds	32,786,262.96	Cash deposit paid for bank acceptance
Note receivable	645,547,079.23	Notes pledge for bank acceptance
Monetary funds	2,206,857.75	Court freeze
Monetary funds	50,000,000.00	Stock repurchase
Transaction financial asset	117,947,240.94	In accordance with the civil ruling No.(2016)Y03MC2490 and No.(2016)Y03MC2492 of Guangdong Shenzhen Intermediate People's Court the property with the value of 217 million Yuan under the name of the Company and other

		seven respondents and the third party Shenzhen Hejun Chuangye Holdings Co., Ltd. was frozen. As of the end of the reporting period, 4.71 million shares of Miracle Automation and 11,739,102 shares of SDEC and fruit held by the Company were frozen.
Total	848,487,440.88	--

## 62. Item of foreign currency

### (1) Item of foreign currency

In RMB/CNY

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary funds	--	--	
Including: USD	13,209,792.28	7.0795	93,518,724.44
EUR	1,436,642.82	7.961	11,437,113.50
HKD	11,049,573.90	0.9134	10,092,680.80
JPY		0.065808	0.00
DKK	6,375,259.14	1.0685	6,811,964.40
Account receivable	--	--	
Including: USD	1,080,383.61	7.0795	7,648,575.77
EUR	738,532.97	7.961	5,879,460.97
HKD		0.9134	0.00
JPY	3,645,361.00	0.065808	239,893.92
DKK	2,658,753.53	1.0685	2,840,878.15
Long-term borrowings	--	--	
Including: USD			
EUR			
HKD			
Short-term borrowings			
Including: EUR	5,644,084.25	7.961	44,932,554.71
Account payable			
Including: USD	318,270.52	7.0795	2,253,196.15
EUR	2,194,697.44	7.961	17,471,986.32
JPY	43,195,476.00	0.065808	2,842,607.88
CHF	153,260.54	7.4434	1,140,779.50

DKK	1,491,131.05	1.0685	1,593,273.53
Other account payable			
Including: USD	1,087.90	7.0795	7,701.79
DKK	4,005,904.09	1.0685	4,280,308.52

**(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons**

√ Applicable    □ Not applicable

### 63. Hedging

Disclosure of the qualitative and quantitative information on hedging items and related hedging instruments, hedging risks according to category: nil

### 64. Government grants

#### (1) Government grants

In RMB/CNY

Category	Amount	Item	Amount reckoned in current gain/loss
The second batch of provincial-level industrial and information industry transformation special funds in 2019	5,000,000.00	Deferred income	
Wuxi City Key Technical Transformation Guide Fund Project	8,330,000.00	Deferred income, Other income	1,680,000.00
2019 Wuxi Mayor Quality Award	1,000,000.00	Other income	1,000,000.00
Stable subsidy	3,505,660.57	Other income	3,505,660.57
Intelligent manufacturing and technological transformation awards and supplementary funds	955,000.00	Other income	955,000.00
Huishan District Science and Technology Development Support Project Reward and Subsidy Funds	200,000.00	Other income	200,000.00
2019 Quality Award and Finalist Award	200,000.00	Other income	200,000.00
In 2019, the integration of industrialization and industrialization, and the provincial-level	180,000.00	Other income	180,000.00



segmentation project reward for enterprise cloud			
2019 Work Award for Strong Quality District	150,000.00	Other income	150,000.00
Special fund for intellectual property	56,100.00	Other income	56,100.00
Training subsidy for smart employees	214,300.00	Other income	214,300.00
Other	1,574,184.51	Deferred income, Other income	1,334,184.51
Total	21,365,245.08		9,475,245.08

## (2) Government grants rebate

Applicable  Not applicable

## 65. Other

Nil

## VIII. Changes of consolidation scope

### 1. Enterprise combine not under the same control

Nil

### 2. Enterprise combine under the same control

Nil

### 3. Reverse purchase

Nil

### 4. Disposal of subsidiaries

Nil

### 5. Other reasons for consolidation range changed

Nil

### 6. Other

Nil

## IX. Equity in other entity

### 1. Equity in subsidiary

#### (1) Constituted of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Weifu Jinning	Nanjing	Nanjing	Spare parts of internal-combustion engine	80.00%		Enterprise combine under the same control
Weifu Leader	Wuxi	Wuxi	Automobile exhaust purifier, muffler	94.81%		Enterprise combine under the same control
Weifu Mashan	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
Weifu Chang'an	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
Weifu International Trade	Wuxi	Wuxi	Trading	100.00%		Enterprise combine under the same control
Weifu Schmidt	Wuxi	Wuxi	Spare parts of internal-combustion engine	66.00%		Investment
Weifu Tianli	Ningbo	Ningbo	Spare parts of internal-combustion engine	98.83%	1.17%	Enterprise combine not under the same control
Weifu Autocam	Wuxi	Wuxi	Spare parts of internal-combustion engine	51.00%		Enterprise combine not under the same control
Weifu Leader (Wuhan)	Wuhan	Wuhan	Automobile exhaust purifier, muffler		60.00%	Investment
Weifu Leader (Chongqing)	Chongqing	Chongqing	Automobile exhaust purifier, muffler		100.00%	Investment
Weifu Leader (Nanchang)	Nanchang	Nanchang	Automobile exhaust purifier, muffler		100.00%	Investment
Weifu Electronic Drive	Wuxi	Wuxi	Hub motor	80.00%		Enterprise combine not under the same control
SPV	Denmark	Denmark	Investment	100.00%		Investment
IRD	Denmark	Denmark	Fuel cell components		66.00%	Enterprise combine not under the same control
IRD America	America	America	Fuel cell components		66.00%	Enterprise combine not under the same control

**(2) Important non-wholly-owned subsidiary**

In RMB/CNY

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Weifu Jinning	20.00%	14,246,851.21	15,748,768.80	191,628,814.53
Weifu Schmidt	34.00%	1,643,010.32		12,856,509.10
Weifu Leader	5.19%	5,729,722.13		92,437,878.29
Weifu Autocam	49.00%	5,476,145.85		160,625,407.78
Total		27,095,729.51	15,748,768.80	457,548,609.70

**(3) Main finance of the important non-wholly-owned subsidiary**

In RMB/CNY

Subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Weifu Jinning	1,157,127,060.71	275,724,001.15	1,432,851,061.86	424,331,784.80	48,096,585.52	472,428,370.32
Weifu Schmidt	119,294,340.72	47,503,051.13	166,797,391.85	128,017,597.97	570,000.00	128,587,597.97
Weifu Leader	4,139,268,777.15	1,165,405,904.38	5,304,674,681.53	3,531,665,367.66	21,193,740.39	3,552,859,108.05
Weifu Autocam	246,210,818.77	332,438,683.70	578,649,502.47	253,736,607.36		253,736,607.36
Total	5,661,900,997.35	1,821,071,640.36	7,482,972,637.71	4,337,751,357.79	69,860,325.91	4,407,611,683.70

In RMB/CNY

Subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Weifu Jinning	999,097,495.08	334,721,775.17	1,333,819,270.25	318,915,621.86	47,104,930.82	366,020,552.68
Weifu Schmidt	141,991,506.20	49,208,881.93	191,200,388.13	157,822,785.29		157,822,785.29
Weifu Leader	3,931,739,116.15	1,095,110,196.65	5,026,849,312.80	3,341,853,614.37	22,204,377.06	3,364,057,991.43
Weifu Autocam	245,057,798.53	323,114,477.06	568,172,275.59	254,234,583.00		254,234,583.00
Total	5,317,885,915.96	1,802,155,330.81	7,120,041,246.77	4,072,826,604.52	69,309,307.88	4,142,135,912.40

In RMB/CNY

Subsidiary	Current period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	352,597,870.12	71,027,425.74	71,027,425.74	13,549,394.41
Weifu Schmidt	98,614,059.14	4,832,191.04	4,832,191.04	-15,080,952.12
Weifu Leader	3,307,136,098.12	89,024,252.11	89,024,252.11	194,818,501.61
Weifu Autocam	174,153,210.61	10,975,202.52	10,975,202.52	-11,097,809.19
Total	3,932,501,237.99	175,859,071.41	175,859,071.41	182,189,134.71

In RMB/CNY

Subsidiary	Last Period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	328,481,669.39	75,516,399.57	75,516,399.57	33,455,248.40
Weifu Schmidt	84,285,489.50	-45,675.45	-45,675.45	5,467,884.14
Weifu Leader	1,338,975,875.93	32,780,686.77	32,780,686.77	116,866,170.40
Weifu Autocam	177,929,684.84	2,330,164.41	2,330,164.41	33,593,148.87
Total	1,929,672,719.66	110,581,575.30	110,581,575.30	189,382,451.81

#### (4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group

Nil

#### (5) Financial or other supporting offers to the structured entity included in consolidated financial statement range

Nil

#### 2. Transaction that has owners' equity shares changed in subsidiary but still with controlling rights

Nil

#### 3. Equity in joint venture and associated enterprise

##### (1) Important joint venture and associated enterprise

Joint venture or associated enterprise	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and associated enterprise
				Directly	Indirectly	
I. Joint venture						
Wuxi Weifu Environment Catalyst Co., Ltd.	Wuxi	Wuxi	Catalyst		49.00%	Equity method
II. Associated enterprise						
Bosch Automobile Diesel System Co., Ltd.	Wuxi	Wuxi	Internal-combustion engine accessories	32.50%	1.50%	Equity method
Zhonglian Automobile Electronic Co., Ltd.	Shanghai	Shanghai	Internal-combustion engine accessories	20.00%		Equity method
Weifu Precision Machinery Manufacturing Co., Ltd.	Wuxi	Wuxi	Internal-combustion engine accessories	20.00%		Equity method
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	Wuxi	Wuxi	Automobile components		45.00%	Equity method

## (2) Main financial information of the important joint venture

In RMB/CNY

	Ending balance/Current period	Opening balance/Last Period
	Weifu Environment	Weifu Environment
Current assets	4,313,646,477.87	3,285,078,665.28
Including: cash and cash equivalents	99,097,297.11	52,542,261.45
Non-current assets	316,807,824.61	323,188,749.54
Total assets	4,630,454,302.48	3,608,267,414.82
Current liabilities	3,314,035,548.28	2,401,381,614.27
Non-current liabilities	26,238,026.53	26,545,326.53
Total liabilities	3,340,273,574.81	2,427,926,940.80
Minority shareholders' equity		
Shareholders' equity attributable to parent company	1,290,180,727.67	1,180,340,474.02
Share of net assets calculated by shareholding ratio	632,188,556.56	578,366,832.27
Adjustment matters		
--Goodwill		

--Unrealized profits from internal transactions		
--Other		
Book value of equity investment in joint ventures	632,188,556.56	578,366,832.27
Fair value of equity investment in joint ventures with publicly quoted prices		
Operation income	3,456,176,529.08	1,590,675,320.87
Financial expenses	59,064,339.14	40,646,719.18
Income tax expense	20,282,165.19	4,391,396.50
Net profit	114,476,846.31	23,640,351.13
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	114,476,846.31	23,640,351.13
Dividends received from joint ventures this year		

### (3) Main financial information of the important associated enterprise

In RMB/CNY

	Ending balance/Current period			Opening balance/Last Period		
	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery
Current assets	10,321,893,175.35	1,514,193,827.44	401,699,746.42	10,878,760,988.82	175,292,101.34	321,631,869.85
Non-current assets	2,882,412,425.39	5,094,179,637.02	161,717,212.96	3,059,116,036.23	6,129,564,645.28	151,133,767.52
Total assets	13,204,305,600.74	6,608,373,464.46	563,416,959.38	13,937,877,025.05	6,304,856,746.62	472,765,637.37
Current liabilities	7,414,006,511.77	1,329,336,072.57	214,785,260.82	4,613,514,567.69	3,030,820.85	162,393,934.95
Non-current liabilities		2,668,844.32			2,699,079.03	
Total liabilities	7,414,006,511.77	1,332,004,916.89	214,785,260.82	4,613,514,567.69	5,729,899.88	162,393,934.95
Minority shareholders' equity						
Attributable to parent company shareholders'	5,790,299,088.97	5,276,368,547.57	348,631,698.56	9,324,362,457.36	6,299,126,846.74	310,371,702.42

equity						
Share of net assets calculated by shareholding ratio	1,968,701,690.23	1,055,273,709.50	69,726,339.71	3,170,283,235.50	1,259,825,369.35	62,074,340.48
Adjustment matters						
--Goodwill	267,788,761.35	1,407,265.96		267,788,761.35	1,407,265.96	
--Unrealized profit of internal trading	-20,296,460.34		-16,189.06	-20,979,859.92		-8,703.61
--Other	-0.28		-529,034.03	-0.28		-529,034.05
Book value of equity investment in associated enterprise	2,216,193,990.96	1,056,680,975.46	69,181,116.62	3,417,092,136.65	1,261,232,635.30	61,536,602.82
Fair value of equity investment in joint ventures with publicly quoted prices						
Operation income	7,807,711,867.16	11,705,308.41	205,853,869.35	7,690,808,970.61	11,298,817.88	144,654,208.76
Net profit	1,764,998,863.92	634,241,700.83	38,259,996.14	1,827,071,096.33	737,662,037.83	23,338,840.07
Net profit from discontinued operations						
Other comprehensive income						
Total comprehensive income	1,764,998,963.92	634,241,700.83	38,259,996.14	1,827,071,096.33	737,662,037.83	23,338,840.07
Dividends received from associated enterprise in the year	900,840,579.51	140,200,000.00	1,070,000.00	429,448,388.47	105,200,000.00	

Other explanation

① Adjustment item for other “-0.28”: the differential tail;

The dividend of 1.07 million yuan distributed by Weifu Precision Machinery on December 31, 2019 was received on way of bank acceptance bill.

#### (4) Financial summary for non-important Joint venture and associated enterprise

In RMB/CNY

	Ending balance/Current period	Opening balance/Last Period
Joint venture:	--	--
Amount based on share-holding ratio	--	--
--Net profit		-1,176,749.59
--Total comprehensive income		-1,176,749.59
Associated enterprise:	--	--
Total book value of investment	3,445,496.89	4,177,746.31
Amount based on share-holding ratio	--	--
--Net profit	-732,249.42	-1,250,239.86
--Total comprehensive income	-732,249.42	-1,250,239.86

#### (5) Major limitation on capital transfer ability to the Company from joint venture or associated enterprise

Nil

#### (6) Excess loss occurred in joint venture or associated enterprise

Nil

#### (7) Unconfirmed commitment with joint venture investment concerned

Nil

#### (8) Intangible liability with joint venture or associated enterprise investment concerned

Nil

#### 4. Major conduct joint operation

Nil



**5. Structured body excluding in consolidate financial statement**

Nil

**6. Other**

Nil

**X. Risk related with financial instrument**

Main financial instrument of the Company including monetary funds, structured deposits, account receivable, equity instrument investment, financial products, loans, and account payable etc., more details of the financial instrument can be found in relevant items of Note VII. Risks concerned with the above-mentioned financial instrument, and the risk management policy takes for lower the risks are as follow:

Aims of engaging in the risk management is to achieve equilibrium between the risk and benefit, lower the adverse impact on performance of the Company to minimum standards, and maximized the benefit for shareholders and other investors. Base on the risk management targets, the basic tactics of the risk management is to recognized and analyzed the vary risks that the Company counted, established an appropriate risk exposure baseline and caring risk management, supervise the vary risks timely and reliably in order to control the risk in a limited range.

In business process, the risks with financial instrument concerned happen in front of the Company mainly including credit exposure, market risk and liquidity risk. BOD of the Company takes full charge of the risk management target and policy-making, and takes ultimate responsibility for the target of risk management and policy. Risk management department and financial control department manager and monitor those risk exposure to ensuring the risks are control in a limited range.

**1. Credit Risk**

Credit risk refers to the risk that one party of a financial instrument fails to perform its obligations, and resulting in the financial loss of other party. The company's credit risk mainly comes from monetary funds, structured deposits, note receivable, account receivable, other account receivables. The management has established an appropriate credit policy and continuously monitors the exposure to these credit risks.

The monetary funds and structured deposits held by the Company are mainly deposited in financial institutions such as commercial banks, the management believes that these commercial banks have higher credit and asset status, and have lower credit risks. The Company adopts quota policies to avoid credit risks to any financial institutions.

For accounts receivable, other receivables and bills receivable, the Company sets relevant policies to control the credit risk exposure. To prevent the risks, the company has formulated a new customer credit evaluation system and an existing customer credit sales balance analysis system. The new customer credit evaluation system aims at new customers, the company will investigate a customer's background according to the established process to

determine whether to give the customer a credit line and the credit line size and credit period. Accordingly, the company has set a credit limit and a credit period for each customer, which is the maximum amount that does not require additional approval. The analysis system for credit sales balance of existing customers means that after receiving a purchase order from an existing customer, the company will check the order amount and the balance of the accounts owed by the customer so far, if the total of the two exceeds the credit limit of the customer, the company can only sell to the customer on the premise of additional approval, otherwise the customer must be required to pay the corresponding amount in advance. In addition, for the credit sales that have occurred, the company analyzes and audits the monthly statements for risk warning of accounts receivable to ensure that the company's overall credit risk is within a controllable range.

The maximum credit risk exposure of the Company is the carrying amount of each financial asset on the balance sheet.

## **2. Market risk**

Market risk of the financial instrument refers to the fair value of financial instrument or future cash flow due to fluctuations in the market price changes and produce, mainly includes the IRR, FX risk and other price risk.

### **(1) Interest rate risk (IRR)**

IRR refers to the fluctuate risks on Company's financial status and cash flow arising from rates changes in market. IRR of the Company mainly related with the bank loans. In order to lower the fluctuate of IRR, the Company, in line with the anticipative change orientation, choose floating rate or fixed rate, that is the rate in future period will go up prospectively, than choose fixed rate; if the rate in future period will decline prospectively, than choose the floating rate. In order to minor the bad impact from difference between the expectation and real condition, loans for liquid funds of the Company are choose the short-term period, and agreed the terms of prepayment in particular.

### **(2) Foreign exchange (FX) risk**

FX risks refer to the losses arising from exchange rate movement. The FX risk sustain by the Company mainly related with the USD, EUR, SF, JPY, HKD, DKK except for the USD, EUR, SF, JPY, HKD and DKK carried out for the equipment purchasing of parent company and Autocam, material purchasing of parent company, technical service and trademark usage costs of parent company, the import and export of Weifu International Trade and operation of IRD, other main business of the Company are pricing and settle with RMB (Yuan). In consequence of the foreign financial assets and liabilities takes minor ratio in total assets, the Company has small FX risk of the financial instrument, considered by management of the Company.

End as 30 June 2020, except for the follow assets or liabilities listed with foreign currency, assets and liabilities of the Company are carried with RMB

Foreign currency assets of the Company till end of 30 June 2020

Cash on hand	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets (%)
Monetary funds				
Including: USD	13,209,792.28	7.0795	93,518,724.44	0.38%
EUR	1,436,642.82	7.961	11,437,113.50	0.05%
HKD	11,049,573.90	0.9134	10,092,680.80	0.04%
DKK	6,375,259.14	1.0685	6,811,964.40	0.03%
Account receivable				
Including: USD	1,080,383.61	7.0795	7,648,575.77	0.03%
EUR	738,532.97	7.961	5,879,460.97	0.02%
JPY	3,645,361.00	0.065808	239,893.92	0.00%
DKK	2,658,753.53	1.0685	2,840,878.15	0.01%
Total ratio in assets				0.56%

## Foreign currency liability of the Company till end of 30 June 2020:

Cash on hand	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets(%)
Short-term borrowings				
Including: EUR	5,644,084.25	7.961	44,932,554.71	0.61%
Account payable				
Including: USD	318,270.52	7.0795	2,253,196.15	0.03%
EUR	2,194,697.44	7.961	17,471,986.32	0.24%
JPY	43,195,476.00	0.065808	2,842,607.88	0.04%
CHF	153,260.54	7.4434	1,140,779.50	0.02%
DKK	1,491,131.05	1.0685	1,593,273.53	0.02%
Other account payable				
Including: USD	1,087.90	7.0795	7,701.79	0.00%
DKK	4,005,904.09	1.0685	4,280,308.52	0.06%
Total ratio in liabilities				1.02%

## ③ Other pricing risk

The equity instrument investment held by the Company with classification as transaction financial asset and other non-current financial assets are measured on fair value of the balance sheet date. The fluctuation of expected price for these investment will affect the gains/losses of fair value changes for the Company.

Furthermore, on the premise of deliberated and approved in 10<sup>th</sup> session of 8<sup>th</sup> BOD, the Company exercise entrust financing with the self-owned idle capital; therefore, the Company has the risks of collecting no principal due to entrust financial products default. Aims at such risk, the Company formulated a “Management Mechanism of Capital Financing”, and well-defined the authority approval, investment decision-making, calculation

management and risk controls for the entrust financing in order to guarantee a security funds and prevent investment risk efficiently. In order to lower the adverse impact from unpredictable factors, the Company choose short-term and medium period for investment and investment product's term is up to 3 years in principle; in variety of investment, the Company did not invested for the stocks, derivative products, security investment fund and the entrust financial products aims at security investment as well as other investment with securities concerned.

### 3. Liquidity risk

Liquidity risk refers to the capital shortage risk occurred during the clearing obligation implemented by the enterprise in way of cash paid or other financial assets. The Company aims at guarantee the Company has rich capital to pay the due debts, therefore, a financial control department is established for collectively controlling such risks. On the one hand, the financial control department monitoring the cash balance, the marketable securities which can be converted into cash at any time and the rolling forecast on cash flow in future 12 months, ensuring the Company, on condition of reasonable prediction, owes rich capital to paid the debts; on the other hand, building a favorable relationship with the banks, rationally design the line of credit, credit products and credit terms, guarantee a sufficient limit for bank credits in order to satisfy vary short-term financing requirements.

## XI. Disclosure of fair value

### 1. Ending fair value of the assets and liabilities measured by fair value

In RMB/CNY

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
(I) Transaction financial asset	126,649,272.00		4,782,956,195.13	4,909,605,467.13
1. Financial assets measured at fair value and whose changes are included in current profit or loss	126,649,272.00		4,782,956,195.13	4,909,605,467.13
(1) Investment in debt instruments			4,739,612,911.13	4,739,612,911.13
(2) Equity instrument investment	126,649,272.00		43,343,284.00	169,992,556.00
(III) Other equity instrument investment			285,048,000.00	285,048,000.00
Total liability sustaining measured by fair value	126,649,272.00		5,068,004,195.13	5,194,653,467.13
II. Non-persistent measure	--	--	--	--

### 2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order

According to relevant requirement of accounting standards, the Company continues to measure the financial assets available for sale-equity instrument investment by fair value on balance sheet date. On 30 June 2020, the

financial assets available for sale-equity instrument investment held by the Company refers to the SDEC (stock code: 600841) and Miracle Automation (Stock code: 002009), determining basis of the market price at period-end refers to the closing price of 30 June 2020.

**3. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on second-order**

**4. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on third-order**

(1) Fair value of wealth management products

The fair value of wealth management products is determined by the Company using discounted cash flow valuation techniques. Among them, the important unobservable input values are mainly the expected annualized rate of return and the risk factor of wealth management products.

(2) Fair value of equity instrument investment

Due to the lack of market liquidity for this part of financial assets, the Company uses the replacement cost method to determine its fair value. Among them, the important unobservable input values mainly include the financial data of the invested company, etc.

**5. Continuous third-level fair value measurement items, adjustment information between the opening and closing book value and sensitivity analysis of unobservable parameters**

Nil

**6. Continuous fair value measurement items, if there is a conversion between various levels in the current period, the reasons for the conversion and the policy for determining the timing of the conversion**

Nil

**7. Changes in valuation technology during the current period and reasons for the changes**

Nil

**8. The fair value of financial assets and financial liabilities not measured by fair value**

Nil

**9. Other**

Nil

## XII. Related party and related party transactions

### 1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
Wuxi Industry Group	Wuxi	Operation of state-owned assets	4720.6710 million Yuan	20.22%	20.22%

Explanation on parent company of the enterprise

Wuxi Industry Development Group Co., Ltd was solely state-owned enterprise funded and established by Wuxi Municipal People's Government which mainly took responsibility of authorizing the state-owned assets operation within a certain area, investment management of significant project, investment and development of manufacturing and services and venture capital in high-tech achievement

Ultimate controller of the Company is State-owned Assets Supervision & Administration Commission of Wuxi Municipality of Jiangsu Province.

### 2. Subsidiary of the Enterprise

Found more in Note IX. 1." Equity in subsidiary"

### 3. Joint venture and associated enterprise

Found more in Note IX.3. "Equity in joint venture and associated enterprise"

Other associated enterprise or joint ventures which has related transaction with the Company in the period or occurred previous: nil

### 4. Other Related party

Other Related party	Relationship with the Enterprise
Robert Bosch Company	Second largest shareholder of the Company
Key executive	Director, supervisor and senior executive of the Company

### 5. Related transaction

#### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB/CNY

Related party	Content of related transaction	Current period	Approved transaction limit	Whether more than the transaction limit (Y/N)	Last Period
Weifu Precision	Goods and labor	14,833,622.63	30,000,000.00	N	12,828,147.72

Machinery					
Bosch Diesel System	Goods and labor	12,261,781.92	25,000,000.00	N	8,332,723.32
Weifu Environment	Goods	1,824,736,274.77	3,200,000,000.00	N	675,657,317.56
Robert Bosch Company	Goods and labor	63,669,835.20	153,000,000.00	N	66,801,410.90
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	Goods	881,887.67	5,000,000.00	N	

Goods sold/labor service providing

In RMB/CNY

Related party	Content of related transaction	Current period	Last Period
Weifu Precision Machinery	Goods and labor	774,094.06	661,932.69
Bosch Diesel System	Goods and labor	1,551,233,591.58	1,487,822,558.90
Weifu Environment	Goods and labor	9,749,595.04	10,231,437.30
Robert Bosch Company	Goods and labor	276,348,061.10	309,791,012.66
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	Goods	67,648.59	

**(2) Related trusteeship management/contract & entrust management/ outsourcing**

Nil

**(3) Related lease**

As a lessor for the Company:

In RMB/CNY

Lessee	Assets type	Lease income recognized in the Period	Lease income recognized at last Period
Weifu Environment	Workshop	1,254,028.50	1,254,028.50

As a tenant for the Company: nil

**(4) Related guarantee**

Nil

**(5) Related party's borrowed/lending funds**

In RMB/CNY

Related party	Loan amount	Start date	Maturity	Note
Borrowing				

Wuxi Industry Group	5,470,000.00	2020-05-27	2021-05-26	
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**(6) Related party's assets transfer and debt reorganization**

Nil

**(7) Remuneration of key manager**

In RMB/CNY

Item	Current period	Last Period
Remuneration of key manager	3,050,000.00	2,570,000.00

**(8) Other related transactions**

Related party	Name	Current period	Last Period
Bosch Diesel System	Technology royalties paid etc.	295,419.00	1,002,714.76
Bosch Diesel System	Purchase of fixed assets	162,692.06	5,720,900.23
Robert Bosch Company	Technology royalties paid etc.	140,558.40	1,122,250.34
Robert Bosch Company	Sales of fixed assets	3,193,888.25	
Weifu Precision Machinery	Purchase of fixed assets	50,000.00	
Weifu Environment	Sales of fixed assets	9036316.74	10,485,153.25
Wuxi Industry Group	Interest paying	5,348.44	

**6. Receivable/payable items of related parties****(1) Receivable item**

In RMB/CNY

Item	Related party	Ending balance		Opening balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Account receivable	Weifu Precision Machinery	613,510.54	5,060.71	243,544.57	
Other account receivables	Weifu Precision Machinery			1,070,000.00	
Account receivable	Bosch Diesel System	719,914,621.09	868.90	478,258,447.23	
Account receivable	Robert Bosch Company	150,455,844.41	242,527.12	155,195,576.42	135,534.13
Other account receivables	Robert Bosch Company			7,600,000.00	1,520,000.00



Account receivable	Weifu Environment	2,070,205.71		3,925,564.95	
Other non-current assets	Weifu Precision Machinery	53,788.00		53,788.00	
Account paid in advance	Bosch Diesel System	316,400.00			
Other non-current assets	Bosch Diesel System			183,842.03	
Account paid in advance	Robert Bosch Company	3,169,268.92		5,954,823.56	
Other non-current assets	Robert Bosch Company	6,600,000.00		6,600,000.00	

## (2) Payable item

In RMB/CNY

Item	Related party	Ending book balance	Opening book balance
Account payable	Weifu Precision Machinery	10,850,161.08	10,556,782.28
Other account payable	Weifu Precision Machinery	58,000.00	29,000.00
Account payable	Weifu Environment	1,502,979,560.03	553,049,630.17
Account payable	Bosch Diesel System	4,161,496.23	5,664,266.10
Account payable	Robert Bosch Company	6,513,666.71	12,297,410.48
Account payable	Shinwell Automobile Tech. (Wuxi) Co., Ltd.		2,212,768.26
Other account payable	Wuxi Industry Group	5,475,348.00	
Accounts received in advance	Robert Bosch Company		965,203.64
Accounts received in advance	Weifu Environment		6,568,149.70

## 7. Undertakings of related party

Nil

## 8. Other

Nil

## XIII. Share-based payment

Nil

## **XIV. Undertakings or contingency**

### **1. Important undertakings**

Important undertakings on balance sheet date: Nil

### **2. Contingency**

#### **(1) Contingency on balance sheet date**

Nil

#### **(2) For the important contingency not necessary to disclosed by the Company, explained reasons**

The Company has no important contingency that need to disclosed

### **3. Other**

Nil

## **XV. Events after balance sheet date**

### **1. Important non adjustment matters**

Nil

### **2. Profit distribution**

Nil

### **3. Sales return**

Nil

### **4. Other events after balance sheet date**

Nil

## **XVI. Other important events**

### **1. Previous accounting errors collection**

Nil

## 2. Debt restructuring

Nil

## 3. Assets replacement

Nil

## 4. Pension plan

The *Enterprise Annuity Plan under the name of WFHT* has deliberated and approved by 8<sup>th</sup> session of 7<sup>th</sup> BOD: in order to mobilize the initiative and creativity of the employees, established a talent long-term incentive mechanism, enhance the cohesive force and competitiveness in enterprise, the Company carried out the above mentioned annuity plan since the date of reply of plans reporting received from labor security administration department. Annuity plans are: the annuity fund are paid by the enterprise and employees together; the annual fee paid by the enterprise shall not exceed 8% of the total wages of the employees of the enterprise, and the total payment of the enterprise and individual employees shall not exceed 12% of the total wages of the employees of the enterprise. In accordance with the State's annuity policy, the Company will adjusted the economic benefits in due time, in principle of responding to the economic strength of the enterprise, the amount paid by the enterprise at current period control in the 8 percent of the total salary of last year, the upper limit of the employee's annual distribution amount shall not exceed 5 times of the average distribution amount of the employee, and the excess part shall not be included in the distribution amount. Personal payment is controlled at 1% of one's total salary of the previous year; specific paying ratio later shall be adjust correspondingly in line with the operation condition of the Company.

In December 2012, the Company received the *Reply on annuity plans reporting under the name of WFHT* from labor security administration department, later, the Company entered into the *Entrusted Management Contract of the Annuity Plan of WFHT* with PICC.

## 5. Discontinue business

Not applicable

## 6. Segment

### (1) Recognition basis and accounting policy for reportable segment

Determine the operating segments in line with the internal organization structure, management requirement and internal reporting system. Operating segment of the Company refers to the followed components that have been satisfied at the same time:

- ① The component is able to generate revenues and expenses in routine activities;
- ② Management of the Company is able to assess the operation results regularly, and determine resources allocation and performance evaluation for the component;

1. Being analyzed, financial status, operation results and cash flow of the components are able to require by the Company

The Company mainly engaged in the manufacture of fuel system of internal combustion engine products, auto components, muffler and purifier etc., based on the product segment, the Company determine three reporting segments as auto fuel injection system, air management system and automotive post processing system. Accounting policy for the three reporting segments are shares the same policy state in Note V

Segment assets exclude transaction financial asset, other account receivables-dividend receivable, other non-current financial assets, other equity instrument investment, long term equity investment and other undistributed assets, since these assets are not related to products operation.

## (2) Financial information for reportable segment

In RMB/CNY

Item	Product segment of automobile fuel injection system	Product segment of automotive post processing system	Product segment of air management system	Add: investment/income measured by equity, income of financial products or possession and disposal income, the retained assets or gains/losses as the financial assets available for sale or possession and disposal income	Offset of segment	Total
Operating revenue	2,884,919,241.60	3,353,365,316.53	367,218,243.09	0	11,099,176.66	6,594,403,624.56
Operating cost	2,112,277,641.32	3,057,877,036.69	257,511,025.81	0	13,696,329.29	5,413,969,374.53
Total Profit	396,026,063.17	27,683,155.85	50,779,020.28	923,574,526.61	-5,712,949.88	1,403,775,715.79
Net profit	358,143,312.49	39,108,123.71	41,853,822.90	902,864,689.87	-4,300,314.70	1,346,270,263.67
Total assets	13,720,083,175.35	5,250,929,645.58	936,428,814.30	4,863,472,372.43	15,573,761.23	24,755,340,246.43
Total liabilities	2,862,910,309.19	3,601,302,196.69	548,683,267.58	5,094,154.34	-300,364,418.23	7,318,354,346.03

## 7. Major transaction and events makes influence on investor's decision

Nil

## 8. Other

Nil

## XVII. Principle notes of financial statements of parent company

## 1. Account receivable

## (1) Classification of account receivable

In RMB/CNY

Category	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable with bad debt provision accrual on a single basis	9,107,123.51	0.78%	9,107,123.51	100.00%		9,107,123.51	1.07%	9,107,123.51	100.00%	
Including:										
Account receivable with bad debt provision accrual on portfolio	1,165,249,207.80	99.22%	3,660,065.32	0.31%	1,161,589,142.48	839,731,538.80	98.93%	3,716,569.87	0.44%	836,014,968.93
Including:										
Including: receivables from customers	1,046,293,741.78	89.10%	3,660,065.32	0.35%	1,042,633,676.46	703,497,750.14	82.88%	3,716,569.87	0.53%	699,781,180.27
Receivables from internal related parties	118,955,466.02	10.13%			118,955,466.02	136,233,788.66	16.05%			136,233,788.66
Total	1,174,356,331.31	100.00%	12,767,188.83	1.64%	1,161,589,142.48	848,838,662.31	100.00%	12,823,693.38	1.64%	836,014,968.93

Bad debt provision accrual on single basis: RMB 9,107,123.51

In RMB/CNY

Name	Ending balance			
	Book balance	Bad debt reserve	Accrual ratio	Accrual causes
BD bills	5,300,000.00	5,300,000.00	100.00%	Have difficulty in collection
Changchun FAW Sihuan Engine Manufacturing Co., Ltd	1,475,731.65	1,475,731.65	100.00%	Have difficulty in collection
Wuxi Kipor Machinery Co., Ltd	1,220,384.74	1,220,384.74	100.00%	Have difficulty in collection
Fujian Zhao'an Country Minyue Bianjie Agricultural Machinery Auto Parts Co., Ltd.	1,111,007.12	1,111,007.12	100.00%	Have difficulty in collection
Total	9,107,123.51	9,107,123.51	--	--

Bad debt provision accrual on portfolio: RMB 3,660,065.32

In RMB/CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Accrual ratio
Within 6 months	1,030,687,162.07		
6 months to one year	10,251,901.63	1,025,190.16	10.00%
1-2 years	2,289,715.54	457,943.11	20.00%
2-3 years	1,480,050.82	592,020.33	40.00%
Over 3 years	1,584,911.72	1,584,911.72	100.00%
Total	1,046,293,741.78	3,660,065.32	--

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

Applicable  Not applicable

By account age

In RMB/CNY

Account age	Book balance
Within one year (One year included)	1,159,894,529.72
Including: within 6 months	1,149,642,628.09
6 months to one year	10,251,901.63
1-2 years	8,589,951.39
2-3 years	3,034,031.36
Over 3 years	2,837,818.84
3-4 years	2,837,818.84
Total	1,174,356,331.31

**(2) Bad debt provision accrual collected or switch back**

Bad debt provision accrual in the period:

In RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Bad debt provision	12,823,693.38		314,240.74		257,736.19	12,767,188.83
Total	12,823,693.38	0.00	314,240.74	0.00	257,736.19	12,767,188.83

Important bad debt provision collected or switch back: nil

**(3) Account receivable actual charge off in the Period**

Nil

**(4) Top 5 receivables at ending balance by arrears party**

In RMB/CNY

Name	Ending balance of account receivable	Ratio in total ending balance of account receivables	Ending balance of bad debt reserve
Bosch Diesel System	712,061,865.41	60.63%	
Weifu Leader	53,820,937.93	4.58%	
Custom 1	53,162,458.56	4.53%	
Custom 2	47,813,407.24	4.07%	
Weifu International Trade	45,964,164.41	3.91%	
Total	912,822,833.55	77.72%	

**(5) Account receivable derecognition due to financial assets transfer**

Nil

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

Nil

**2. Other account receivables**

In RMB/CNY

Item	Ending balance	Opening balance
Interest receivable	2,280,037.26	804,929.68
Dividend receivable	1,115,292,687.93	1,070,000.00
Other account receivables	286,829,482.06	248,140,027.06
Total	1,404,402,207.25	250,014,956.74

## (1) Interest receivable

### 1) Category of interest receivable

In RMB/CNY

Item	Ending balance	Opening balance
Interest receivable of unified-borrowing & unified-lending	188,929.48	149,876.70
Interest of fund occupation	2,091,107.78	655,052.98
Total	2,280,037.26	804,929.68

### 2) Significant overdue interest

Nil

### 3) Accrual of bad debt provision

 Applicable     Not applicable

## (2) Dividend receivable

### 1) Category of dividend receivable

In RMB/CNY

Item (or invested enterprise)	Ending balance	Opening balance
Weifu Precision Machinery		1,070,000.00
Zhonglian Electronic	191,200,000.00	
Bosch Diesel System	861,097,612.75	
Weifu Jinning	62,995,075.18	
Total	1,115,292,687.93	1,070,000.00



**2) Important dividend receivable with account age over one year**

Nil

**3) Accrual of bad debt provision** Applicable  Not applicable**(3) Other account receivables****1) Other account receivables classification by nature**

In RMB/CNY

Nature	Ending book balance	Opening book balance
Staff loans and petty cash	812,073.33	462,664.16
Balance of related party in the consolidate scope	266,747,069.72	216,403,060.04
Intercourse funds of unit	24,000,000.00	24,000,000.00
Protean Holdings Corp. equity disposal fund		10,654,092.89
Other	116,289.05	117,939.00
Total	291,675,432.10	251,637,756.09

**2) Accrual of bad debt provision**

In RMB/CNY

Bad debt reserve	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance of Jan. 1, 2020	3,497,729.03			3,497,729.03
Balance of Jan. 1, 2020 in the period	—	—	—	—
Current accrual	1,348,221.01			1,348,221.01
Balance on June 30, 2020	4,845,950.04			4,845,950.04

Change of book balance of loss provision with amount has major changes in the period

 Applicable  Not applicable

By account age

In RMB/CNY

Account age	Ending balance
Within one year (One year included)	196,018,701.27
Within 6 months	155,018,701.27
6 months to one year	41,000,000.00
1-2 years	95,552,695.72
2-3 years	96,835.11
Over 3 years	7,200.00
3-4 year	7,200.00
Total	291,675,432.10

### 3) Bad debt provision accrual, collected or switch back

Bad debt provision accrual in the period:

In RMB/CNY

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Other	
Bad debt provision	3,497,729.03	1,348,221.01				4,845,950.04
Total	3,497,729.03	1,348,221.01				4,845,950.04

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

### 4) Other receivables actually written-off during the reporting period

Nil

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

In RMB/CNY

Enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other receivables	Ending balance of bad debt reserve
Weifu Leader	Balance of related party in the consolidate scope	100,000,000.00	Within 6 months	34.28%	
Weifu Tianli	Balance of related party in the consolidate scope	41,000,000.00	6 months to 1 year	14.06%	
Weifu Chang'an	Balance of related party in the consolidate scope	76,194,454.00	Within 2 years	26.12%	
Weifu Mashan	Balance of related party in the consolidate scope	28,552,615.72	Within 2 years	9.79%	

Troowin Power System Technology Co., Ltd.	Intercourse funds of unit	24,000,000.00	1-2 years	8.23%	4,800,000.00
Weifu Schmidt	Balance of related party in the consolidate scope	21,000,000.00	Within 2 years	7.20%	
Total	--	290,747,069.72	--	99.68%	4,800,000.00

### 6) Other account receivables related to government grants

Nil

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

Nil

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

Nil

## 3. Long-term equity investments

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment for subsidiary	1,595,262,165.92		1,595,262,165.92	1,731,814,008.11		1,731,814,008.11
Investment for associates and joint venture	3,254,664,187.59		3,254,664,187.59	4,599,549,621.93		4,599,549,621.93
Total	4,849,926,353.51		4,849,926,353.51	6,331,363,630.04		6,331,363,630.04

### (1) Investment for subsidiary

In RMB/CNY

The invested entity	Opening balance (book value)	Changes in Current Period				Ending balance (book value)	Ending balance of depreciation reserves
		Additional Investment	Negative Investment	Provision for impairment loss	Other		

Weifu Jinning	178,639,593.52					178,639,593.52	
Weifu Leader	460,113,855.00					460,113,855.00	
Weifu Mashan	168,693,380.51					168,693,380.51	
Weifu Chang'an	220,902,037.30					220,902,037.30	
Weifu International Trade	32,849,254.85					32,849,254.85	
Weifu ITM	167,000,000.00				-167,000,000.00		
Weifu Schmidt	50,160,000.00					50,160,000.00	
Weifu Tianli	234,941,100.00					234,941,100.00	
Weifu Autocam	82,454,467.99					82,454,467.99	
Weifu Electronic Drive	53,832,280.23					53,832,280.23	
SPV	82,228,038.71	30,448,157.81				112,676,196.52	
Total	1,731,814,008.11	30,448,157.81			-167,000,000.00	1,595,262,165.92	

**(2) Investment for associates and joint venture**

In RMB/CNY

Enterprise	Opening balance (book value)	Current changes (+, -)							Ending balance (book value)	Ending balance of depreciation reserves
		Addition investment	Capital reduction	Investment gain/loss recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual		
I. Joint venture										
II. Associated enterprise										
Bosch Diesel System	3,276,853,986.35			574,193,295.98			1,722,195,225.51			2,128,852,056.82
Zhonglian Automobile	1,261,232,635.30			126,848,340.16			331,400,000.00			1,056,680,975.46
Weifu	61,463,000.28			7,668,155.03						69,131,155.31

Precision Machine										
Subtotal	4,599,549,621.93			708,709,791.17			2,053,595,225.51			3,254,664,187.59
Total	4,599,549,621.93			708,709,791.17			2,053,595,225.51			3,254,664,187.59

### (3) Other note

## 4. Operating income and cost

In RMB/CNY

Item	Current period		Last Period	
	Income	Cost	Income	Cost
Main business	2,175,655,866.58	1,548,552,431.71	1,895,457,557.71	1,303,140,646.02
Other business	160,606,506.50	137,936,247.87	197,016,902.53	168,830,868.68
Total	2,336,262,373.08	1,686,488,679.58	2,092,474,460.24	1,471,971,514.70

Information related to performance obligations: Nil

Information related to the transaction price assigned to the residual performance obligations:

At end of the reporting period, the amount of income corresponding to the performance obligation which has been signed but not yet performed or has not been fully performed is RMB 0.00.

## 5. Investment income

In RMB/CNY

Item	Current period	Last Period
Investment income from holding transaction financial asset		2,287,308.59
Investment income in subsidiaries	62,995,075.18	
Investment income in joint ventures and associated enterprises	708,709,791.17	742,463,812.23
Investment income of financial products	136,202,392.15	95,464,240.84
Total	907,907,258.50	840,215,361.66

## XVIII. Supplementary Information

### 1. Current non-recurring gains/losses

Applicable  Not applicable

In RMB/CNY

Item	Amount	Note
Gains/losses from the disposal of non-current asset	-543,370.99	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	43,932,417.68	
Profit and loss of assets delegation on others' investment or management	138,448,908.25	
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	258,157.65	
Other non-operating income and expenditure except for the aforementioned items	-2,840,670.20	
Less: Impact on income tax	26,779,577.16	
Impact on minority shareholders' equity	1,706,169.11	
Total	150,769,696.12	--

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

Applicable  Not applicable

### 2. ROE and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profits belong to common stock stockholders of the Company	7.80%	1.32	1.32
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	6.91%	1.17	1.17

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

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

Applicable  Not applicable

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

Applicable  Not applicable

#### **(3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute**

### **4. Other**

Nil