



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

**Semi-Annual Financial Report 2019**

**August 2019**

## 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

2019-6-30

In RMB

Item	2019-6-30	2018-12-31
Current assets:		
Monetary funds	2,689,698,577.33	2,616,321,740.73
Settlement provisions		
Capital lent		
Tradable financial assets	4,409,469,555.43	
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable	1,492,394,221.35	1,148,107,603.68
Account receivable	2,319,307,654.58	1,919,793,266.91
Receivable financing		
Accounts paid in advance	130,898,819.37	94,651,431.31
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	597,269,619.06	84,582,246.16
Including: Interest receivable	674,104.16	1,842,437.50
Dividend receivable	536,162,445.67	
Buying back the sale of financial assets		
Inventories	1,427,136,271.99	1,438,528,714.59
Contractual assets		

Assets held for sale		
Non-current asset due within one year		
Other current assets	59,554,852.86	4,632,137,600.26
Total current assets	13,125,729,571.97	11,934,122,603.64
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Finance asset available for sales		255,975,176.91
Other debt investment		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	4,792,747,311.47	4,976,773,946.74
Investment in other equity instrument	180,940,000.00	
Other non-current financial assets	368,800,000.00	
Investment real estate	21,131,775.19	21,906,134.52
Fixed assets	2,680,884,221.89	2,707,374,678.61
Construction in progress	259,557,105.61	166,414,542.18
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	320,409,700.92	324,892,822.75
Expense on Research and Development		
Goodwill	55,591,347.00	1,784,086.79
Long-term expenses to be apportioned	18,905,250.00	16,637,652.31
Deferred income tax asset	214,153,685.24	234,697,139.58
Other non-current asset	295,639,334.53	251,462,676.27
Total non-current asset	9,208,759,731.85	8,957,918,856.66
Total assets	22,334,489,303.82	20,892,041,460.30
Current liabilities:		
Short-term loans	321,055,399.28	298,928,213.94
Loan from central bank		
Capital borrowed		
Transactional financial liability		
Financial liability measured by fair value and with variation		

reckoned into current gains/losses		
Derivative financial liability		490,329.13
Note payable	1,591,019,357.36	1,018,367,533.74
Account payable	2,492,584,058.39	2,047,336,834.66
Accounts received in advance	53,037,864.67	41,329,857.80
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	235,601,920.23	312,113,178.24
Taxes payable	73,450,696.65	74,271,613.92
Other account payable	430,239,321.47	64,448,723.52
Including: Interest payable	752,404.25	517,469.08
Dividend payable	369,352,725.60	
Commission charge and commission payable		
Reinsurance payable		
Contractual liability		
Liability held for sale		
Non-current liabilities due within one year	15,000,000.00	15,000,000.00
Other current liabilities		
Total current liabilities	5,211,988,618.05	3,872,286,284.95
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	22,500,000.00	30,000,000.00
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable	35,083,263.11	35,422,354.11
Long-term wages payable	74,679,175.36	74,679,175.36
Accrual liability		
Deferred income	415,418,074.89	425,769,854.13
Deferred income tax liabilities	6,386,620.12	1,912,744.40
Other non-current liabilities		

Total non-current liabilities	554,067,133.48	567,784,128.00
Total liabilities	5,766,055,751.53	4,440,070,412.95
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	3,416,022,795.14	3,416,022,795.14
Less: Inventory shares		
Other comprehensive income	261,591.54	-19,809,442.95
Reasonable reserve	2,535,660.69	1,618,490.50
Surplus public reserve	510,100,496.00	510,100,496.00
Provision of general risk		
Retained profit	11,059,205,014.71	10,996,945,870.13
Total owner's equity attributable to parent company	15,997,076,128.08	15,913,828,778.82
Minority interests	571,357,424.21	538,142,268.53
Total owner's equity	16,568,433,552.29	16,451,971,047.35
Total liabilities and owner's equity	22,334,489,303.82	20,892,041,460.30

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

## 2. Balance Sheet of Parent Company

In RMB

Item	2019-6-30	2018-12-31
Current assets:		
Monetary funds	2,110,649,144.04	1,922,408,227.00
Transactional financial assets	4,109,469,555.43	
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable	202,038,803.99	264,264,207.30
Account receivable	766,756,661.80	742,246,990.99
Receivable financing		

Accounts paid in advance	84,477,497.47	59,028,927.25
Other account receivable	712,698,500.83	196,849,092.13
Including: Interest receivable	30,570.83	188,682.78
Dividend receivable	517,216,193.24	
Inventories	436,366,950.75	492,054,274.67
Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	26,252,619.45	4,576,688,553.49
Total current assets	8,448,709,733.76	8,253,540,272.83
Non-current assets:		
Debt investment		
Available-for-sale financial assets		180,035,176.91
Other debt investment		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	5,637,526,395.41	5,739,110,426.55
Investment in other equity instrument	105,000,000.00	
Other non-current financial assets	368,800,000.00	
Investment real estate		
Fixed assets	1,497,920,785.67	1,534,109,106.80
Construction in progress	163,098,662.24	78,673,300.59
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	186,309,565.33	188,101,655.94
Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	119,906,203.71	140,286,756.70
Other non-current assets	224,004,875.34	184,208,090.40
Total non-current assets	8,302,566,487.70	8,044,524,513.89
Total assets	16,751,276,221.46	16,298,064,786.72
Current liabilities		

Short-term borrowings	92,000,000.00	112,000,000.00
Transactional financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	332,383,071.60	330,545,052.37
Account payable	953,466,419.74	823,693,469.51
Accounts received in advance	3,446,051.71	6,639,554.63
Contractual liability		
Wage payable	159,004,259.87	200,205,508.25
Taxes payable	58,256,869.09	39,193,425.15
Other accounts payable	411,692,830.03	12,142,596.68
Including: Interest payable	283,127.78	149,966.66
Dividend payable	369,352,725.60	
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	2,010,249,502.04	1,524,419,606.59
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	63,962,762.93	63,962,762.93
Accrued liabilities		
Deferred income	370,269,926.04	381,609,056.40
Deferred income tax liabilities	4,529,392.20	
Other non-current liabilities		
Total non-current liabilities	438,762,081.17	445,571,819.33
Total liabilities	2,449,011,583.21	1,969,991,425.92
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	3,488,221,286.39	3,488,221,286.39
Less: Inventory shares		
Other comprehensive income		-19,809,442.95
Special reserve		
Surplus reserve	510,100,496.00	510,100,496.00
Retained profit	9,294,992,285.86	9,340,610,451.36
Total owner's equity	14,302,264,638.25	14,328,073,360.80
Total liabilities and owner's equity	16,751,276,221.46	16,298,064,786.72

### 3. Consolidated Profit Statement

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Total operating income	4,403,444,346.05	4,960,801,890.99
Including: Operating income	4,403,444,346.05	4,960,801,890.99
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	4,005,776,550.51	4,446,144,672.35
Including: Operating cost	3,405,386,504.44	3,889,590,289.69
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	34,534,571.66	38,000,352.40
Sales expense	104,270,647.40	106,347,559.85
Administrative expense	310,909,980.43	236,539,410.63
R&D expense	180,167,642.16	177,443,968.15
Financial expense	-29,492,795.58	-1,776,908.37



Including: Interest expenses	9,264,648.42	9,075,955.05
Interest income	48,416,919.83	11,684,097.62
Add: other income	17,632,117.95	14,032,459.71
Investment income (Loss is listed with “-”)	888,216,680.48	1,149,033,168.39
Including: Investment income on affiliated company and joint venture	790,465,131.05	968,640,145.91
The termination of income recognition for financial assets measured by amortized cost(Loss is listed with “-”)		
Exchange income (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Income from change of fair value (Loss is listed with “-”)	30,686,277.13	
Loss of credit impairment (Loss is listed with “-”)	-6,237,790.75	
Losses of devaluation of asset (Loss is listed with “-”)	-1,500,885.27	10,087.38
Income from assets disposal (Loss is listed with “-”)	5,107,848.45	1,588,185.36
III. Operating profit (Loss is listed with “-”)	1,331,572,043.53	1,679,321,119.48
Add: Non-operating income	27,544,757.26	3,881,128.87
Less: Non-operating expense	2,631,453.02	2,327,872.38
IV. Total profit (Loss is listed with “-”)	1,356,485,347.77	1,680,874,375.97
Less: Income tax expense	81,382,654.54	102,927,297.96
V. Net profit (Net loss is listed with “-”)	1,275,102,693.23	1,577,947,078.01
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	1,275,102,693.23	1,577,947,078.01
2.termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	1,256,661,577.09	1,545,242,704.92
2.Minority shareholders’ gains and losses	18,441,116.14	32,704,373.09
VI. Net after-tax of other comprehensive income	271,537.20	-58,302,580.35
Net after-tax of other comprehensive income attributable to owners of parent company	261,591.54	-58,302,580.35
(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	261,591.54	-58,302,580.35
1. Other comprehensive income under equity method that can transfer to gain/loss		
2. Change of fair value of other debt investment		
3. gain/loss of fair value changes for available-for-sale financial assets		-58,302,580.35
4. Amount of financial assets re-classify to other comprehensive income		
5. Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6. Credit impairment provision for other debt investment		
7. Cash flow hedging reserve		
8. Translation differences arising on translation of foreign currency financial statements	261,591.54	
9. Other		
Net after-tax of other comprehensive income attributable to minority shareholders	9,945.66	
VII. Total comprehensive income	1,275,374,230.43	1,519,644,497.66
Total comprehensive income attributable to owners of parent Company	1,256,923,168.63	1,486,940,124.57
Total comprehensive income attributable to minority shareholders	18,451,061.80	32,704,373.09
VIII. Earnings per share:		
(i) Basic earnings per share	1.25	1.53
(ii) Diluted earnings per share	1.25	1.53

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: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

#### 4. Profit Statement of Parent Company

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Operating income	2,092,474,460.24	2,315,142,655.13
Less: Operating cost	1,471,971,514.70	1,698,516,522.90

Taxes and surcharge	17,510,903.97	20,760,852.64
Sales expenses	15,320,342.43	17,030,807.96
Administration expenses	211,000,027.34	145,983,978.35
R&D expenses	75,873,810.90	70,275,784.76
Financial expenses	-41,092,188.59	-5,330,079.95
Including: interest expenses	3,597,363.92	3,589,658.32
Interest income	44,742,417.24	9,047,393.86
Add: other income	11,683,224.30	11,813,783.39
Investment income (Loss is listed with “-”)	840,215,361.66	1,137,350,229.02
Including: Investment income on affiliated Company and joint venture	742,463,812.23	894,788,126.54
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 “-”)	30,195,948.00	
Loss of credit impairment (Loss is listed with “-”)	-1,901,377.70	
Losses of devaluation of asset (Loss is listed with “-”)	-24,294.39	-468,622.39
Income on disposal of assets (Loss is listed with “-”)	1,844,051.48	698,843.73
II. Operating profit (Loss is listed with “-”)	1,223,902,962.84	1,517,299,022.22
Add: Non-operating income	15,034.36	26,550.35
Less: Non-operating expense	1,196,252.91	989,892.95
III. Total Profit (Loss is listed with “-”)	1,222,721,744.29	1,516,335,679.62
Less: Income tax	73,937,477.28	82,844,629.16
IV. Net profit (Net loss is listed with “-”)	1,148,784,267.01	1,433,491,050.46
(i) continuous operating net profit (net loss listed with “-”)	1,148,784,267.01	1,433,491,050.46
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive income		-58,302,580.35
(I) Other comprehensive income items which will not be reclassified subsequently to profit or 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		-58,302,580.35
1. Other comprehensive income under equity method that can transfer to gain/loss		
2. Change of fair value of other debt investment		
3. gain/loss of fair value changes for available-for-sale financial assets		-58,302,580.35
4. Amount of financial assets re-classify to other comprehensive income		
5. Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6. Credit impairment provision for other debt investment		
7. Cash flow hedging reserve		
8. Translation differences arising on translation of foreign currency financial statements		
9. Other		
VI. Total comprehensive income	1,148,784,267.01	1,375,188,470.11
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	4,275,001,010.93	4,321,753,642.57
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	25,327,532.10	28,784,608.45
Other cash received concerning operating activities	85,775,494.76	20,879,944.10
Subtotal of cash inflow arising from operating activities	4,386,104,037.79	4,371,418,195.12
Cash paid for purchasing commodities and receiving labor service	2,534,137,461.67	2,812,244,020.34
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 financial assets held for transaction purposes		
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	681,756,769.56	683,701,600.44
Taxes paid	310,797,279.61	342,578,412.02
Other cash paid concerning operating activities	169,088,618.70	153,970,471.84
Subtotal of cash outflow arising from operating activities	3,695,780,129.54	3,992,494,504.64
Net cash flows arising from operating activities	690,323,908.25	378,923,690.48
II. Cash flows arising from investing activities:		
Cash received from recovering investment	3,686,500,000.00	5,361,095,457.96
Cash received from investment income	525,843,992.65	463,686,171.47
Net cash received from disposal of fixed, intangible and other long-term assets	72,457,256.41	39,773,802.87
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	4,284,801,249.06	5,864,555,432.30
Cash paid for purchasing fixed, intangible and other long-term assets	237,326,162.98	362,947,568.87
Cash paid for investment	3,658,800,000.00	6,084,063,284.96
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	10,000,000.00
Subtotal of cash outflow from investing activities	3,970,056,899.60	6,457,010,853.83
Net cash flows arising from investing activities	314,744,349.46	-592,455,421.53
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	393,249,222.11	330,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		5,470,000.00
Subtotal of cash inflow from financing activities	407,129,259.71	335,470,000.00
Cash paid for settling debts	378,622,036.77	219,000,000.00
Cash paid for dividend and profit distributing or interest paying	836,528,586.57	9,337,888.74
Including: Dividend and profit of minority shareholder paid by subsidiaries		174,600.00
Other cash paid concerning financing activities	5,809,091.00	339,091.00
Subtotal of cash outflow from financing activities	1,220,959,714.34	228,676,979.74
Net cash flows arising from financing activities	-813,830,454.63	106,793,020.26
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	415,189.69	810,171.83
V. Net increase of cash and cash equivalents	191,652,992.77	-105,928,538.96
Add: Balance of cash and cash equivalents at the period -begin	2,404,674,139.49	2,948,439,354.22
VI. Balance of cash and cash equivalents at the period -end	2,596,327,132.26	2,842,510,815.26

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	2,342,213,493.89	2,707,966,926.41
Write-back of tax received		
Other cash received concerning operating activities	48,525,763.15	9,047,393.86
Subtotal of cash inflow arising from operating activities	2,390,739,257.04	2,717,014,320.27
Cash paid for purchasing commodities and receiving labor service	1,218,981,667.53	1,572,426,004.69
Cash paid to/for staff and workers	369,225,756.08	361,672,047.87
Taxes paid	186,084,989.75	242,573,191.33
Other cash paid concerning operating activities	107,664,076.68	142,557,335.52
Subtotal of cash outflow arising from operating activities	1,881,956,490.04	2,319,228,579.41
Net cash flows arising from operating activities	508,782,767.00	397,785,740.86
II. Cash flows arising from investing activities:		

Cash received from recovering investment	3,521,500,000.00	5,174,745,373.00
Cash received from investment income	506,897,740.22	450,095,688.15
Net cash received from disposal of fixed, intangible and other long-term assets	4,034,532.29	38,214,564.65
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	215,512,158.54	
Subtotal of cash inflow from investing activities	4,247,944,431.05	5,663,055,625.80
Cash paid for purchasing fixed, intangible and other long-term assets	158,044,430.36	187,935,182.03
Cash paid for investment	3,328,800,000.00	5,687,713,200.00
Net cash received from subsidiaries and other units obtained	82,156,428.71	
Other cash paid concerning investing activities	187,880,372.33	173,000,000.00
Subtotal of cash outflow from investing activities	3,756,881,231.40	6,048,648,382.03
Net cash flows arising from investing activities	491,063,199.65	-385,592,756.23
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	160,000,000.00	180,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	160,000,000.00	180,000,000.00
Cash paid for settling debts	180,000,000.00	78,000,000.00
Cash paid for dividend and profit distributing or interest paying	831,020,889.20	3,391,380.55
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	1,011,020,889.20	81,391,380.55
Net cash flows arising from financing activities	-851,020,889.20	98,608,619.45
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	593,522.94	761,175.27
V. Net increase of cash and cash equivalents	149,418,600.39	111,562,779.35
Add: Balance of cash and cash equivalents at the period -begin	1,920,076,358.43	2,454,696,969.20
VI. Balance of cash and cash equivalents at the period -end	2,069,494,958.82	2,566,259,748.55

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

Amount for current period

In RMB

Item	Semi-annual of 2019													
	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
Preferred stock	Perpetual	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 listed with “-”)							261,591.54	917,170.19			82,068,587.53		83,247,349.26	33,215,155.68	116,462,504.94
(i) Total comprehensive income											1,256,661,577.09		1,256,661,577.09	18,451,061.80	1,275,112,638.89
(ii) Owners’ devoted and decreased capital														14,461,725.98	14,461,725.98
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														14,461,725.98	14,461,725.98
(III) Profit distribution											-1,174,592,989.56		-1,174,592,989.56		-1,174,592,989.56
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provisions															
3. Distribution for owners (or											-1,210,740,684.00		-1,210,740,684.00		-1,210,740,684.00



(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

Amount for last year

In RMB

Item	Semi-annual of 2018													
	Owners' equity attributable to the parent Company											Minority interests	Total owners' equity	
	Share capital	Preferred stock	Other equity instrument	Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit	Other			Subtotal
I. Balance at the end of the last year	1,008,950,570.00			3,417,841,402.89		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92		14,835,673,669.75	515,693,194.48	15,351,366,864.23
Add: Changes of accounting policy														
Error correction of the last period														
Enterprise combine under the same control														
Other														
II. Balance at the beginning of this year	1,008,950,570.00			3,417,841,402.89		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92		14,835,673,669.75	515,693,194.48	15,351,366,864.23
III. Increase/				-1,824,597.		-58,302,580.3	1,116,994.8			334,502,004.92		275,491,821.99	4,374,207.74	279,866,029.73

Decrease in this year (Decrease is listed with “-”)					47		5	9						
(i) Total comprehensive income							-58,302,580.3 5			1,545,242,704.92		1,486,940,124.57	32,704,373.09	1,519,644,497.66
(ii) Owners’ devoted and decreased capital					-1,824,597. 47							-1,824,597.47	-12,945,402.53	-14,770,000.00
1.Common shares invested by shareholders													-12,945,402.53	-12,945,402.53
2. Capital invested by holders of other equity instruments														
3. Amount reckoned into owners equity with share-based payment														
4. Other					-1,824,597. 47							-1,824,597.47		-1,824,597.47
(III) Profit distribution										-1,210,740,700.00		-1,210,740,700.00	-15,604,600.00	-1,226,345,300.00
1. Withdrawal of surplus reserves														
2. Withdrawal of general risk provisions														
3. Distribution for owners (or shareholders)										-1,210,740,700.00		-1,210,740,700.00	-15,604,600.00	-1,226,345,300.00
4. Other														
(IV) Carrying forward internal owners’ equity														

1. Capital reserves converted to capital (share capital)														
2. Surplus reserves converted to capital (share capital)														
3. Remediating 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							1,116,994.89				1,116,994.89	219,837.18		1,336,832.07
1. Withdrawal in the report period							10,050,468.85				10,050,468.85	1,395,689.84		11,446,158.69
2. Usage in the report period							8,933,473.96				8,933,473.96	1,175,852.66		10,109,326.62
(VI)Others														
IV. Balance at the end of the report period	1,008,950,570.00				3,416,016,805.42	28,866,874.66	1,119,601.82	510,100,496.00	10,146,111,143.84		15,111,165,491.74	520,067,402.22		15,631,232,893.96

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

Amount for current period

In RMB  
21

Item	Semi-annual of 2019											
	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	Perpetu al capital securiti es	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	1,008,950,570.00				3,488,221,286.39		0.00		510,100,496.00	9,320,801,008.41		14,328,073,360.80
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 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. 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

Amount for last year

In RMB

Item	Semi-annual of 2018											
	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		87,169,455.01		510,100,496.00	8,360,801,089.38		13,455,242,896.78
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	1,008,950,570.00				3,488,221,286.39		87,169,455.01		510,100,496.00	8,360,801,089.38		13,455,242,896.78
III. Increase/ Decrease in this year (Decrease is listed with "-")							-58,302,580.35			222,750,350.46		164,447,770.11
(i) Total comprehensive income							-58,302,580.35			1,433,491,050.46		1,375,188,470.11
(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										-1,210,740,700.00		-1,210,740,700.00



1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)									-1,210,740,700.00		-1,210,740,700.00
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. Withdrawal in the report period								3,751,960.66			3,751,960.66
2. Usage in the report period								3,751,960.66			3,751,960.66
(VI)Others											
IV. Balance at the end of the report period	1,008,950,570.00				3,488,221,286.39		28,866,874.66		510,100,496.00	8,583,551,439.84	13,619,690,666.89

### III. Basic information of the Company

#### 1. Historical origin of the Company

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

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

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

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

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

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

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

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

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

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

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

In March 2013, the profit distribution pre-plan for year of 2012 was deliberated and approved by the

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

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

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

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

Unified social credit code: 91320200250456967N

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

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

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

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

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

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

Financial statements of the Company were approved by the Board of Directors for reporting dated 27 August 2019

#### 5. Scope of consolidate financial statement

Name of subsidiary	Short name of subsidiary	Shareholding ratio (%)		Proportion of votes (%)	Registered capital (in 10 thousand Yuan)	Business scope	Statement consolidate (Y/N)
		Directly	Indirectly				
Nanjing Weifu Jinning Co., Ltd. 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 ITM Supercharging Technique Co., Ltd.	Weifu ITM	100.00	--	100.00	16,000	Internal-combustion engine accessories	Y
Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.	Weifu Schmidt	66.00	--	66.00	7,600	Internal-combustion engine accessories	Y
Ningbo Weifu Tianli Supercharging Technique Co., Ltd.	Weifu Tianli	54.2295	--	54.2295	11,136	Internal-combustion engine accessories	Y
Wuxi Weifu-Autocam Fine Machinery Co. Ltd.	Weifu Autocam	51.00	--	51.00	US\$ 2,110	Automobile components	Y
Wuxi Weifu Leader Catalytic Converter (Wuhan) Co., Ltd.	Weifu Leader (Wuhan)	--	60.00	60.00	1,000	Purifier and muffler	Y
Weifu Leader (Chongqing) Automobile components Co., Ltd	Weifu Leader (Chongqing)	--	100.00	100.00	5,000	Purifier and muffler	Y
Nanchang Weifu Leader Auto Parts & Components Co., Ltd.	Weifu Leader (Nanchang)	--	100.00	100.00	5,000	Purifier and muffler	Y
Weifu Holding Aps	SPV	100.00		100.00	DKK 2620.60		Y
IRD Fuel Cells A/S	IRD		66.00	66.00	DKK 4,160	Fuel cell components	Y

## 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- Other major accounting policy and accounting estimation.

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

Financial statements prepared by the Company were in accordance with requirements of Accounting Standard for Business Enterprises, which truly and completely reflected the financial information of the Company 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. Determining standards for cash and cash equivalent**

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

## **9. Foreign currency business and conversion**

The occurred foreign currency transactions are converted into the recording currency in accordance

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

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

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

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

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

## 10. Financial instrument

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

### (1) Determination 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; and
- ② the financial assets have been transferred and meets the following termination recognition conditions for the transfer of financial assets

If all or part of the current obligations of a financial liability has been discharged, the financial liability or part of it is derecognized. 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, derecognize 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 derecognition 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.

#### 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 derecognized, 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.

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. .

Financial assets are measured at fair value on initial recognition. For financial assets measured at fair value and whose changes are included in current profit or loss, the related transaction expenses are directly included in current profit or loss. For other types of financial assets, the related transaction costs are included in the initial recognition amount. For the accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or consider the significant financing components, the Company uses the consideration amount that is expected to be received as the initial recognition amount.

### (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 tradable 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 derecognition 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.

##### 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.

The Company measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument has not increased significantly since the initial recognition, the financial instrument is in the first stage, and the Company measures the loss provisions according to the expected credit losses in the next 12 months. If the credit risk of a financial instrument has increased significantly but the credit impairment has not yet occurred since the initial recognition, the financial instrument is in the second stage, and the Company measures the loss provisions according to the expected credit losses of the instrument for the entire duration. If the financial instrument has suffered credit impairment since the initial confirmation, it is in the third stage, the Company measures the loss provisions according to the expected credit losses of the instrument for the entire duration.

For the financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures the loss provisions according to the expected credit losses in the next 12 months.

The expected credit losses for the entire duration refer to the expected credit losses due to all possible credit events during the entire expected duration of the financial instrument. Expected credit losses in the next 12 months refer to the expected credit losses caused by the possible credit events of financial instrument that may occur within 12 months after the balance sheet date (if the expected duration of financial instrument is less than 12 months, it shall be the expected duration), which are part of the expected credit loss for the entire duration.

When measuring expected credit losses, the maximum period that the Company needs to consider is the longest contract period for which the company is exposed to credit risk (including options for consideration of renewal).



For notes receivable and accounts receivable, regardless of whether there is a major financing, the Company always measures its loss provisions according to the amount of expected credit losses for the entire duration.

The Company divides the combination of the notes receivable and accounts receivable according to the credit risk characteristics, and calculates the expected credit losses on the basis of combinations, the basis for determining the combination is as follows:

A. Note receivable

Note receivable 1: Bank acceptance bill

Note receivable 2: Trade acceptance

B. Account receivable

Account receivable 1: Receivables from internal related party

Account receivable 2: Receivable from other clients

For the notes receivable divided into combinations, the Company calculates the expected credit losses by referring to the historical credit loss experience, combing with the current situation and the forecast of future economic conditions, and through the default risk exposure and the expected credit loss rate for the entire duration.

For the accounts receivable divided into combinations, the Company calculates the expected credit losses by referring to the historical credit loss experience, combing with the current situation and the forecast of future economic conditions, and compiling a comparison table of accounts receivable aging and the expected credit loss rate for the entire duration.

C. Other receivables

When a single other receivables cannot be used to estimate the expected credit loss at a reasonable cost, the Company divides other receivables into several combinations based on the credit risk characteristics, and calculates the expected credit losses based on a combination, the basis for determining the combination is as follows:

Other account receivable 1: Receivables from internal related party

Other account receivable 2: Receivable from other clients

For other receivables classified as a combination, the Company calculates the expected credit loss through the default risk exposure and the expected credit loss rate over the next 12 months or the entire duration.

D. Debt investment, other debt investment

For debt investment and other debt investment, the Company calculates the expected credit losses according to the nature of the investment, according to various types of counter parties and risk exposures, and through default risk exposure and expected credit loss rate in the next 12 months or the entire duration.

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).

### ③ Financial 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 derecognition of 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, derecognize the financial assets; if almost all the risks and rewards of ownership of financial assets have been retained, do not derecognize 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, derecognize 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

Found more in the impairment of financial instrument carried in Financial Instrument

12. Account receivable

Found more in the impairment of financial instrument carried in Financial Instrument

13. Other account receivable

Found more in the impairment of financial instrument carried in Financial Instrument

**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**

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

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

√ Applicable   □ Not applicable

Account age	Accrual ratio for account receivable	Accrual ratio for other receivables
Within 6 months		
6 months to one year	10.00%	10.00%
1—2 years	20.00%	20.00%
2—3 years	40.00%	40.00%
Over 3 years	100.00%	100.00%

3—4 years	100.00%	100.00%
4—5 years	100.00%	100.00%
Over 5 years	100.00%	100.00%

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

### 13. Other account receivable

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 receivable	Account age	Refer to the historical credit loss experience, combine with the current situation and the forecast 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.

### 14. Inventory

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

N

(1) Classification of inventories

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

#### (2) Pricing for delivered inventories

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

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

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

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

Inventories as at period-end are priced at the lower of costs and net realizable values; at period end, on the basis of overall clearance about inventories, inventory impairment provision is 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.

## ② Wrappage

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

## 15. Assets held for sale

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

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

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

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

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

reverted amount charged in profit or loss for the current period. The written-off carrying value of goodwill shall not be reverted.

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

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

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

## 16. 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 at fair value with any change in fair value charged to profit or loss.

### (1) Determination of initial investment cost

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

③Long-term investments obtained through other ways:

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

B. Initial investment cost of long-term equity investment obtained through issuance of equity securities is determined at fair value of such securities;

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

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

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

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

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

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

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

recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an invested party is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with “Accounting Standards for Business Enterprises No. 20 “Business combination”. All profit or loss related to the transaction shall be accounted for.

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

### ③ Acquisition of minority interest

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

### ④ Disposal of long-term equity investments

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

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

period.

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

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

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

comprehensive income and other owners' equity shall be fully transferred.

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

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

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

Found more in Note V-"impairment of long-term investment"

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

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

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

## 17. 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-“Impairment of long-term assets”

## 18. Fixed assets

### (1) Confirmation conditions

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

### (2) Depreciation methods

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

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

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

assets:

- ① Agreed in the lease contract (or made a reasonable judgment according to the correlated conditions on the lease commencement date), the ownership of lease fixed assets can be transferred to the Company after the expiry of the lease period;
  - ② The Company has the option to purchase or lease the fixed assets, and the purchase price is estimated to be much less than the fair value of the lease of fixed assets when exercises the options, so whether the Company will exercise the option can be reasonably determined on the lease commencement date;
  - ③ Even though the fixed asset ownership is not transferred, the lease term accounts for 75% of the service life of the lease fixed assets;
  - ④ The present value of the Company's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date; the present value of the leaser's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date;
  - ⑤ The leased assets with special properties can only be used by the Company without major modifications. The fixed assets rented by finance leases is calculated as the book value according to the lower one between the fair value of leased assets on the lease commencement date and the present value of the minimum lease payments.
- (4) The impairment test method of fixed assets and the method of provision for impairment see Note V-20-“Long term asset impairment”.

## 19. 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-“Impairment of long-term assets”

## 20. 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.

## 21. 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-20-“Long-term assets impairment”.

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

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

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

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

## 22. 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.

### **23. 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.

### **24. 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.

## **25. 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

## 26. Revenue

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

No

Whether implemented the new revenue standards

Yes  No

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

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

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

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

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

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

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

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

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

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

### (3) When confirming the incomes of labor services and construction contracts according to the

percentage of completion method, determine the basis and method of the contract completion plan.

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

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

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

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

## **27. 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.

**28. Deferred income tax assets/Deferred income tax liabilities**

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

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

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

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

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

## 29. Lease

### (1) Accounting for operating lease

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

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

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

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

### (2) Accounting for financing lease

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

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



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

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

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

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

#### (1) Provision for bad debts

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

#### (2) Inventory impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

#### (7) Depreciation and amortization

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

#### (8) Income tax

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

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

The expenses of the Company's early retirement benefits and supplementary retirement benefits and the amount of liabilities are determined in accordance with various assumptions. These assumptions include the discount rate, the average growth rate of health care costs, the subsidy growth rate of the early retired personnel and retirees and the other factors. The differences between the actual results and

assumptions will be immediately identified and included in the costs of the current year. Although the management thought the reasonable assumptions have been adopted, the changes in the actual experience and assumed conditions will impact the costs and liability balances of the Company's internal early retirement benefits and supplementary retirement benefits.

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

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

Applicable  Not applicable

Content and causes for changes of accounting policy	Approval procedures	Note
In 2017, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets , Accounting Standards for Business Enterprises No. 24 - Hedge Accounting, and the Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation, and the domestic listed companies are required to put the relevant accounting standards of new financial instruments into force from January 1, 2019. The Company implement the above mentioned four accounting standards since 1 Jan. 2019	Approved and deliberated by 5 <sup>th</sup> session of 9 <sup>th</sup> BOD	Notice No.: 2019-006
On April 2019, the Ministry of Finance issued No. 6 Document 2019-“Notice on Amending the 2019 Annual Financial Statements of General Enterprises”, which revised the financial statement format of general enterprises in light of the relevant situation in the implementation of enterprise accounting standards.	Ministry of Finance No. 6 Document 2019	

#### (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

Applicable  Not applicable

Consolidate balance sheet

In RMB/CNY

Item	2018-12-31	2019-01-01	Adjustments
Current assets:			
Monetary funds	2,616,321,740.73	2,616,321,740.73	
Settlement provisions			
Capital lent			

Tradable financial assets		4,740,773,607.43	4,740,773,607.43
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial assets			
Note receivable	1,148,107,603.68	1,148,107,603.68	
Note receivable	1,919,793,266.91	1,919,793,266.91	
Account receivable financing			
Account paid in advance	94,651,431.31	94,651,431.31	
Insurance receivable			
Reinsurance receivables			
Contract reserve of reinsurance receivable			
Other account receivable	84,582,246.16	84,582,246.16	
Including: Interest receivable	1,842,437.50	1,842,437.50	
Dividend receivable			
Buying back the sale of financial assets			
Inventory	1,438,528,714.59	1,438,528,714.59	
Contract assets			
Assets held for sale			
Non-current asset due within one year			
Other current assets	4,632,137,600.26	60,250,896.83	-4,571,886,703.43
Total current assets	11,934,122,603.64	12,103,009,507.64	168,886,904.00
Non-current assets:			
Loans and payments on behalf			
Creditors' investment			
Available-for-sale financial assets	255,975,176.91		-255,975,176.91
Other creditors' investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	4,976,773,946.74	4,976,773,946.74	
Other equity instrument investment		87,088,272.91	87,088,272.91
Other non-current financial assets			
Investment real estate	21,906,134.52	21,906,134.52	
Fixed assets	2,707,374,678.61	2,707,374,678.61	
Construction in progress	166,414,542.18	166,414,542.18	
Productive biological assets			

Oil and gas assets			
Right-of-use asset			
Intangible assets	324,892,822.75	324,892,822.75	
Research and development costs			
Goodwill	1,784,086.79	1,784,086.79	
Long-term deferred expenses	16,637,652.31	16,637,652.31	
Deferred income tax assets	234,697,139.58	234,697,139.58	
Other non-current assets	251,462,676.27	251,462,676.27	
Total non-current assets	8,957,918,856.66	8,789,031,952.66	-168,886,904.00
Total assets	20,892,041,460.30	20,892,041,460.30	
Current liabilities:			
Short-term borrowings	298,928,213.94	298,928,213.94	
Loan from central bank			
Capital borrowed			
Tradable financial liability			
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability	490,329.13	490,329.13	
Note payable	1,018,367,533.74	1,018,367,533.74	
Account payable	2,047,336,834.66	2,047,336,834.66	
Accounts received in advance	41,329,857.80	41,329,857.80	
Selling financial asset of repurchase			
Absorbing deposit and interbank deposit			
Security trading of agency			
Security sales of agency			
Employee compensation payable	312,113,178.24	312,113,178.24	
Taxes payable	74,271,613.92	74,271,613.92	
Other accounts payable	64,448,723.52	64,448,723.52	
Including: Interest payable	517,469.08	517,469.08	
Dividend payable			
Commission charge and commission payable			
Reinsurance payable			
Contract liability			
Liability held for sale			
Non-current liabilities due within one year	15,000,000.00	15,000,000.00	

Other current liabilities			
Total current liabilities	3,872,286,284.95	3,872,286,284.95	
Non-current liabilities:			
Insurance contract reserve			
Long-term loans	30,000,000.00	30,000,000.00	
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Lease liability			
Long-term account payable	35,422,354.11	35,422,354.11	
Long-term employee compensation payable	74,679,175.36	74,679,175.36	
Accrual liabilities			
Deferred income	425,769,854.13	425,769,854.13	
Deferred income tax liabilities	1,912,744.40	1,912,744.40	
Other non-current liabilities			
Total non-current liabilities	567,784,128.00	567,784,128.00	
Total liabilities	4,440,070,412.95	4,440,070,412.95	
Owners' equity:			
Share capital	1,008,950,570.00	1,008,950,570.00	
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital reserve	3,416,022,795.14	3,416,022,795.14	
Less: Inventory shares			
Other comprehensive income	-19,809,442.95		19,809,442.95
Reasonable reserve	1,618,490.50	1,618,490.50	
Surplus reserve	510,100,496.00	510,100,496.00	
Provision of general risk			
Retained profit	10,996,945,870.13	10,996,945,870.13	-19,809,442.95
Total owners' equity attributable to parent company	15,913,828,778.82	15,913,828,778.82	
Minority interests	538,142,268.53	538,142,268.53	
Total owners' equity	16,451,971,047.35	16,451,971,047.35	
Total liabilities and owner's equity	20,892,041,460.30	20,892,041,460.30	

## Explanation

In 2017, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises

No. 22 - Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets , Accounting Standards for Business Enterprises No. 24 - Hedge Accounting, and the Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation, and the domestic listed companies are required to put the relevant accounting standards of new financial instruments into force from January 1, 2019. The Company implement the above mentioned four accounting standards since 1 Jan. 2019

(1) Add new item of “Tradable financial assets”, parts of the former “Other current assets” and “Available-for-sale financial assets” are re-classified for listing

(2) Add new item of “Other equity instrument investment”, parts of the former “Available-for-sale financial assets” is re-classified for listing

(3) Re-classify “Other comprehensive income” to “Retained profit”

Balance sheet of parent company

In RMB/CNY

Item	2018-12-31	2019-01-01	Adjustments
Current assets:			
Monetary funds	1,922,408,227.00	1,922,408,227.00	
Tradable financial assets		4,740,773,607.43	4,740,773,607.43
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial assets			
Note receivable	264,264,207.30	264,264,207.30	
Note receivable	742,246,990.99	742,246,990.99	
Account receivable financing			
Account paid in advance	59,028,927.25	59,028,927.25	
Other account receivable	196,849,092.13	196,849,092.13	
Including: Interest receivable	188,682.78	188,682.78	
Dividend receivable			
Inventory	492,054,274.67	492,054,274.67	
Contract assets			
Assets held for sale			
Non-current asset due within one year			
Other current assets	4,576,688,553.49	4,801,850.06	-4,571,886,703.43
Total current assets	8,253,540,272.83	8,422,427,176.83	168,886,904.00
Non-current assets:			
Creditors' investment			



Available-for-sale financial assets	180,035,176.91		-180,035,176.91
Other creditors' investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	5,739,110,426.55	5,739,110,426.55	
Other equity instrument investment		11,148,272.91	11,148,272.91
Other non-current financial assets			
Investment real estate			
Fixed assets	1,534,109,106.80	1,534,109,106.80	
Construction in progress	78,673,300.59	78,673,300.59	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	188,101,655.94	188,101,655.94	
Research and development costs			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	140,286,756.70	140,286,756.70	
Other non-current assets	184,208,090.40	184,208,090.40	
Total non-current assets	8,044,524,513.89	7,875,637,609.89	-168,886,904.00
Total assets	16,298,064,786.72	16,298,064,786.72	
Current liabilities:			
Short-term borrowings	112,000,000.00	112,000,000.00	
Tradable financial liability			
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Note payable	330,545,052.37	330,545,052.37	
Account payable	823,693,469.51	823,693,469.51	
Accounts received in advance	6,639,554.63	6,639,554.63	
Contract liability			
Employee compensation payable	200,205,508.25	200,205,508.25	
Taxes payable	39,193,425.15	39,193,425.15	
Other accounts payable	12,142,596.68	12,142,596.68	
Including: Interest payable	149,966.66	149,966.66	

Dividend payable			
Liability held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	1,524,419,606.59	1,524,419,606.59	
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	63,962,762.93	63,962,762.93	
Accrual liabilities			
Deferred income	381,609,056.40	381,609,056.40	
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	445,571,819.33	445,571,819.33	
Total liabilities	1,969,991,425.92	1,969,991,425.92	
Owners' equity:			
Share capital	1,008,950,570.00	1,008,950,570.00	
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital reserve	3,488,221,286.39	3,488,221,286.39	
Less: Inventory shares			
Other comprehensive income	-19,809,442.95		19,809,442.95
Reasonable reserve			
Surplus reserve	510,100,496.00	510,100,496.00	
Retained profit	9,340,610,451.36	9,320,801,008.41	-19,809,442.95
Total owners' equity	14,328,073,360.80	14,328,073,360.80	
Total liabilities and owner's equity	16,298,064,786.72	16,298,064,786.72	

Explanation

In 2017, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and Accounting Standards for

Business Enterprises No. 23 - Transfer of Financial Assets , Accounting Standards for Business Enterprises No. 24 - Hedge Accounting, and the Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation, and the domestic listed companies are required to put the relevant accounting standards of new financial instruments into force from January 1, 2019. The Company implement the above mentioned four accounting standards since 1 Jan. 2019

- (1) Add new item of “Tradable financial assets”, parts of the former “Other current assets” and “Available-for-sale financial assets” are re-classified for listing
- (2) Add new item of “Other equity instrument investment”, parts of the former “Available-for-sale financial assets” is re-classified for listing
- (3) Re-classify “Other comprehensive income” to “Retained profit”

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

Applicable  Not applicable

**32. Other**

Nil

**VI. Taxation**

**1. Major taxes and tax rates**

Tax	Basis	Tax rate
VAT	Taxable income	Tax rate of 17%, 16%, 13%, 11%, 10%, 9%, 6% and 5%, rate for exported commodities is stipulated by the state with declaration of export tax rebate, rate of tax may be “exempted, credited and refunded”
City maintaining & construction tax	Turnover tax payable	7%
Corporation income tax	Taxable income	25%, 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 ITM, Weifu Schmidt, Weifu Leader (Wuhan), Weifu Leader(Nanchang)	25%
The Company, Weifu Jinning, Weifu Leader, Weifu Tianli, Weifu Autocam, Weifu Leader(Chongqing)	15%
SPV, IRD Fuel Cells A/S	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%.

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

### 1. Monetary funds

In RMB/CNY

Item	Ending balance	Opening balance
Cash on hand	71,791.03	194,161.03
Cash in bank	2,596,255,341.24	2,534,479,978.46
Other monetary funds	93,371,445.06	81,647,601.24
Total	2,689,698,577.33	2,616,321,740.73
Including: Total amount saving aboard	32,827,414.62	

Other explanation

Item	2019-06-30	2018-12-31
Bank acceptance bill, L/C and other collateral	52,783,679.85	80,765,732.67
Deposit for Letter of Guarantee	158,280.00	
Frozen dividend	1,655,119.95	881,868.57
The currency funds in transit for selling the equity of Protean Holdings Corp.	38,774,365.26	
Total	93,371,445.06	81,647,601.24

The frozen dividend of 1,655,119.95 Yuan represents the part of dividends distributed by SDEC (stock code:600841) and Miracle Automation (stock code:002009) for 2017, 2018 and 2019 held by the Company as tradable 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.

The currency funds in transit for selling the equity of Protean Holdings Corp. is the equity selling money that sold by the Company, it is not available for relevant procedures are in process

### 2. Tradable financial assets

In RMB/CNY

Item	Ending balance	Opening balance
Financial assets measured by fair value and with variation reckoned into current gains/losses	151,261,956.00	121,066,008.00
Including:		

SDEC	104,680,056.00	85,458,408.00
Miracle Automation	46,581,900.00	35,607,600.00
Financial assets designated to be measured by fair value and with variation reckoned into current gains/losses	4,258,207,599.43	4,619,707,599.43
Including:		
Guolian Securities Shares	12,000,000.00	12,000,000.00
Shanghai Chengding Detong Equity Investment	35,820,896.00	35,820,896.00
Other: financial products	4,210,386,703.43	4,571,886,703.43
Total	4,409,469,555.43	4,740,773,607.43

Other explanation

Implemented new financial instrument standards in 2019, the tradable financial assets was re-classified from former available-for-sale financial assets

### 3. Note receivable

#### (1) Classification of notes receivable

In RMB/CNY

Item	Ending balance	Opening balance
Bank acceptance bill	1,402,441,411.19	1,082,574,482.88
Trade acceptance bill	89,952,810.16	65,533,120.80
Total	1,492,394,221.35	1,148,107,603.68

#### (2) Bad debt provision accrual, collected or reversal in the period

Applicable  Not applicable

#### (3) Note receivable that pledged at period-end

In RMB/CNY

Item	Amount pledged at period-end
Bank acceptance bill	762,571,527.45
Total	762,571,527.45

#### (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	359,389,642.56	
Trade acceptance bill	4,190,000.00	
Total	363,579,642.56	

**(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	6,800,000.00
Total	6,800,000.00

Other explanation

The Trade acceptance bills that the company transferred to the accounts receivable due to the failure of the drawer to perform the agreement at the end of the period were the bills of the subsidiaries controlled by Baota Petrochemical Group Co., Ltd. and the bills accepted by Baota Petrochemical Group Finance Co., Ltd. (hereinafter referred to as “BD bills”); as of June 30, 2019, these bills had expired.

**(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	8,552,242.26	0.36%	8,552,242.26	100.00%		8,685,110.25	0.44%	8,685,110.25	100.00%	
Including:										
Account receivable with single significant amount and withdrawal bad	6,800,000.00	0.29%	6,800,000.00	100.00%		7,000,000.00	0.36%	7,000,000.00	100.00%	

debt provision on single basis										
Account receivable with single minor amount but with bad debts provision accrued on a single basis	1,752,242.26	0.07%	1,752,242.26	100.00%		1,685,110.25	0.08%	1,685,110.25	100.00%	
Account receivable with bad debt provision accrual on portfolio	2,356,860,269.31	99.64%	37,552,614.73	1.59%	2,319,307,654.58	1,951,016,221.14	99.56%	31,222,954.23	1.60%	1,919,793,266.91
Including:										
Account receivable with bad debt provision accrual on age analysis	2,356,860,269.31	99.64%	37,552,614.73	1.59%	2,319,307,654.58	1,951,016,221.14	99.56%	31,222,954.23	1.60%	1,919,793,266.91
Total	2,365,412,511.57	100.00%	46,104,856.99	1.95%	2,319,307,654.58	1,959,701,331.39	100.00%	39,908,064.48	2.04%	1,919,793,266.91

Bad debt provision accrual on single basis: RMB 6,800,000.00.

In RMB/CNY

Name	Ending balance			
	Book balance	Bad debt reserve	Accrual ratio	Accrual causes
BD bills	6,800,000.00	6,800,000.00	100.00%	Have difficulty in collection
Total	6,800,000.00	6,800,000.00	--	--

Bad debt provision accrual on single basis: RMB 1,752,242.26

In RMB/CNY

Name	Ending balance			
	Book balance	Bad debt reserve	Accrual ratio	Accrual causes
Account receivable with single minor amount but with bad debts provision accrued on a single basis	1,752,242.26	1,752,242.26	100.00%	Have difficulty in collection
Total	1,752,242.26	1,752,242.26	--	--

Bad debt provision accrual on portfolio: RMB 37,552,614.73.



In RMB/CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Accrual ratio
Account receivable with bad debt provision accrual on age analysis	2,356,860,269.31	37,552,614.73	1.59%
Total	2,356,860,269.31	37,552,614.73	--

Explanation on portfolio determines:

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

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	Ending balance
Within one year(One year included)	2,277,983,177.64
Within 6 months	2,116,062,868.00
6 months to one year	161,920,309.64
1-2 years	69,703,171.66
2-3 years	2,923,284.26
Over 3 years	6,250,635.75
3-4 years	6,250,635.75
Total	2,356,860,269.31

## (2) Bad debt provision accrual, collected or reversal in the period

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	
Bad debt provision accrual on credit risk portfolio	39,908,064.48	6,607,638.33	403,280.82	7,565.00	46,104,856.99
Total	39,908,064.48	6,607,638.33	403,280.82	7,565.00	46,104,856.99

Including major amount bad debt provision that collected or reversal in the period:

In RMB/CNY

Enterprise	Amount collected or reversal	Collection by
BD bills	200,000.00	Collection
Total	200,000.00	--

**(3) Account receivable actually written-off in the period**

In RMB/CNY

Item	Amount written-off
Retail enterprise	7,565.00

Including major account receivable written-off : nil

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

Total period-end balance of top five receivables by arrears party amounting to 1,245,808,296.79 Yuan, takes 52.67 percent of the total account receivable at period-end, bad debt provision accrual correspondingly at year-end amounting as 7,579,746.83 Yuan.

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

Nil

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

Nil

**5. Account paid in advance****(1) By account age**

In RMB/CNY

Account age	Ending balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	123,926,769.78	94.67%	89,076,980.53	94.11%
1-2 years	5,312,592.60	4.06%	4,536,408.47	4.79%
2-3 years	1,569,872.98	1.20%	980,958.32	1.04%
Over 3 years	89,584.01	0.07%	57,083.99	0.06%
Total	130,898,819.37	--	94,651,431.31	--

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

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

Total period-end balance of top five account paid in advance by prepayment object amounted to 42,001,171.79 Yuan, takes 32.09 percent of the total advance payment at period-end.

**6. Other account receivable**

In RMB/CNY

Item	Ending balance	Opening balance
Interest receivable	674,104.16	1,842,437.50
Dividend receivable	536,162,445.67	
Other account receivable	60,433,069.23	82,739,808.66
Total	597,269,619.06	84,582,246.16

**(1) Interest receivable**

1) Category of interest receivable

In RMB/CNY

Item	Ending balance	Opening balance
Time deposit	674,104.16	1,842,437.50
Total	674,104.16	1,842,437.50

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
SDEC	610,417.20	
Guolian Securities Co., Ltd.	903,640.00	
Zhonglian Electronic	105,200,000.00	
Bosch Automobile Diesel	429,448,388.47	
Total	536,162,445.67	

2) Important dividend receivable with account age over one year: nil

3) Accrual of bad debt provision

 Applicable  Not applicable

**(3) Other account receivable**

## 1) By nature

In RMB/CNY

Nature	Ending book balance	Opening book balance
Intercourse funds receivable from units	46,492,901.74	15,328,121.55
Compensation for assets disposal receivable		67,981,726.00
Receivable from the tax refund for withholding the B-share	11,515,433.66	
Cash deposit	3,076,126.84	3,206,825.88
Staff loans and petty cash	4,656,003.60	1,172,017.93
Other	184,793.26	509,873.93
Total	65,925,259.10	88,198,565.29

## 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, 2019	2,683,204.00		2,775,552.63	5,458,756.63
Balance of Jan. 1, 2019 in the period	—	—	—	—
Current accrual	34,961.84			34,961.84
Current reversal	1,528.60			1,528.60
Balance on Jun. 30, 2019	2,716,637.24		2,775,552.63	5,492,189.87

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)	60,446,202.47
Within 6 months	60,122,838.05
6 months to one year	323,364.42
1-2 years	21,454.00
2-3 years	3,400.00
Over 3 years	2,678,650.00

3-4 years	2,678,650.00
Total	63,149,706.47

## 3) Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

In RMB/CNY

Category	Opening balance	Amount changed in the period		Ending balance
		Accrual	Collected or reversal	
Account receivable with single significant amount and withdrawal bad debt provision on single basis	2,775,552.63			2,775,552.63
Account receivable with bad debt provision accrual on portfolio	2,683,204.00	34,961.84	1,528.60	2,716,637.24
Total	5,458,756.63	34,961.84	1,528.60	5,492,189.87

Including major amount with bad debt provision reverse or collected in the period: nil

## 4) Other account receivable actually written-off in the 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	Within 6 months	36.40%	
Protean Holdings Corp. (Note)	Amount from equity sales	10,499,081.51	Within 6 months	15.93%	
Robert Bosch Company	Intercourse funds of unit	7,600,000.00	Within 6 months	11.53%	
Ningbo Jiangbei High-Tech Industry Park Development Construction Co., Ltd.	Performance bond	1,767,000.00	Over three years	2.68%	1,767,000.00
American HESS Company	Intercourse funds of unit	1,514,671.20	个别认定	2.30%	1,514,671.20
Total	--	45,380,752.71	--	68.84%	3,281,671.20

## 6) 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

Other explanation

Note: In June 2019, Protean Holdings Corp. which was invested by the company was 100% acquired by Virtue Surge Limited, Virtue Surge Limited continues to exist after the merger, and Protean Holdings Corp. no longer exists. This acquisition invoked 5.1 “Drag-along right” in the fifth revision and the restatement of the shareholder agreement of Protean Holdings Corp., i.e. 5.1 (a) i. The most majority of shareholders agree with the shareholding ratio; ii. Oak Investment Partners XII LP (“Oak”) with privilege and holding 64.77% of the issued shares agrees; iii. GSR Ventures (“GSR”) with privilege and holding 9.58% of the issued shares agrees; iv. The majority of the board of directors of Protean Holdings Corp. agrees.

In view of the fact that the majority shareholder of Protean Holdings Corp. exercised the “Drag-along right”, that is, the vast majority of Protean Holdings Corp.’s shareholders were in favor of the shareholding, and the Protean Holdings Corp. board of directors mostly agreed, which met the drag-along conditions, so Weifu High Tech must agree to sell its 9.61% stake in Protean Holdings Corp., and there were dozens of other shareholders who held the remaining 16.04% of the issued shares were dragged to sell their shares. After the sale, the company no longer holds a stake in Protean Holdings Corp.

In this M&A and sale of equity transactions, the company is expected to obtain US\$7.17 million in revenue, of which the expected down payment of US\$5,640,153.79 has been received at the end of June, and the remaining US\$1.53 million will be used as a reserve guarantee for the M&A and is expected to be received in 12 months.

## 7. Inventory

Whether implemented the new revenue standards

Yes No

### (1) Category

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	383,335,648.45	64,071,932.72	319,263,715.73	405,113,183.37	71,085,820.65	334,027,362.72
Goods in process	177,818,860.49	13,699,553.98	164,119,306.51	182,564,277.52	13,682,081.67	168,882,195.85
Finished goods	1,077,721,703.57	133,968,453.82	943,753,249.75	1,080,800,727.38	145,181,571.36	935,619,156.02
Total	1,638,876,212.51	211,739,940.52	1,427,136,271.99	1,668,478,188.27	229,949,473.68	1,438,528,714.59

**(2) Inventory depreciation reserve**

In RMB/CNY

Item	Opening balance	Current increased		Current decreased		Ending balance
		Accrual	Other	Reversal or write-off	Other	
Raw materials	71,085,820.65	1,422,322.52		8,436,210.45		64,071,932.72
Goods in process	13,682,081.67	17,472.31				13,699,553.98
Finished goods	145,181,571.36	61,090.44		11,274,207.98		133,968,453.82
Total	229,949,473.68	1,500,885.27		19,710,418.43		211,739,940.52

**(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

**8. Other current assets**

Whether implemented the new revenue standards

 Yes  No

In RMB/CNY

Item	Ending balance	Opening balance
Entrusted financial product		
Export tax refund receivable	5,764,074.36	7,848,937.72
Prepaid tax fees and VAT retained	52,783,100.03	47,808,273.37
Input tax to be deducted and certified	420,338.49	3,420,317.46
Other	587,339.98	1,173,368.28
Total	59,554,852.86	60,250,896.83

**9. Long-term equity investment**

In RMB/CNY

The invested entity	Opening balance	Current changes (+,-)								Ending balance	Ending balance of
		Addit	Capital	Investment gain/loss	Other compr	Other	Cash dividend or profit	Provision for	Other		

		ion al inv est me nt	red ucti on	recognized under equity	ehensi ve incom e adjust ment	equit y chan ge	announced to issued	impair ment		impai rment provi sion
<b>I. Joint venture</b>										
Wuxi Weifu Environment Catalyst Co.,Ltd.	565,646,086.93			11,583,772.04					577,229,858.9 7	
Wuxi Weifu Electric Drive Tech. Co., Ltd.	54,742,375.02			-1,176,749.59					53,565,625.43	
Subtotal	620,388,461.95			10,407,022.45					630,795,484.4 0	
<b>II. Associated enterprise</b>										
Bosch Automobile Diesel System Co., Ltd.	3,207,122,893.40			618,719,531.29			858,896,776.94		2,966,945,647 .75	
Zhonglian Automobile Electronic Co., Ltd.	1,086,475,955.72			147,532,407.57			105,200,000.00		1,128,808,363 .29	
Weifu Precision Machinery Manufacturing Co., Ltd.	55,310,157.90			4,661,420.22					59,971,578.12	
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	7,476,477.77			-1,250,239.86					6,226,237.91	
Subtotal	4,356,385,484.79			769,663,119.22			964,096,776.94		4,161,951,827 .07	
Total	4,976,773,946.74			780,070,141.67			964,096,776.94		4,792,747,311 .47	

## 10. Other equity instrument investment

In RMB/CNY

Item	Ending balance	Opening balance
Beijing Zhike Industry Investment Holding Group Co., Ltd.	75,940,000.00	75,940,000.00



Wuxi Xidong Science & Technology Industrial Park Co., Ltd	5,000,000.00	5,000,000.00
Wuxi Xichang Microchip Semi-Conductor	100,000,000.00	
Protean Holdings Corp.		6,148,272.91
Total	180,940,000.00	87,088,272.91

## 11. Other non-current financial assets

In RMB/CNY

Item	Ending balance	Opening balance
Tradable financial assets holding for over one year	368,800,000.00	
Total	368,800,000.00	

## 12. 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	61,677,335.83			61,677,335.83
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	61,677,335.83			61,677,335.83
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	39,771,201.31			39,771,201.31
2. Current increased	774,359.33			774,359.33
(1) Accrual or amortization	774,359.33			774,359.33
3. Current decreased				
(1) Disposal				

(2) Other transfer-out				
4. Ending balance	40,545,560.64			40,545,560.64
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	21,131,775.19			21,131,775.19
2. Opening book value	21,906,134.52			21,906,134.52

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

Applicable  Not applicable

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

Nil

**13. Fixed assets**

In RMB/CNY

Item	Ending balance	Opening balance
Fixed assets	2,680,884,221.89	2,707,374,678.61
Total	2,680,884,221.89	2,707,374,678.61

**(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	1,552,720,830.68	2,491,008,841.08	35,760,995.37	506,932,413.54	4,586,423,080.67
2. Current	50,785,697.90	67,996,785.02		27,287,346.56	146,069,829.48

increased					
(1) Purchase	27,350.00	2,194,645.89		1,218,137.82	3,440,133.71
(2) Construction in progress transfer-in	50,758,347.90	38,117,012.08		25,682,906.08	114,558,266.06
(3) Increased by combination		27,685,127.05		386,302.66	28,071,429.71
3.Current decreased	105,775.86	6,974,597.84	573,529.92	4,326,432.35	11,980,335.97
(1) Disposal or scrapping		6,974,597.84	573,529.92	4,326,432.35	11,874,560.11
(2) Construction in progress transfer to fixed assets	105,775.86				105,775.86
4.Ending balance	1,603,400,752.72	2,552,031,028.26	35,187,465.45	529,893,327.75	4,720,512,574.18
II. Accumulated depreciation					
1.Opening balance	329,964,732.08	1,229,552,990.27	24,745,652.33	240,562,371.27	1,824,825,745.95
2.Current increased	22,965,941.24	107,544,181.46	1,368,053.76	38,029,254.26	169,907,430.72
(1) Accrual	22,965,941.24	87,891,862.13	1,368,053.76	37,680,059.40	149,905,916.53
(2) Increased by combination		19,652,319.33		349,194.86	20,001,514.19
3.Current decreased	83,749.27	5,091,489.41	475,772.49	2,802,789.50	8,453,800.67
(1) Disposal or scrapping	83,749.27	5,091,489.41	475,772.49	2,802,789.50	8,453,800.67
4.Ending balance	352,846,924.05	1,332,005,682.32	25,637,933.60	275,788,836.03	1,986,279,376.00
III. Depreciation reserves					
1.Opening balance		46,869,092.62	73,319.90	7,280,243.59	54,222,656.11
2.Current increased					
(1) Accrual					
3.Current decreased		859,429.88		14,249.94	873,679.82
(1) Disposal or scrapping		859,429.88		14,249.94	873,679.82
4.Ending balance		46,009,662.74	73,319.90	7,265,993.65	53,348,976.29

IV. Book value					
1. Ending book value	1,250,553,828.67	1,174,015,683.20	9,476,211.95	246,838,498.07	2,680,884,221.89
2. Opening book value	1,222,756,098.60	1,214,586,758.19	10,942,023.14	259,089,798.68	2,707,374,678.61

**(2) Temporarily idle fixed assets**

Nil

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

Nil

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

Nil

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

In RMB/CNY

Item	Book value	Reasons for without the property certification
Boiler room and guard house of Weifu Jinning	2,640,467.55	Still in process of relevant property procedures
Plant and office building of Weifu Chang'an	42,607,819.23	Still in process of relevant property procedures

**(6) Disposal of fixed assets**

Nil

**14. Construction in progress**

In RMB/CNY

Item	Ending balance	Opening balance
Construction in progress	259,557,105.61	166,414,542.18
Total	259,557,105.61	166,414,542.18

**(1) Construction in progress**

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Weifu Tianli Technical Transformation Project	4,285,789.25		4,285,789.25	3,214,458.65		3,214,458.65
Technical Transformation Project of parent company	125,369,185.24	1,470,033.00	123,899,152.24	62,131,476.77	1,470,033.00	60,661,443.77
Technical transformation of Weifu Autocam	33,251,718.48		33,251,718.48	64,861,621.60		64,861,621.60
Other	100,216,788.26	2,096,342.62	98,120,445.64	39,773,360.78	2,096,342.62	37,677,018.16
Total	263,123,481.23	3,566,375.62	259,557,105.61	169,980,917.80	3,566,375.62	166,414,542.18

## (2) Changes of major construction in progress in the period

In RMB/CNY

Item	Budget	Opening balance	Current increased	Amount transfer-in fixed assets	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
Weifu Tianli Technical Transformation Project		3,214,458.65	3,132,210.40	1,909,155.66	151,724.14	4,285,789.25						Other
Technical Transformation Project of parent company		62,131,476.77	106,018,046.19	42,780,337.72		125,369,185.24						Other
Technical transformation		64,861,621.60	23,970,066.59	54,952,720.46	627,249.25	33,251,718.48						Other

mation of Weifu Autocam												
Total	130,207,557.02	133,120,323.18	99,642,213.84	778,973.39	162,906,692.97	--	--					--

**(3) The provision for impairment of construction in progress**

Nil

**(4) Engineering material**

Nil

**15. Intangible assets****(1) Intangible assets**

In RMB/CNY

Item	Land use right	Patent	Non-patent technology	Trademark and trademark license	Computer software	Total
<b>I. Original book value</b>						
1. Opening balance	381,203,520.00		3,539,793.05	41,597,126.47	52,996,879.28	479,337,318.80
2. Current increased			317,685.92		3,394,263.76	3,711,949.68
(1) Purchase					2,756,543.81	2,756,543.81
(2) Internal R&D						
(3) Increased by combination			317,685.92		637,719.95	955,405.87
3. Current decreased						
(1) Disposal						
4. Ending balance	381,203,520.00		3,857,478.97	41,597,126.47	56,391,143.04	483,049,268.48
<b>II. Accumulated amortization</b>						
1. Opening balance	78,623,510.56		2,625,346.70	9,709,000.00	46,839,738.79	137,797,596.05
2. Current increased	4,176,430.34		178,718.30		3,839,922.87	8,195,071.51
(1) Accrual	4,176,430.34		176,988.96		3,416,558.52	7,769,977.82
(2) Increased by combination			1,729.34		423,364.35	425,093.69
3. Current decreased						

(1) Disposal						
4. Ending balance	82,799,940.90		2,804,065.00	9,709,000.00	50,679,661.66	145,992,667.56
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	298,403,579.10		1,053,413.97	15,241,226.47	5,711,481.38	320,409,700.92
2. Opening book value	302,580,009.44		914,446.35	15,241,226.47	6,157,140.49	324,892,822.75

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

Nil

**16. Goodwill****(1) Original book value of goodwill**

In RMB/CNY

The invested entity or matters forming goodwill	Opening balance	Current increased	Current decreased	Ending balance
Weifu Tianli	1,784,086.79			1,784,086.79
IRD Fuel Cells A/S		53,807,260.21		53,807,260.21
Total	1,784,086.79	53,807,260.21		55,591,347.00

**(2) Impairment provision for goodwill**

Nil

Relevant information about the assets group or portfolio goodwill included

① Goodwill of the Weifu Tianli: the Company controlling and combine Weifu Tianli by increasing the capital, the goodwill is the number that combination cost greater than the fair value of identical net assets of Weifu Tianli.

At the end of the period, the company conducted an impairment test on goodwill to estimate the present value of future cash flows and the recoverable amount of the goodwill-related asset group, that is to

estimate the present value of future cash flow based on the management's financial budget for the next five years and the discount rate of 12.21%, the cash flow of the year after the five years of financial budget has remained stable. The asset group identified during the goodwill impairment test did not change.

The key parameters determined by the goodwill impairment test are as follows: The current value of the expected future cash flow of the asset group related to goodwill is measured by using 20%~23% of gross profit margin and 9%~15% of the operating income growth rate in the forecast period as key parameters. The management determines these parameters based on historical conditions prior to the forecast period and forecasts of market development. After the above tests, the company's goodwill does not need to make provisions for impairment.

②IRD Fuel Cells A/S Goodwill: In 2019, the company established SPV (a wholly-owned subsidiary) in Denmark to acquire a 66% stake in Danish IRD Fuel Cells A/S (hereinafter referred to as "IRD") held by FCCTApS., which is equivalent to a total of 7.26 million euros, and CIRO's valuation is 11 million euros; goodwill is the part of the acquisition cost greater than the fair value of the IRD net identifiable assets.

Instructions for goodwill impairments test process and key parameters (such as the forecast period growth rate, stable period growth rate, profit rate, discount rate, and forecast period when estimating the present value of the future cash flow), and the method of confirming the impairment loss of goodwill:

Nil

## 17. Long-term deferred expenses

In RMB/CNY

Item	Opening balance	Current increased	Amortized in the Period	Other decrease	Ending balance
Remodeling costs etc.	16,637,652.31	3,766,419.71	1,498,822.02		18,905,250.00
Total	16,637,652.31	3,766,419.71	1,498,822.02		18,905,250.00

## 18. 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	50,810,260.67	7,783,655.00	44,576,998.51	6,770,470.23



Inventory depreciation reserve	191,893,925.45	30,139,509.60	210,088,809.57	32,942,217.43
Impairment provision for fixed assets	19,801,699.55	3,186,449.03	20,661,129.43	3,315,363.51
Impairment provision for construction in progress	3,566,375.62	534,956.34	3,566,375.62	534,956.34
Impairment provision for intangible assets	16,646,900.00	2,497,035.00	16,646,900.00	2,497,035.00
Change of fair value of available-for-sale financial assets			23,305,227.00	3,495,784.05
Impairment provision for other equity instrument investment	10,000,000.00	1,500,000.00		
Depreciation reserves of available-for-sale financial asset			155,994,927.09	23,399,239.06
Deferred income	410,876,651.99	61,631,497.80	422,215,782.35	63,332,367.36
Internal un-realized profit	61,587,106.96	9,238,066.05	33,204,053.14	6,439,903.29
Payable salary, accrued expenses etc.	602,725,422.49	95,239,575.84	539,804,494.87	85,801,436.71
Depreciation assets, amortization difference	29,138,524.33	4,748,000.87	53,624,344.54	8,439,877.52
Deductible loss of subsidiary	9,677,975.44	2,419,493.86	9,677,975.44	2,419,493.86
Change of fair value of derivative financial liability			490,329.13	73,549.37
Total	1,406,724,842.50	218,918,239.39	1,533,857,346.69	239,461,693.73

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

In RMB/CNY

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment for combination not under the same control	12,381,519.47	1,857,227.92	12,751,629.44	1,912,744.40
Change of fair value of other creditors' investment	30,195,948.00	4,529,392.20		
Change of fair value of other equity instrument investment	31,763,694.33	4,764,554.15	31,763,694.33	4,764,554.15
Total	74,341,161.80	11,151,174.27	44,515,323.77	6,677,298.55

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

In RMB/CNY

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
------	--	---	--	--

Deferred income tax assets	-4,764,554.15	214,153,685.24	-4,764,554.15	234,697,139.58
Deferred income tax liabilities	-4,764,554.15	6,386,620.12	-4,764,554.15	1,912,744.40

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

In RMB/CNY

Item	Ending balance	Opening balance
Bad debt reserve	786,786.19	789,822.60
Inventory depreciation reserve	19,846,015.07	19,860,664.11
Loss from subsidiary	134,492,349.34	139,281,223.32
Impairment provision for fixed assets	33,547,276.74	33,561,526.68
Impairment provision for other equity instrument investment	48,633,106.95	48,633,106.95
Total	237,305,534.29	242,126,343.66

**(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
2019	13,864,159.93	25,671,694.55	Subsidiaries have operating losses
2020	44,795,747.87	44,795,747.87	Subsidiaries have operating losses
2021	46,080,956.48	46,080,956.48	Subsidiaries have operating losses
2022	10,503,882.86	10,503,882.86	Subsidiaries have operating losses
2023	4,188,264.45	12,228,941.56	Subsidiaries have operating losses
2024	3,249,606.38		Subsidiaries have operating losses
Total	122,682,617.97	139,281,223.32	--

**19. Other non-current assets**

Whether implemented the new revenue standards

 Yes  No

In RMB/CNY

Item	Ending balance	Opening balance
Engineering equipment paid in advance	295,639,334.53	251,462,676.27
Total	295,639,334.53	251,462,676.27

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

In RMB/CNY

Item	Ending balance	Opening balance
Debt of honor	321,055,399.28	298,928,213.94
Total	321,055,399.28	298,928,213.94

Explanation on category of short-term borrowings: nil

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

Nil

**21. Derivative financial liability**

In RMB/CNY

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

**22. Note payable**

In RMB/CNY

Category	Ending balance	Opening balance
Bank acceptance bill	1,591,019,357.36	1,018,367,533.74
Total	1,591,019,357.36	1,018,367,533.74

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 one year	2,349,278,569.14	1,957,672,043.76
1-2 years	96,290,673.62	10,208,129.49
2-3 years	10,696,107.46	7,830,950.08

Over three years	36,318,708.17	71,625,711.33
Total	2,492,584,058.39	2,047,336,834.66

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

Nil

**24. Accounts received in advance**

Whether implemented the new revenue standards

 Yes  No**(1) Accounts received in advance**

In RMB/CNY

Item	Ending balance	Opening balance
Within one year	51,239,061.80	33,337,169.03
1-2 years	935,180.49	6,544,805.44
2-3 years	64,130.40	425,759.63
Over three years	799,491.98	1,022,123.70
Total	53,037,864.67	41,329,857.80

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

Nil

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

Nil

**25. Employee compensation payable****(1) Employee compensation payable**

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
I. Short-term compensation	167,414,050.82	531,926,552.27	549,654,450.68	149,686,152.41
II. Post-employment welfare- defined contribution plans	32,505,677.48	72,803,533.28	84,157,402.12	21,151,808.64

III. Dismissed welfare	2,601,561.75	515,426.00	1,863,263.01	1,253,724.74
IV. Other welfare due within one year	90,050,000.00		44,085,521.00	45,964,479.00
V. Other short-term welfare-Housing subsidies, employee benefits and welfare funds	19,541,888.19		1,996,132.75	17,545,755.44
Total	312,113,178.24	605,245,511.55	681,756,769.56	235,601,920.23

**(2) Short-term compensation**

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Wages, bonuses, allowances and subsidies	148,435,979.41	428,283,206.11	444,745,192.60	131,973,992.92
2. Welfare for workers and staff		32,428,482.17	32,428,482.17	
3. Social insurance	9,451,627.58	30,400,781.73	33,141,499.65	6,710,909.66
Including: Medical insurance	7,681,163.73	25,519,780.88	27,920,811.47	5,280,133.14
Work injury insurance	997,896.55	2,276,917.80	2,373,914.26	900,900.09
Maternity insurance	772,567.30	2,604,083.05	2,846,773.92	529,876.43
4. Housing accumulation fund	658,798.00	33,775,081.00	33,808,788.00	625,091.00
5. Labor union expenditure and personnel education expense	8,867,645.83	7,039,001.26	5,530,488.26	10,376,158.83
Total	167,414,050.82	531,926,552.27	549,654,450.68	149,686,152.41

**(3) Defined contribution plans**

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
1. Basic endowment insurance	17,945,666.32	59,741,208.52	65,508,569.43	12,178,305.41
2. Unemployment insurance	581,515.16	1,649,534.04	1,792,887.85	438,161.35
3. Enterprise annuity	13,978,496.00	11,412,790.72	16,855,944.84	8,535,341.88
Total	32,505,677.48	72,803,533.28	84,157,402.12	21,151,808.64

**26. Taxes payable**

In RMB/CNY

Item	Ending balance	Opening balance
VAT	11,847,039.81	15,332,751.18

Corporation income tax	53,460,184.87	48,855,330.99
Individual income tax	413,036.74	1,861,196.92
City maintaining & construction tax	1,053,237.23	884,819.63
Educational surtax	752,312.33	543,438.10
Other (including stamp tax and local funds)	5,924,885.67	6,794,077.10
Total	73,450,696.65	74,271,613.92

## 27. Other accounts payable

In RMB/CNY

Item	Ending balance	Opening balance
Interest payable	752,404.25	517,469.08
Dividend payable	369,352,725.60	
Other accounts payable	60,134,191.62	63,931,254.44
Total	430,239,321.47	64,448,723.52

### (1) Interest payable

In RMB/CNY

Item	Ending balance	Opening balance
Long-term borrowing interest for installment	90,312.50	90,312.50
Interest payable for short-term loans	662,091.75	420,478.58
Other		6,678.00
Total	752,404.25	517,469.08

Major overdue interest: nil

### (2) Dividend payable

In RMB/CNY

Item	Ending balance	Opening balance
Ordinary stock dividends	369,352,725.60	
Total	369,352,725.60	

Other explanation, including important dividend payable over one year without payment, disclose reasons for un-paid: Nil

### (3) Other accounts payable

#### 1) Other accounts payable by nature

In RMB/CNY

Item	Ending balance	Opening balance
Deposit and margin	23,589,117.50	18,680,843.00
Social insurance and reserves funds that withholding	7,786,440.63	7,682,496.48
Intercourse funds of unit	25,512,145.98	30,982,145.98
Other	3,246,487.51	6,585,768.98
Total	60,134,191.62	63,931,254.44

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	--

**28. Non-current liabilities due within one year**

In RMB/CNY

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

**29. Long-term loans****(1) Category of long-term loans**

In RMB/CNY

Item	Ending balance	Opening balance
Guaranteed loan	22,500,000.00	30,000,000.00
Total	22,500,000.00	30,000,000.00

**30. Long-term account payable**

In RMB/CNY

Item	Ending balance	Opening balance
Long-term account payable	16,818,181.00	17,157,272.00
Special accounts payable	18,265,082.11	18,265,082.11
Total	35,083,263.11	35,422,354.11

**(1) Long-term account payable by nature**

In RMB/CNY

Item	Ending balance	Opening balance
Hi-tech Branch of Nanjing Finance Bureau(note①)	1,140,000.00	1,140,000.00
Hi-tech Branch of Nanjing Finance Bureau(note②)	1,250,000.00	1,250,000.00
Hi-tech Branch of Nanjing Finance Bureau(note③)	1,230,000.00	1,230,000.00
Loan transferred from treasury bond (note④)	678,181.00	1,017,272.00
Hi-tech Branch of Nanjing Finance Bureau(note⑤)	2,750,000.00	2,750,000.00
Hi-tech Branch of Nanjing Finance Bureau(note⑥)	1,030,000.00	1,030,000.00
Hi-tech Branch of Nanjing Finance Bureau(note⑦)	960,000.00	960,000.00
Hi-tech Branch of Nanjing Finance Bureau(note⑧)	5,040,000.00	5,040,000.00
Hi-tech Branch of Nanjing Finance Bureau(note⑨)	2,740,000.00	2,740,000.00
Total	16,818,181.00	17,157,272.00

Other explanation

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

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

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

note④:Loan transferred from treasury bond: Weifu Jinning received RMB1.87 million Yuan of special funds from budget of the central government, and RMB1.73 million Yuan of special funds from budget of the local government. The non-operating income transferred in was 1.87 million Yuan in 2011 which was confirmed not to return, if the Company pays back special funds of 3.73 million Yuan to the local government in 11 years since 2012, then the Company needs to repay the principal of 339,091.00 Yuan each year.

note⑤:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 10 November 2008 to 10 November 2023. Provided



that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note⑥:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 27 October 2009 to 27 October 2024. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note⑦:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 27 December 2010 to 27 December 2025. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note⑧:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 28 December 2011 to 28 December 2026. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

note⑨:To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 18 December 2013 to 18 December 2028. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

## (2) Special accounts payable

In RMB/CNY

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

Other explanation

In line with regulation of the house acquisition decision of People's government of Xuanwu District, Nanjing City, Ning Xuan Fu Zheng Zi (2012) No.001, part of the lands and property of Weifu Jinning needs expropriation in order to carry out the comprehensively improvement of Ming Great Wall. According to the house expropriation and compensation agreement in state-owned lands signed between Weifu Jinning and House Expropriation Management Office of Xuanwu District, Nanjing City, RMB 19.7067 million in total are compensate, including operation losses from lessee RMB 1.4416 million in total. The above compensation was received in last period and is making up for the losses from lessee, and the above lands and property have not been collected up to 30 June 2019.

**31. Long-term employee compensation payable****(1) Long-term employee compensation payable**

In RMB/CNY

Item	Ending balance	Opening balance
II. Dismiss welfare	10,716,412.43	10,716,412.43
III. Other long-term welfare	63,962,762.93	63,962,762.93
Total	74,679,175.36	74,679,175.36

**(2) Change of defined benefit plans**

Nil

**32. Deferred income**

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance	Cause
Government grants	425,769,854.13	2,428,000.00	12,779,779.24	415,418,074.89	Financial allocation received
Total	425,769,854.13	2,428,000.00	12,779,779.24	415,418,074.89	--

Item with government grants involved:

In RMB/CNY

Liability	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	2,884,001.16						2,884,001.16	Assets related
Appropriation on reforming of production line technology and R&D ability of	7,100,000.00						7,100,000.00	Assets related

common rail system for diesel by distributive high-voltage								
Fund of industry upgrade(2012)	60,400,000.00						60,400,000.00	Income related
Fund of industry upgrade(2013)	60,520,000.00						60,520,000.00	Income related
Appropriation on central basic construction investment	2,142,857.16						2,142,857.16	Assets related
R&D and industrialization of the high pressure variable pump of the common rail system of diesel engine for automobile	8,413,809.44						8,413,809.44	Assets related
Research institute of motor vehicle exhaust aftertreatment technology	2,472,471.21						2,472,471.21	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	147,575,675.52			11,339,130.36			136,236,545.16	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	9,740,000.00						9,740,000.00	Assets related
Implementation of the variable	10,908,721.03						10,908,721.03	Assets related

cross-section turbocharger for diesel engine								
Demonstration project for intelligent manufacturing	1,450,030.10						1,450,030.10	Assets related
Other	35,331,288.51	2,428,000.00		1,440,648.88			36,318,639.63	Assets related
Total	425,769,854.13	2,428,000.00		12,779,779.24			415,418,074.89	

## Other explanation

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

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

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

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

(5) Appropriation for investment of capital construction from the central government: In accordance

with the document Xi Caijian [2012] No.43, the Company received appropriation of 5 million Yuan for investment of capital construction from the central government in 2012. The appropriation belongs to the government grants with assets related and will be amortized according to relevant assets depreciation.

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

(7) Research institute of motor vehicle exhaust after-treatment technology: 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.

(8) Fund of industry upgrade(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 11,339,130.36 Yuan amortize in the year.

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

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

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

depreciation process.

(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.

### 33. 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

### 34. Capital reserve

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
Capital premium(Share capital premium)	3,370,828,806.22			3,370,828,806.22
Other capital reserve	45,193,988.92			45,193,988.92
Total	3,416,022,795.14			3,416,022,795.14

Other explanation, including changes in the period and reasons for changes: nil

### 35. 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		271,537.20				261,591.54	9,945.66	261,591.54

to profit or loss								
Translation reserve		271,537.20				261,591.54	9,945.66	261,591.54
Total other comprehensive income		271,537.20				261,591.54	9,945.66	261,591.54

### 36. Reasonable reserve

In RMB/CNY

Item	Opening balance	Current increased	Current decreased	Ending balance
Safety production costs	1,618,490.50	9,658,567.54	8,741,397.35	2,535,660.69
Total	1,618,490.50	9,658,567.54	8,741,397.35	2,535,660.69

### 37. 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

### 38. Retained profit

In RMB/CNY

Item	Current period	Last period
Retained profits at the end of last period before adjustment	10,996,945,870.13	9,811,609,138.92
Total retained profit at beginning of the adjustment (+ for increased, -for decreased)	-19,809,442.95	
Retained profits at the beginning of the period after adjustment	10,977,136,427.18	9,811,609,138.92
Add: The net profits belong to owners of patent company of this period	1,256,661,577.09	2,396,077,415.21
Common dividend payable	1,210,740,684.00	1,210,740,684.00
Impact earnings from other equity instrument investment disposal	36,147,694.44	
Retained profit at period-end	11,059,205,014.71	10,996,945,870.13

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 19,809,442.95 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

### 39. Operating income and cost

In RMB/CNY

Item	Current period		Last Period	
	Income	Cost	Income	Cost
Main operating	4,133,178,892.36	3,179,484,258.13	4,725,759,054.05	3,682,028,566.53
Other business	270,265,453.69	225,902,246.31	235,042,836.94	207,561,723.16
Total	4,403,444,346.05	3,405,386,504.44	4,960,801,890.99	3,889,590,289.69

Whether implemented the new revenue standards

Yes  No

### 40. Operating tax and extras

In RMB/CNY

Item	Current period	Last Period
City maintaining & construction tax	12,840,319.07	15,131,214.76
Educational surtax	9,260,002.10	10,807,786.47
Property tax	7,976,886.64	7,130,285.13
Land use tax	3,000,765.60	3,243,530.28
Vehicle use tax	5,540.64	24,297.00
Stamp duty	1,349,389.57	1,578,877.86
Other taxes	101,668.04	84,360.90
Total	34,534,571.66	38,000,352.40

### 41. Sales expenses

In RMB/CNY

Item	Current period	Last Period
Salary and fringe benefit	26,545,495.48	23,852,704.11
Consumption of office materials and business travel charge	5,902,212.14	5,767,944.92
Transportation charge	13,044,708.75	19,146,343.03
Warehouse charge	2,516,917.39	3,241,966.63
Three-guarantee fee	39,932,538.62	40,015,843.08
Business entertainment fee	9,328,770.85	8,251,206.32
Other	7,000,004.17	6,071,551.76



Total	104,270,647.40	106,347,559.85
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#### 42. Administration expenses

In RMB/CNY

Item	Current period	Last Period
Salary and fringe benefit	134,821,395.41	94,992,042.41
Depreciation charger and long-term assets amortization	17,239,939.30	24,091,878.82
Consumption of office materials and business travel charge	5,392,838.23	7,840,515.40
Incentive fund	35,940,000.00	64,279,800.00
Other	117,515,807.49	45,335,174.00
Total	310,909,980.43	236,539,410.63

#### 43. R&D expenses

In RMB/CNY

Item	Current period	Last Period
Technological development expenses	180,167,642.16	177,443,968.15
Total	180,167,642.16	177,443,968.15

#### 44. Financial expenses

In RMB/CNY

Item	Current period	Last Period
Interest expenses	9,264,648.42	9,075,955.05
Note discount interest expenses	6,867,326.37	409,282.24
Saving interest income	-48,416,919.83	-11,684,097.62
Gains/losses from exchange	583,881.77	-491,644.75
Handling charges	2,208,267.69	913,596.71
Total	-29,492,795.58	-1,776,908.37

#### 45. Other income

In RMB/CNY

Source	Current period	Last Period
Government grants with routine activities concerned	17,632,117.95	14,032,459.71

Total	17,632,117.95	14,032,459.71
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**46. Investment income**

In RMB/CNY

Item	Current period	Last Period
Income of long-term equity investment calculated based on equity	790,465,131.05	968,640,145.91
Investment income from holding tradable financial assets	2,287,308.59	
Investment income from period of holding the financial assets available for sale		3,220,575.00
Investment income obtained from disposal of financial assets available for sales		17,370,816.75
Entrust financial income	95,464,240.84	159,801,630.73
Total	888,216,680.48	1,149,033,168.39

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

In RMB/CNY

Sources	Current period	Last Period
Tradable financial assets	30,195,948.00	
Investment income from disposal of tradable financial assets	490,329.13	
Total	30,686,277.13	

**48. Credit impairment loss**

In RMB/CNY

Item	Current period	Last Period
Bad debt loss of other account receivable	-33,433.24	
Bad debt loss of account receivable	-6,204,357.51	
Total	-6,237,790.75	

**49. Assets impairment loss**

Whether implemented the new revenue standards

 Yes  No

In RMB/CNY

Item	Current period	Last Period
I. Bad debt losses		-2,192,563.70

II. Loss on inventory valuation	-1,500,885.27	2,202,651.08
Total	-1,500,885.27	10,087.38

## 50. Income from assets disposal

In RMB/CNY

Sources	Current period	Last Period
Income from disposal of non-current assets	5,542,556.91	1,820,229.59
Losses from disposal of non-current assets	-434,708.46	-232,044.23
Total	5,107,848.45	1,588,185.36

## 51. Non-operating income

In RMB/CNY

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Government grants	26,547,209.00	3,667,570.46	26,547,209.00
Other	997,548.26	213,558.41	997,548.26
Total	27,544,757.26	3,881,128.87	27,544,757.26

Government grants reckoned into current gains/losses:

In RMB/CNY

Government grants	Granting subject	Cause of distribution	Nature type	Whether the impact of subsidies on the current profit and loss	Whether special subsidies	Current period	Last period	Assets related/Income related
House land expropriation and disposal incentives of Weifu Jinning				N	N	26,547,209.00		Income related
Stabilization subsidy in Wuxi				N	N		967,170.46	Income related
Patent funding				N	N		621,500.00	Income related
Funds for the intelligent transformation project of common rail pump production in Huishan District				N	N		1,340,000.00	Income related
Reward for the high-tech				N	N		500,000.00	Income

enterprise identification in management committee of Jiangbei District								related
Discount reward for imported equipment				N	N		103,000.00	Income related
Employment subsidy from Employment Administration Service of Ningbo City				N	N		86,520.00	Income related
Special funds for 333 high-end personnel training				N	N		30,000.00	Income related
Other				N	N		19,380.00	Income related
Total							26,547,209.00	3,667,570.46

## 52. Non-operating expense

In RMB/CNY

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Donations	43,500.00		43,500.00
Non-current assets disposal losses	180,170.75	167,094.34	180,170.75
Including: fixed assets disposal losses	180,170.75	167,094.34	180,170.75
Local fund	2,291,966.58	2,015,771.73	
Other	115,815.69	145,006.31	115,815.69
Total	2,631,453.02	2,327,872.38	339,486.44

## 53. Income tax expense

### (1) Income tax expense

In RMB/CNY

Item	Current period	Last Period
Payable tax in current period	52,525,690.93	102,952,291.92
Adjusted the previous income tax	3,839,633.55	-603,416.68
Increase/decrease of deferred income tax assets	20,543,454.34	633,939.20
Increase/decrease of deferred income tax liability	4,473,875.72	-55,516.48
Total	81,382,654.54	102,927,297.96

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

In RMB/CNY	
Item	Current period
Total profit	1,356,485,347.77
Income tax measured by statutory/applicable tax rate	203,472,802.17
Impact by different tax rate applied by subsidies	1,632,000.65
Adjusted the previous income tax	3,839,633.55
Impact by non-taxable revenue	-122,975,551.11
Impact by the deductible losses of the un-recognized previous deferred income tax	-3,707,613.33
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	1,564,899.02
Other	-2,443,516.40
Income tax expense	81,382,654.54

**54. Other comprehensive income**

Found more in Note -35

**55. 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 cash in bank	49,585,253.17	12,485,826.79
Government grants	33,827,547.71	8,212,570.46
Other	2,362,693.88	181,546.85
Total	85,775,494.76	20,879,944.10

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

In RMB/CNY		
Item	Current period	Last Period
Cash cost	158,648,871.84	147,328,558.66
Other	10,439,746.86	6,641,913.18
Total	169,088,618.70	153,970,471.84

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

Nil

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

In RMB/CNY

Item	Current period	Last Period
Borrowings paid to Baodun (Tianjin) Electro-mechanical		10,000,000.00
Borrowings paid to Wuhan Troowin	24,000,000.00	
Total	24,000,000.00	10,000,000.00

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

In RMB/CNY

Item	Current period	Last Period
The borrowings/loans received by Weifu Leader from Wuxi Industry Group		5,470,000.00
Total		5,470,000.00

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

In RMB/CNY

Item	Current period	Last Period
Borrowings/loans paid to Industry Group by Weifu Leader	5,470,000.00	
National debt paid transfer to loans	339,091.00	339,091.00
Total	5,809,091.00	339,091.00

**56. 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	1,275,102,693.23	1,577,947,078.01
Add: Assets impairment provision	7,738,676.02	-10,087.38
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	150,680,275.86	142,796,801.99

Amortization of intangible assets	7,769,977.82	8,927,389.15
Amortization of long-term deferred expenses	1,498,822.02	1,093,846.42
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is listed with “-”)	-5,107,848.45	-1,588,185.36
Losses on scrapping of fixed assets (gain is listed with “-”)	180,170.75	167,094.34
Gain/loss of fair value changes (gain is listed with “-”)	-30,686,277.13	
Financial expenses (gain is listed with “-”)	8,918,152.92	8,265,783.22
Investment loss (gain is listed with “-”)	-885,938,793.49	-1,149,683,398.46
Decrease of deferred income tax asset (increase is listed with “-”)	17,047,670.29	633,939.20
Increase of deferred income tax liability (decrease is listed with “-”)	-55,516.90	-55,516.48
Decrease of inventory (increase is listed with “-”)	9,891,557.33	241,085,663.64
Decrease of operating receivable accounts (increase is listed with “-”)	-802,107,175.59	-606,831,311.20
Increase of operating payable accounts (decrease is listed with “-”)	934,171,985.46	154,832,323.82
Other	1,219,538.11	1,342,269.57
Net cash flows arising from operating activities	690,323,908.25	378,923,690.48
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	2,596,327,132.26	2,842,510,815.26
Less: Balance of cash equivalent at year-begin	2,404,674,139.49	2,948,439,354.22
Net increase of cash and cash equivalents	191,652,992.77	-105,928,538.96

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

In RMB/CNY

	Amount
Cash and cash equivalent paid in the period for enterprise combination occurred in the period	54,936,420.00
Including:	--
Less: Cash and cash equivalent held by subsidiary on purchasing date	5,005,683.38
Including:	--
Add: Cash and cash equivalent paid in the period for enterprise combination occurred previous	0.00
Including:	--
Net cash paid for subsidiary obtained	49,930,736.62

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

Nil

**(4) Constitution of cash and cash equivalent**

Item	Ending balance	Opening balance
I. Cash	2,596,327,132.26	2,404,674,139.49
Including: Cash on hand	71,791.03	194,161.03
Bank deposit available for payment at any time	2,596,255,341.25	2,404,479,978.46
I. Balance of cash and cash equivalents at the period-end	2,596,327,132.26	2,404,674,139.49

**57. 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

**58. Assets with ownership or use right restricted**

In RMB/CNY

Item	Ending book value	Restriction reason
Monetary funds	52,783,679.85	A deposit paid for issuing a bank acceptance bill
Note receivable	762,571,527.45	Notes pledge for bank acceptance
Monetary funds	158,280.00	A deposit paid for issuance of a letter of guarantee
Monetary funds	38,774,365.26	Sales of equity of Protean Holdings Corp.
Monetary funds	1,655,119.95	Court freeze
Tradable financial assets	141,199,062.12	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 held by the Company were frozen.
Total	997,142,034.63	--

**59. Item of foreign currency****(1) Item of foreign currency**

In RMB/CNY

Item	Closing balance of foreign currency	Rate of conversion	Ending balance of RMB converted
Monetary funds	--	--	
Including: USD	26,561,237.88	6.8747	182,600,542.05



EUR	1,738,513.85	7.817	13,589,962.77
HKD	7,313.34	0.8797	6,433.55
DKK	29,426,919.41	1.0472	30,815,870.01
Account receivable	--	--	
Including: USD	3,330,199.22	6.8747	22,894,120.58
EUR	669,678.52	7.8170	5,234,876.99
HKD	10,720,574.00	0.8797	9,430,888.95
DKK	13,386,058.88	1.0472	14,017,880.86
Short-term borrowings	--	--	
Including: EUR	3,589,023.83	7.8170	28,055,399.28
Other account receivable	--	--	
Including: USD	1,527,205.77	6.8747	10,499,081.51
HKD	13,090,182.63	0.8797	11,515,433.66
Account payable		--	
Including: USD	37,466.64	6.8747	257,571.91
EUR	336,864.14	7.8170	2,633,266.98
HKD	21,899,376.00	0.063816	1,397,530.58
DKK	18,440,868.48	1.0472	19,311,277.48

**(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

## 60. Hedging

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

## 61. Government grants

### (1) Government grants

In RMB/CNY

Category	Amount	Item	Amount reckoned in current gain/loss

Social security subsidy for newly recruited college graduates by small and medium-size enterprise in Ningbo City	95,577.00	Social security subsidy for newly recruited college graduates by small and medium-size enterprise in Ningbo City	95,577.00
Patent funding	27,150.00	Patent funding	27,150.00
Depreciation/amortization compensation for the assets newly established after parent company relocated	11,339,130.36	Depreciation/amortization compensation for the assets newly established after parent company relocated	11,339,130.36
Intellectual property subsidy	318,000.00	Intellectual property subsidy	318,000.00
The first district-level cash subsidy of special fund for facilitates adjustment in Ningbo City	90,432.00	The first district-level cash subsidy of special fund for facilitates adjustment in Ningbo City	90,432.00
City-level funding for science and technology project from management committee of high-tech industrial park in Ningbo City	32,000.00	City-level funding for science and technology project from management committee of high-tech industrial park in Ningbo City	32,000.00
Subsidy for quality brand in Ningbo City	30,000.00	Subsidy for quality brand in Ningbo City	30,000.00
Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used	721,000.30	Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used	721,000.30
2018 technology development plan and project funding	2,000.00	2018 technology development plan and project funding	2,000.00
Tax contribution award in Huishan District	30,000.00	Tax contribution award in Huishan District	30,000.00
Subsidy for the intelligent production line of automobile components process in Huishan District	293,406.11	Subsidy for the intelligent production line of automobile components process in Huishan District	293,406.11
Special funds for technological transformation in Wuxi City	3,740,000.00	Special funds for technological transformation in Wuxi City	3,740,000.00
Award for strong quality zone in Xinwu District	50,000.00	Award for strong quality zone in Xinwu District	50,000.00
Grants for key laboratory in Wuxi City	35,000.00	Grants for key laboratory in Wuxi City	35,000.00
Key laboratory (engineering center) of the pollution control from motor vehicle exhausting in Jiangsu province	85,000.00	Key laboratory (engineering center) of the pollution control from motor vehicle exhausting in Jiangsu province	85,000.00
Supporting funds for technical improvement for annual output as 140,000 pieces of packaging line of catalytic reduction system for commercial vehicles	129,500.00	Supporting funds for technical improvement for annual output as 140,000 pieces of packaging line of catalytic reduction system for commercial vehicles	129,500.00
Funds for technical improvement for annual output as 180,000 pieces of catalytic reduction system for commercial vehicles - received in 2015	59,000.00	Funds for technical improvement for annual output as 180,000 pieces of catalytic reduction system for commercial vehicles - received in 2015	59,000.00
Funds for technical improvement for annual	57,777.78	Funds for technical improvement for annual	57,777.78

output as 180,000 pieces of catalytic reduction system for commercial vehicles - received in 2016		output as 180,000 pieces of catalytic reduction system for commercial vehicles - received in 2016	
Funds for the automatic construction of welding production line machine replacement project	39,964.69	Funds for the automatic construction of welding production line machine replacement project	39,964.69
Condolence payments of government of the Huishan District	20,000.00	Condolence payments of government of the Huishan District	20,000.00
Award for the development of high and new technology	100,000.00	Award for the development of high and new technology	100,000.00
Other	337,179.71	Other	337,179.71
Total	17,632,117.95	Total	17,632,117.95

## (2) Government grants rebate

Applicable  Not applicable

## 62. Other

Nil

## VIII. Changes of consolidation scope

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

#### (1) Enterprise combine not under the same control occurred in the period

In RMB/CNY

Purchaser	Time point for equity obtained	Cost of equity obtained	Ratio of equity obtained	Acquired way Equity obtained way	Purchasing date	Standard to determine the purchasing date	Income of purchaser from purchasing date to period-end	Net profit of purchaser from purchasing date to period-end
IRD Fuel Cells A/S	2019-04-23	54,936,420.00	66.00%	Purchasing	2019-04-23	Subject asset delivery date	6,274,812.54	-3,478,574.45

#### (2) Combination cost and goodwill

In RMB/CNY

Combination cost	IRD Fuel Cells A/S
--Cash	54,936,420.00
Total combination cost	54,936,420.00
Less: shares of fair value of identifiable net assets acquired	1,129,159.79
Goodwill/merger cost is less than the shares of fair value of identifiable net assets acquired	53,807,260.21

Determination method for fair value of the combination cost and contingent consideration and changes:

According to the agreement price confirmed

Main reasons for large goodwill resulted:

In 2019, the company established SPV (a wholly-owned subsidiary) in Denmark to acquire a 66% stake in Danish IRD Fuel Cells A/S (hereinafter referred to as "IRD") held by FCCTApS., which is equivalent to a total of 7.26 million euros, and CIRO's valuation is 11 million euros; goodwill is the part of the acquisition cost greater than the fair value of the IRD net identifiable assets.

### (3) Identifiable assets and liability on purchasing date under the purchaser

In RMB/CNY

	IRD Fuel Cells A/S	
	Fair value on purchasing date	Book value on purchasing date
Monetary funds	5,005,683.38	5,005,683.38
Account receivable	15,435,805.70	15,435,805.70
Inventory	10,402,853.98	10,402,853.98
Fixed assets	8,249,263.58	8,249,263.58
Intangible assets	484,979.88	484,979.88
Long-term deferred expenses	2,862,363.35	2,862,363.35
Account payable	40,730,101.70	40,730,101.70
Net assets	1,710,848.17	1,710,848.17
Less: Minority interests	581,688.38	581,688.38
Net assets acquired	1,129,159.79	1,129,159.79

Determination method for fair value of the identifiable assets and liabilities:

The book value on the balance sheet

Contingent liability of the purchaser bear during combination: Nil

### (4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date

Whether it is a business combination realized by two or more transactions of exchange and a transaction of obtained

control rights in the Period or not

Yes No

**(5) On purchasing date or period-end of the combination, combination consideration or fair value of identifiable assets and liability for the purchaser are unable to confirm rationally**

**(6) Other explanation**

## 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) Constitute of enterprise group

Name of subsidiary	Main operation place	Registered place	Business nature	Shareholding ratio		Acquired by
				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	Trade	100.00%		Enterprise combine under the same control
Weifu ITM	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Enterprise combine not under the same control
Weifu Schmidt	Wuxi	Wuxi	Spare parts of internal-combustion engine	66.00%		Investment
Weifu Tianli	Ningbo	Ningbo	Spare parts of internal-combustion engine	54.23%		Enterprise combine not under the same control
Weifu Autocam	Wuxi	Wuxi	Spare parts of internal-combustion engine	51.00%		Enterprise combine not under the same control
Weifu Leader (Wuhan)	Wuhan	Wuhan	Automobile exhaust purifier, muffler		60.00%	Investment
Weifu Leader(Chongqing)	Chongqing	Chongqing	Automobile exhaust purifier, muffler		100.00%	Investment
Weifu Leader(Nanchang)	Nanchang	Nanchang	Automobile exhaust purifier, muffler		100.00%	Investment
SPV	Denmark	Denmark		100.00%		Enterprise combine under the same control
IRD Fuel Cells A/S	Denmark	Denmark	Fuel cell components		66.00%	Acquisition

Explanation on share-holding ratio in subsidiary different from ratio of voting right: nil

Basis of the invested unit control by the Company though holds half or below voting rights; and the invested unit without controls by the Company but with over half voting rights hold:

Explanation on equity method on Wuxi Weifu Electric Drive Tech. Co., Ltd.

The Company holds 80% equity of Weifu Electric Drive; board of the Weifu Electric Drive has 5 directors, including 3 appointed by the Company; as for the important resolution of Weifu Electric Drive, the resolution can only be passed by unanimous vote of all directors present, according to the above judges, the Company cannot control Weifu Electric Drive, the investment for Electric Drive should be regarded as the investment in joint venture, which shall be accounted by the equity method.

Major structured entity included in consolidate statement: nil

Basis of termination of agent or consignor: nil

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

In RMB/CNY

Name of 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%	14,876,923.21		209,198,242.07
Weifu Schmidt	34.00%	-15,264.15		9,466,515.29
Weifu Leader	5.19%	2,153,562.30		86,957,134.33
Weifu Tianli	45.77%	1,473,959.13		107,685,585.63
Weifu Autocam	49.00%	1,134,650.94		144,760,990.56
Total		19,623,831.43		558,068,467.88

Explanation on holding ratio different from the voting right ratio for minority shareholders: nil

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

In RMB/CNY

Name of subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Weifu Jinning	1,070,400,181.05	325,848,559.23	1,396,248,740.28	297,272,709.50	49,462,676.40	346,735,385.90
Weifu Schmidt	91,597,165.04	48,907,335.05	140,504,500.09	112,265,804.31		112,265,804.31
Weifu Leader	2,793,904,070.68	1,067,554,624.25	3,861,458,694.93	2,174,127,440.73	24,712,370.05	2,198,839,810.78
Weifu Tianli	360,273,239.11	213,757,480.69	574,030,719.80	309,722,212.42	38,486,184.05	348,208,396.47
Weifu Autocam	212,762,612.00	315,260,086.73	528,022,698.73	235,328,512.60		235,328,512.60
Total	4,528,937,267.88	1,971,328,085.95	6,500,265,353.83	3,128,716,679.56	112,661,230.50	3,241,377,910.06

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Weifu Jinning	994,953,012.95	342,560,339.76	1,337,513,352.71	313,381,459.40	50,522,767.70	363,904,227.10
Weifu	92,342,474.64	48,855,179.90	141,197,654.54	112,913,283.31		112,913,283.31

Schmidt						
Weifu Leader	1,958,116,370.10	1,038,234,646.34	2,996,351,016.44	1,343,115,779.10	23,850,612.52	1,366,966,391.62
Weifu Tianli	357,404,441.32	233,476,608.83	590,881,050.15	310,421,704.26	47,838,928.45	358,260,632.71
Weifu Autocam	242,022,679.84	310,989,080.94	553,011,760.78	262,647,739.06		262,647,739.06
Total	3,644,838,978.85	1,974,115,855.77	5,618,954,834.62	2,342,479,965.13	122,212,308.67	2,464,692,273.80

In RMB/CNY

Name of subsidiary	Current period				Last Period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity	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	345,257,893.56	70,230,711.18	70,230,711.18	34,921,442.31
Weifu Schmidt	84,285,489.50	-45,675.45	-45,675.45	5,467,884.14	90,961,973.06	304,135.67	304,135.67	11,277,941.76
Weifu Leader	1,338,975,875.93	32,780,686.77	32,780,686.77	116,866,170.40	1,589,176,188.66	76,364,083.43	76,364,083.43	-19,011,866.15
Weifu Tianli	185,591,276.52	3,549,640.03	3,549,640.03	37,008,735.05	196,673,863.48	8,293,196.15	8,293,196.15	-9,491,657.17
Weifu Autocam	177,929,684.84	2,330,164.41	2,330,164.41	33,593,148.87	234,675,435.40	22,670,547.15	22,670,547.15	3,466,284.14
Total	2,115,263,996.18	114,131,215.33	114,131,215.33	226,391,186.86	2,456,745,354.16	177,862,673.58	177,862,673.58	21,162,144.89

**(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	Shareholding ratio		Accounting treatment on investment for joint venture and associated enterprise
				Directly	Indirectly	
I. Joint venture						
Wuxi Weifu Environment Catalyst Co.,Ltd.	Wuxi	Wuxi	Catalyst		49.00%	Equity method
Wuxi Weifu Electric Drive Tech. Co., Ltd.	Wuxi	Wuxi	Wheel-hub motor	80.00%		Equity method
II. Associated enterprise						
Bosch Automobile Diesel System Co., Ltd.	Wuxi	Wuxi	Internal-combustion engine accessories	32.50%	1.50%	Equity method
Zhonglian Automobile Electronic Co., Ltd.	Shanghai	Shanghai	Internal-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

Holding shares ratio different from the voting right ratio:

#### 1. Explanation on equity method for calculation of the investment for Weifu Electronic Drive

The company holds 80.00% equity of Weifu Electronic Drive; the Board of Directors of Weifu Electronic Drive Board consists of 5 directors, 3 of whom are appointed by the company; Weifu Electronic Drive's important board resolutions can only pass the resolution when being unanimously voted by all the present directors. According to this judgment, the company cannot control Weifu Electronic Drive, and its investment should be used as an investment in the joint venture, which adopts equity method for business accounting.

#### 2. Explanation on equity method for calculation of the investment for Shinwell Automobile Tech. (Wuxi) Co., Ltd.

The subsidiary Weifu International Trade holds a 45.00% stake in Shinwell Automobile Tech. (Wuxi); the Board of Directors of Shinwell Automobile Tech. (Wuxi) consists of 5 directors, 2 of whom are appointed by Weifu International Trade.

Has major influence with less 20% voting rights hold, or has minor influence with over 20% (20% included) voting

rights hold: Nil

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

In RMB/CNY

	Ending balance/Current period	Opening balance/Last Period
	Weifu Environment	Weifu Environment
Current assets	2,247,248,921.76	2,524,886,121.93
Including: cash and cash equivalents	139,005,591.27	62,820,292.38
Non-current assets	306,699,383.10	312,633,597.82
Total assets	2,553,948,304.86	2,837,519,719.75
Current liabilities	1,348,578,184.48	1,658,404,950.50
Non-current liabilities	27,350,000.00	24,735,000.00
Total liabilities	1,375,928,184.48	1,683,139,950.50
Shareholders' equity attributable to parent company	1,178,020,120.33	1,154,379,769.25
Share of net assets calculated by shareholding ratio	577,229,858.97	565,646,086.93
Book value of equity investment in joint ventures	577,229,858.97	565,646,086.93
Operation income	1,590,675,320.87	1,864,398,010.43
Financial expenses	40,646,719.18	47,189,696.29
Income tax expense	4,391,396.50	3,251,620.98
Net profit	23,640,351.13	92,057,072.82
Total comprehensive income	23,640,351.13	92,057,072.82

**(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	10,553,293,855.65	688,825,448.29	293,992,324.65	10,042,409,061.04	153,125,575.56	281,266,308.21
Non-current assets	2,621,795,993.79	5,478,754,404.78	147,235,301.51	2,756,104,679.18	5,277,976,705.66	133,470,007.84
Total assets	13,175,089,849.44	6,167,579,853.07	441,227,626.16	12,798,513,740.22	5,431,102,281.22	414,736,316.05
Current liabilities	5,175,720,137.18	527,845,052.68	141,337,604.50	4,100,048,133.30	2,999,283.95	135,365,421.92
Non-current		2,729,313.74			2,759,548.45	

liabilities						
Total liabilities	5,175,720,137.18	530,574,366.42	141,337,604.50	4,100,048,133.30	5,758,832.40	135,365,421.92
Attributable to parent company shareholders' equity	7,999,369,712.26	5,637,005,486.65	302,709,734.20	8,698,465,606.92	5,425,343,448.82	279,370,894.13
Share of net assets calculated by shareholding ratio	2,719,785,702.17	1,127,401,097.32	60,541,946.84	2,957,478,306.35	1,085,068,689.76	55,874,178.83
--Goodwill	267,788,761.35	1,407,265.96		267,788,761.35	1,407,265.96	
--Unrealized profit of internal trading	-20,628,815.49		-41,334.69	-18,144,174.02		-34,986.88
--Other	-0.28		-529,034.03	-0.28		-529,034.05
Book value of equity investment in associated enterprise	2,966,945,647.75	1,128,808,363.29	59,971,578.12	3,207,122,893.40	1,086,475,955.72	55,310,157.90
Operation income	7,690,808,970.61	11,298,817.88	144,654,208.76	8,713,485,959.51	12,091,114.45	190,093,280.56
Net profit	1,827,071,096.33	737,662,037.83	23,338,840.07	2,076,330,091.90	1,059,760,956.40	34,760,623.80
Total comprehensive income	1,827,071,096.33	737,662,037.83	23,338,840.07	2,076,330,091.90	1,059,760,956.40	34,760,623.80
Dividends received from associated enterprise in the year	429,448,388.47	105,200,000.00		303,884,540.74		

Other explanation

adjustment item for other “-0.28”: the differential tail

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

In RMB/CNY

	Ending balance/Current period	Opening balance/Last Period
Joint venture:	--	--
Total book value of investment	53,565,625.43	54,742,375.02
Amount based on share-holding ratio	--	--
--Net profit	-1,176,749.59	
--Other comprehensive income	-1,176,749.59	
Associated enterprise:	--	--
Total book value of investment	6,226,237.91	7,476,477.77
Amount based on share-holding ratio	--	--
--Net profit	-1,250,239.86	
--Other comprehensive income	-1,250,239.86	54,742,375.02

**(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 equity investment, loans, account receivable, account payable etc., more details of the financial instrument can be found in relevant items of Note V. Risks concerned with the above mentioned financial instrument, and the risk management policy takes for lower the risks are as follow:

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

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

### 1. Credit Risk

Credit risk refers to the one party fails to perform the obligation of the financial instruments, form the other party company mainly face credit risk for financial loss caused by the customer credit risks. In order to prevent the risks, the Company formulated an evaluation system for the new client's credit and system to analyze the book credit for regular customer. The evaluation system for the new client's credit aims at the new clients, the Company will conduct an background investigation based on the established process, with purpose of determine whether offer credit limit to the client and the amount of the credit and credit terms or not. Whereby, the Company setting a credit limits and credit period for every new client, and such limit is the maximum amount without additional approval. The system to analyze the book credit for regular customer refers to after purchase order received by regular customer, the Company will examine the order amount and outstanding balance, if the total over the credit limit, on the premise of additional approval, sales on account shall be realized, or prepayments for relevant amount shall be required.

Furthermore, as for the sales on account occurred, the Company will guarantee the total credit risks in a controlling range by analyzed and review the monthly report of the risk attention for account

receivables.

The maximum credit risk exposure of the Company is the book amount of such financial assets, till end of 30<sup>th</sup> June 2019, lists of the maximum credit risk exposure of the Company are as:

Item	Amount of merge	Amount of parent company
Note receivable	2,319,307,654.58	766,756,661.80
Other account receivable -Other account receivable	60,433,069.23	195,451,736.76

## 2. Market risk

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

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

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

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

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

End as 30 June 2019, except for the follow assets or liabilities listed with foreign currency, assets and liabilities of the Company are carried with RMB

#### ① Foreign currency assets of the Company till end of 30 June 2019:

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets(%)
Monetary funds	--	--		
Including: USD	26,561,237.88	6.8747	182,600,542.05	0.82%

EUR	1,738,513.85	7.8170	13,589,962.77	0.06%
HKD	7,313.34	0.8797	6,433.55	0.00%
DKK	29,426,919.41	1.0472	30,815,870.01	0.14%
Account receivable	--	--		
Including: USD	3,330,199.22	6.8747	22,894,120.58	0.10%
EUR	669,678.52	7.8170	5,234,876.99	0.02%
HKD	10,720,574.00	0.8797	9,430,888.95	0.04%
DKK	13,386,058.88	1.0472	14,017,880.86	0.06%
Other account receivable	--	--		
Including: USD	1,527,205.77	6.8747	10,499,081.51	0.05%
HKD	13,090,182.63	0.8797	11,515,433.66	0.05%
Total ratio in assets	--	--		1.35%

② Foreign currency liability of the Company till end of 31st December 2018:

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets(%)
Short-term borrowings	--	--		
Including: EUR	3,589,023.83	7.8170	28,055,399.28	0.48%
Account payable	--	--		
Including: USD	37,466.64	6.8747	257,571.91	0.00%
EUR	336,864.14	7.8170	2,633,266.98	0.05%
JPY	21,899,376.00	0.063816	1,397,530.58	0.02%
DKK	18,440,868.48	1.0472	19,311,277.48	0.33%
Total ratio in assets	--	--		0.89%

③ Other pricing risk

Classification of the Company held is the equity investments in financial assets available for sale, and such investment can be measured by fair value on balance sheet date, thus, the Company owns a risk of stock market changes.

Furthermore, on the premise of deliberated and approved by the 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) Tradable financial assets	151,261,956.00			151,261,956.00
1. Financial assets measured by fair value and with variation reckoned into current gains/losses	151,261,956.00			151,261,956.00
(2) Equity instrument investment	151,261,956.00			151,261,956.00
Total liability sustaining measured by fair value	151,261,956.00			151,261,956.00
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 2019, 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 28 June 2019, the 29 June 2019 and 30 June 2019 are nonworking days.



## XII. Related party and related transactions

### 1. Parent company of the enterprise

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

Explanation on parent company of the enterprise

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

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

### 2. Subsidiary of the Enterprise

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

### 3. Joint venture and associated enterprise

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

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

### 4. Other Related party

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

### 5. Related transaction

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

Goods purchasing/labor service receiving

In RMB/CNY

Related party	Content of related transaction	Current period	Approved transaction limit	Whether more than the transaction limit (Y/N)	Last Period
---------------	--------------------------------	----------------	----------------------------	---	-------------

Weifu Precision Machinery	Goods	12,828,147.72	40,000,000.00	N	22,934,380.54
Bosch Diesel System	Goods	8,332,723.32	60,000,000.00	N	29,375,329.74
Weifu Environment	Goods	675,657,317.56	2,000,000,000.00	N	946,283,103.47
Robert Bosch Company	Goods	66,801,410.90	130,000,000.00	N	62,350,113.72

Goods sold/labor service providing

In RMB/CNY

Related party	Content of related transaction	Current period	Last Period
Weifu Precision Machinery	Goods and labor	661,932.69	2,772,785.47
Bosch Diesel System	Goods and labor	1,487,822,558.90	1,600,013,496.75
Weifu Environment	Goods and labor	10,231,437.30	28,741,766.37
Robert Bosch Company	Goods and labor	309,791,012.66	319,461,744.57

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

Nil

**(3) Related lease**

As a lessor:

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: nil

**(4) Related guarantee**

Nil

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

In RMB/CNY

Related party	Loan amount	Start date	Maturity	Note
<b>Borrowing</b>				
Wuxi Industry Group	5,470,000.00	2018-02-13	2019-02-12	Return by Weifu Leader
<b>Funds lent</b>				

**(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	2,570,000.00	2,400,000.00

**(8) Other related transactions**

Item	Related party	Current period	Last Period
Purchase of fixed assets	Bosch Diesel System	5,720,900.23	42,735.04
Technology royalties paid etc.	Robert Bosch Company	1,122,250.34	2,805,114.55
Technology royalties paid etc.	Bosch Diesel System	1,002,714.76	
Sales of fixed assets	Weifu Environment	10,485,153.25	

**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	197,525.88		77,477.41	
Account receivable	Bosch Diesel System	447,801,217.87		420,746,170.76	
Account receivable	Robert Bosch Company	122,663,619.56		132,830,976.56	
Other account receivable	Robert Bosch Company			12,285,081.81	
Account received in advance	Robert Bosch Company	27,359.50			
Account paid in advance	Robert Bosch Company	3,255.11			
Account receivable	Weifu Environment	8,491,872.63		1,233,580.22	
Account received in advance	Weifu Environment	184,592.07			
Account paid in advance	Bosch Diesel System			1,057,272.58	

**(2) Payable item**

In RMB/CNY

Item	Related party	Ending book balance	Opening book balance
Account payable	Weifu Precision Machinery	8,166,482.16	7,941,418.36
Account payable	Weifu Environment	518,192,336.60	337,307,634.70
Account payable	Bosch Diesel System	12,463,997.06	24,743,403.24
Account payable	Robert Bosch Company	21,408,603.28	5,170,470.70
Accounts received in advance	Robert Bosch Company		754,552.15
Account paid in advance	Robert Bosch Company	21,000,000.00	
Other accounts payable	Wuxi Industry Group		5,476,678.00
Account paid in advance	Wuxi Industry Group	48,828.87	

**7. Commitments of related party**

Nil

**8. Other**

Nil

**XIII. Share-based payment**

Nil

**XIV. Commitment or contingency****1. Important commitments**

Important commitments in balance sheet date

Nil

**2. Contingency****(1) Contingency on balance sheet date**

Guarantees to subsidiary

Guarantee provided	Guarantee received	Debit bank	Guarantee amount (in 10 thousand Yuan)	Starting from	Terminated dated	Whether guarantee implemented or

						not (Y/N)
Weifu High-Technology Group Co., Ltd.	Weifu Tianli	Jiangbei branch of Bank of China in Ningbo	3,750.00	2016-11-15	2021-11-10	N

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

The Company has no important contingency that need to disclosed

**XV. Events after balance sheet date**

**1. Important non adjustment matters**

Nil

**2. Profit distribution**

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 amount paid by enterprise shall not over the 1/12 of the total salary of last years, amount paid by individual and enterprise shall not over the 1/6 of the total salary of last year, in accordance with the State's annuity policy, the Company will adjusted the economic benefits in due time, in principle of responding to the economic strength of the enterprise, the amount paid by the enterprise at current period control in the 8.33 percent of the total salary of last year, specific paying ratio later shall be adjust correspondingly in line with the operation condition of the Company.

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

#### 5. Discontinued operations

Nil

#### 6. Segment

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

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

- ①the component is able to generate revenues and expenses in routine activities;
- ②management of the Company is able to assess the operation results regularly, and determine resources allocation and performance evaluation for the component;
- ③being analyzed, financial status, operation results and cash flow of the components are able to required by the Company

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

Segment assets exclude financial assets measured by fair value and with variation reckoned into current gains/losses, derivative instruments, dividends receivables, financial products due within one year, financial assets available for sale, long term equity investment and other undistributed assets, since these assets are not related to products operation.

## (2) Financial information for reportable segment

In RMB/CNY

Item	Product segment of automobile fuel injection system	Product segment of automotive post processing system	Product segment of air management system	Add: investment/income measured by equity, income of financial products or possession and disposal income, the retained assets or gains/losses as the financial assets available for sale or possession and disposal income	Offset of segment	Total
Operating income	2,887,472,034.84	1,338,975,875.93	249,872,942.78		72,876,507.50	4,403,444,346.05
Operating cost	2,106,502,659.22	1,184,686,948.46	186,025,785.22		71,828,888.46	3,405,386,504.44
Total Profit	409,096,576.45	18,760,424.74	13,369,919.27	916,625,070.62	1,366,643.31	1,356,485,347.77
Net profit	359,669,021.43	13,213,081.52	13,099,724.16	889,978,914.91	858,048.78	1,275,102,693.23
Total assets	9,432,703,846.25	3,130,358,394.74	810,868,051.46	9,964,372,961.66	1,003,813,950.29	22,334,489,303.82
Total liabilities	3,531,209,246.64	2,198,839,810.78	469,855,219.61		433,784,945.50	5,766,119,331.53

(3) If there are no segment in the Company, or the total assets and liabilities of the segment are un-able to disclosed, explain the reasons

Not applicable

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

Nil

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

### 1. Account receivable

#### (1) Category 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	6,800,000.00	0.87%	6,800,000.00	100.00%		7,000,000.00	0.93%	7,000,000.00	100.00%	
Including:										
Including: Account receivable with single significant amount and withdrawal bad debt provision on single basis	6,800,000.00	0.87%	6,800,000.00	100.00%		7,000,000.00	0.93%	7,000,000.00	100.00%	
Account receivable with bad debt provision accrual on portfolio	772,349,191.61	99.13%	5,592,529.81	0.72%	766,756,611.80	745,766,010.32	99.07%	3,519,019.33	0.47%	742,246,990.99
Including:										
Account receivable with bad debt provision accrual on age analysis	617,175,959.31	79.21%	5,592,529.81	0.91%	611,334,604.28	575,890,771.39	76.50%	3,519,019.33	0.61%	572,371,752.06
Related party	155,173,232.30	19.92%			155,422,057.52	169,875,238.93	22.57%			169,875,238.93
Total	779,149,191.61	100.00%	12,392,529.81		766,756,611.80	752,766,010.32	100.00%	10,519,019.33	1.40%	742,246,990.99

Accrual bad debt reserve on single basis: 6,800,000.00 Yuan

In RMB/CNY

Item	Ending balance			
	Book balance	Bad debt reserve	Accrual ratio	Accrual causes
BD bills	6,800,000.00	6,800,000.00	100.00%	Have difficulty in collection
Total	6,800,000.00	6,800,000.00	--	--

Bad debt reserve accrual by portfolio: 5,592,529.81 Yuan

In RMB/CNY



Item	Ending balance		
	Book balance	Bad debt reserve	Accrual ratio
Account receivable with bad debt provision accrual on age analysis	617,175,959.31	5,592,529.81	0.91%
<b>Total</b>	<b>617,175,959.31</b>	<b>5,592,529.81</b>	<b>--</b>

Explanation on portfolio determines:

Except for the receivables with impairment reserves accrual singly; base on the actual loss ratio of the receivables of previous years, with same or similar credit portfolio, and combining actual condition accrual bad debt reserves to determined the accrual ratio for bad debt reserves

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	Ending balance
Within one year(One year included)	610,306,392.05
Within 6 months	589,618,490.41
6 months to one year	20,687,901.64
1-2 years	3,713,401.89
2-3 years	625,176.83
Over 3 years	2,530,988.54
3-4 years	2,530,988.54
<b>Total</b>	<b>617,175,959.31</b>

## (2) Bad debt provision accrual, collected or reversal in the period

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	
Bad debt reserve of account receivable	10,519,019.33	2,081,075.48	200,000.00	7,565.00	12,392,529.81
<b>Total</b>	<b>10,519,019.33</b>	<b>2,081,075.48</b>	<b>200,000.00</b>	<b>7,565.00</b>	<b>12,392,529.81</b>

Including major amount bad debt provision that collected or reversal in the period:

In RMB/CNY

Enterprise	Amount collected or reversal	Collection by
BD bills	200,000.00	Collected
Total	200,000.00	--

**(3) Account receivable actually written-off in the period**

In RMB/CNY

Item	Amount written-off
Retail enterprise	7,565.00

Including major account receivable written-off: nil

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

Total receivables collected by arrears party for the Period amounting to 562,914,456.50 Yuan, takes 72.25 percent in closing balance of the account receivables; 638,572.32 Yuan are accrual correspondingly for bad debt reserves.

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

Nil

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

Nil

**2. Other account receivable**

In RMB/CNY

Item	Ending balance	Opening balance
Interest receivable	30,570.83	188,682.78
Dividend receivable	517,216,193.24	
Other account receivable	195,451,736.76	196,660,409.35
Total	712,698,500.83	196,849,092.13

**(1) Interest receivable**

1) Category of interest receivable

In RMB/CNY

Item	Ending balance	Opening balance
Interest receivable from unified loan and return	30,570.83	188,682.78
<b>Total</b>	<b>30,570.83</b>	<b>188,682.78</b>

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
SDEC	610,417.20	
Guolian Securities Co., Ltd.	903,640.00	
Zhonglian Electronic	105,200,000.00	
Bosch Automobile Diesel	410,502,136.04	
<b>Total</b>	<b>517,216,193.24</b>	

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

3) Accrual of bad debt provision

Applicable  Not applicable

## (3) Other account receivable

1) Other account receivable by nature

In RMB/CNY

Nature	Ending book balance	Opening book balance
Intercourse funds receivable from units	34,499,081.51	
Balance of related party in the consolidate scope	148,552,615.72	196,047,735.72
Receivable from the tax refund for withholding the B-share	11,515,433.66	
Staff loans and petty cash	904,908.09	605,473.63
Other		7,200.00
<b>Total</b>	<b>195,472,038.98</b>	<b>196,660,409.35</b>

2) Accrual of bad debt provision

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)	

Current accrual	20,302.22			20,302.22
Balance on Jun. 30, 2019	20,302.22			20,302.22

Major change of book value for the loss impairment in the period

Applicable  Not applicable

By account age

In RMB/CNY

Account age	Ending balance
Within one year(One year included)	20,302.22
Within 6 months	
6 months to one year	20,302.22
Total	20,302.22

3) Bad debt provision accrual, collected or reversal in the period:

Bad debt provision accrual was 20,302.22 Yuan; the amount collected or switches back amounting to 0 Yuan.

4) Other account receivable actually written-off in the period: nil

5) Top 5 other receivables at ending balance by arrears party: nil

In RMB/CNY

Enterprise	Nature	Ending balance	Account age	Ratio in total ending balance of other receivables	Ending balance of bad debt reserve
Wuxi Weifu Chang'an Co., Ltd.	Balance of related party in the consolidate scope	90,000,000.00	Within 6 months	46.04%	
Weifu Mashan Pump Glib Co., Ltd.	Balance of related party in the consolidate scope	34,552,615.72	Within 6 months	17.68%	
Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.	Balance of related party in the consolidate scope	24,000,000.00	Within 6 months	12.28%	
Troowin Power System Technology Co., Ltd.	Intercourse funds of unit	24,000,000.00	Within 6 months	12.28%	
Receivable from the tax refund for withholding the B-share	Receivable from the tax refund for withholding the B-share	11,515,433.66	Within 6 months	5.89%	
Total	--	184,068,049.38	--	94.17%	

6) Account receivable with government grand involved: 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 investment

In RMB/CNY

Item	Ending balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment for subsidiary	1,548,768,117.88		1,548,768,117.88	1,466,611,689.17		1,466,611,689.17
Investment for associates and joint venture	4,088,758,277.53		4,088,758,277.53	4,272,498,737.38		4,272,498,737.38
Total	5,637,526,395.41		5,637,526,395.41	5,739,110,426.55		5,739,110,426.55

**(1) Investment for subsidiary**

In RMB/CNY

The invested entity	Opening balance	Current increased	Current decreased	Ending balance	Provision for impairment in the period	Ending balance of impairment provision
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	105,799,100.00			105,799,100.00		
Weifu Autocam	82,454,467.99			82,454,467.99		
SPV		82,156,428.71		82,156,428.71		
Total	1,466,611,689.17	82,156,428.71		1,548,768,117.88		

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

In RMB/CNY

Enterprise	Opening balance	Current changes (+,-)								Ending balance	Ending balance of impairment provision	
		Additonal investment	Capital reduction	Investment gain/loss recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Provisi on for impairment	Ot her			
<b>I. Joint venture</b>												
Wuxi Weifu Electric	54,742,375.02			-1,176,749.59							53,565,625.43	

Drive Tech. Co., Ltd.										
Subtotal	54,742,375.02			-1,176,749.59						53,565,625.43
II. Associated enterprise										
Bosch Automobile Diesel System Co., Ltd.	3,076,037,410.12			591,431,846.91			821,004,272.08			2,846,464,984.95
Zhonglian Automobile Electronic Co., Ltd.	1,086,475,955.72			147,532,407.57			105,200,000.00			1,128,808,363.29
Weifu Precision Machinery Manufacturing Co., Ltd.	55,242,996.52			4,676,307.34						59,919,303.86
Subtotal	4,217,756,362.36			743,640,561.82			926,204,272.08			4,035,192,652.10
Total	4,272,498,737.38			742,463,812.23			926,204,272.08			4,088,758,277.53

**(3) Other explanation**

**4. Operating income and cost**

In RMB/CNY

Item	Current period		Last Period	
	Income	Cost	Income	Cost
Main business	1,895,457,557.71	1,303,140,646.02	2,136,258,034.82	1,533,313,082.59
Other business	197,016,902.53	168,830,868.68	178,884,620.31	165,203,440.31
Total	2,092,474,460.24	1,471,971,514.70	2,315,142,655.13	1,698,516,522.90

Whether implemented the new revenue standards

Yes  No

**5. Investment income**

In RMB/CNY

Item	Current period	Last Period
Income of long-term equity investment calculated based on cost		62,418,400.00
Income of long-term equity investment calculated based on equity	742,463,812.23	894,788,126.54
Investment income from period of holding the tradable financial assets	2,287,308.59	
Investment income from period of holding the financial assets available for sale		3,220,575.00
Investment income obtained from disposal of financial assets available for sale		17,370,816.75
Entrust financial income	95,464,240.84	159,552,310.73
Total	840,215,361.66	1,137,350,229.02

**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	4,927,677.70	
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)	44,179,326.95	含 House land expropriation and disposal incentives of Weifu Jinning
Profit and loss of assets delegation on others' investment or management	95,464,240.84	
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	30,686,277.13	
Switch back of provision for depreciation of account receivable and contract assets which was singly taken depreciation test	200,000.00	
Other non-operating income and expenditure except for the aforementioned items	838,232.57	
Less: Impact on income tax	26,626,210.20	
Impact on minority shareholders' equity	7,102,792.64	
Total	142,566,752.35	--

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

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

Applicable  Not applicable

## 2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic earnings per share (RMB/Share)	Diluted earnings per share (RMB/Share)
Net profits belong to common stock stockholders of the Company	7.60%	1.25	1.25
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	6.73%	1.10	1.10

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Not applicable

## 4. Other

Ni