

Chongqing Jianshe Motorcycle Co., Ltd.

Annual Report 2011

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Chapter I. Important Statement

The Board of Directors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

Director Yu Jianfeng and Wang Jun absented the 6th meeting of the 6th term of Board, they entrusted director Chen Xingshu and Cheng Yuanwei to vote in favor on their behalves respectively.

Mr. Li Huaguang, the Legal Representative of the Company, Mr. Teng Feng, the Financial Officer, Mr. Liao Jian, the manager of accounting department, hereby declare: the truthfulness and completeness of the Financial Report are guaranteed.

Li Huaguang - Chairman of the Board

Chapter II. Company Profile

- (I) Statutory Chinese name: 重庆建设摩托车股份有限公司 (缩写: 建设摩托)
Statutory English name: CHONGQING JIANSHE MOTORCYCLE CO.,LTD. (Abbr. JSMC-B)
- (II) Legal representative: Li Huaguang
- (III) Secretary of the Board: Teng Feng
Securities affair representative: Liu Hongyu
Address: No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing, Post code: 400054.
Tel: (023)66295333
Fax: (023) 66295333
Email: cqjismc@jianshe.com.cn
- (IV) Registered address: No.1 Jianshe Road, Huaxi Industrial Zone, Banan District, Chongqing
Office address: No.1 Jianshe Road, Huaxi Industrial Zone, Banan District, Chongqing
Post code: 400054
Website: <http://www.jianshe.com.cn>
Email: cqjismc@jianshe.com.cn
- (V) Information disclosure media:
Website: <http://www.cninfo.com.cn>
Press media: Securities Times, Hong Kong Commercial Daily
Place where the reports and announcement are ready for inquiry: Secretariat of the Board
- (VI) Stock listed in: Shenzhen Stock Exchange
Abbreviation of the stock: Jianmo B
Stock code: 200054
- (VII) Misc. Information
Primary registration date: July 19th, 1995
Registration modified on: June 22, 2011
Primary registration place: Shenzhen Industry & Commerce Administrative Bureau
Secondary registration place: Chongqing Industry & Commerce Administrative Bureau
Business license No. 500000400001350
Taxation registration No. National: 500107747482423
Local: 500107747482423
Organization code: 74748242-3
Certified Public Accountant: Daxin Certified Public Accountants Firm Ltd.
Address of the CPA: 7th-8th Floor, Block AB, 1166 Zhongshan Rd., Jinyuan World Center, Wuhan
Name of CPAs signed on the auditors' report: Liu Jingjin, Wan ping
- (VIII) History of the Company

(1.1) Shenzhen Northern Jianshe Motorcycle Co., Ltd. (the former existing of the Company) was a shareholding company promoted by Jianshe Industry (Group) Co., Ltd. and China Northern Industry Shenzhen Company. It was incorporated on July 19, 1995 with business registration No. 19235960-7, registered address was Room 1802, Electronic Science Building, 30 Shennanzhong Road, Shenzhen, legal representative Mr. Chen Zisheng. Tax registration: national, 440301520100102; and local 440304520100054.

(1.2) When the Company was first listed in 1995, the registration address and the the production site was seperated. On November 7, 1995, Shenzhen Northern Jianshe Motorcycle Co., Ltd. Chongqing Branch was founded in Chongqing to manage the asset and motorcycle business input by Jianshe Industrial (Group) Co., Ltd. The address was 47 Xiejiawan Zhengjie, Chongqing, the business registration was 5001071900363.

(1.3) Shenzhen Southern Module Factory Ltd. – which was input by China Northern Industry Shenzhen Co., Ltd., one of the promoter, remain with its legal identity and became a fully-owned subsidy of the Company. It was mainly

involved in processing and manufacturing of metal module, plastic production; metal surface processing and heat processing. It was registered at Huazhan Building, Gongye Road, Shekou, Shenzhen, business registration 19218699-6.

(2.1) As examined at the 9th meeting of the 2nd term of Board, the registered address of the Company has changed to Room 416, Electronic Building, 2072 Shennanzhong Road, Futian Shenzhen, business registration 4403011040713, and national and local tax registration 440301192359607.

(3.1) On July 26, 2002, as approved at the 3rd meeting of the 3rd term of Board, the Company has changed the registered address to Room 1107, Northern Building, 3003 Shenzhenzhong Road, Futian, Shenzhen.

(4.1) As approved at the 5th meeting of the 3rd term of Board, the Company has changed its registration on March 11, 2003, the address was changed to 47 Xiejiawan Zhengjie, Jiulongpo, Chongqing, and the name was changed to “Chongqing Jianshe Motorcycle Co., Ltd.”, business registration 5000001805583, national and local tax registration 500107747482423.

(4.2) On April 3, 2003, as approved at the 9th meeting of the 3rd term of Board, Shenzhen Northern Jianshe Motorcycle Co., Ltd. Chongqing Branch was deregistered, all of the credit and debtors were taken over by Chongqing Jianshe Motorcycle Co., Ltd.

(4.3) On October 24, 2007, as approved at the 16th meeting of the 4th term of Board, Shenzhen Southern Module Factory was transferred to Chongqing Jianshe Industry Co., Ltd. with all of its assets.

(5.1) As approved at the 10th meeting of the 3rd term of Board, the Company was reformed to foreign invested shareholding enterprise on January 20, 2009, business registration 500000400001350, national and local tax registration 500107747482423.

Chapter III. Financial Highlights

I. The Company made in the report year operation profit of RMB-178.07 million and total profit of RMB-184.13 million, net profit attributable to the shareholders of listed company of RMB-188.44 million. In which, net profit attributable to shareholders of the listed company after deducting of non-recurring gain/loss was RMB-182.38 million, and net cash flow from business operation of RMB-47.76 million.

Note: Non-recurring items deducted (RMB0'000)

Non-recurring gain and loss items	Amount of 2011	Amount of 2010	Amount of 2009
Gain/loss of non-current assets	-31.55	37.94	-8.85
Government subsidies accounted into current gain/loss account, other than those closely related to the Company's common business, comply with the national policy and continues to enjoy at certain fixed rate or amount.	389.01	599.61	1268.61
Other non-business income and expenditures other than the above	-963.15	407.02	248.68
Influenced amount of minority shareholders' equity	-1.84		
Influenced amount of income tax	77.89		
Total	-529.64	1044.57	1508.44

II. Financial highlights of the previous 3 years till the end of report year(RMB0'000)

1. Principal accounting data

	2011	2010	Increase/decrease (%)	2009
Turnover (yuan)	247,212	247,390	-0.07%	222,313
Business profit (RMB)	-17,807	816	-2,283.24%	-1,347
Gross profit (RMB)	-18,413	1,445	-1,374.52%	449
Net profit attributable to shareholders of the listed company (yuan)	-18,844	1,196	-1,676.07%	1,053
Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss(RMB)	-18,315	151	-12,222.42%	-455
Net Cash flow generated by business operation (RMB)	-4,776	2,279	-309.60%	1,792
	End of 2011	End of 2010	Increase/decrease (%)	End of 2009
Total asset (RMB)	269,172	319,888	-15.85%	347,626
Total liability (RMB)	240,354	272,153	-11.68%	301,279
Owners' equity attributable to the shareholders of the listed company (yuan)	28,647	47,491	-39.68%	46,107
Total capital share (shares)	47,750	47,750	0.00%	47,750

2. Principal accounting indices

	2011	2010	Increase/decrease (%)	2009
Basic earnings per share (Yuan/share)	-0.395	0.025	-1,680.00%	0.022
Diluted earnings per share (Yuan/share)	-0.395	0.025	-1,680.00%	0.022
Basic earnings per share less non-recurring gain/loss (Yuan/share)	-0.384	0.003	-12,900.00%	-0.009
Net income on asset, weighted average %	-49.50%	2.54%	-52.04%	14.48%
Weighted average net income/asset ratio less non-recurring gain/loss (%)	-48.11%	0.32%	-48.43%	-1.00%
Net Cash flow per share generated by business operation (yuan/share)	-0.10	0.0477	-309.64%	0.0375
	End of 2011	End of 2010	Increase/decrease (%)	End of 2009
Net asset per share attributable to the shareholders of the listed company (Yuan/share)	0.60	0.99	-39.39%	0.97
Ratio of liability on asset (%)	89.29%	85.08%	4.21%	86.67%

III. There is no difference between the net profits and shareholders' equities determined respectively according to Chinese accounting standards and international accounting standards

IV. Change in shareholders' equity (in 10 thousand shares or RMB0'000)

Items	Share capital	Capital reserves	Surplus reserves	Retained profit	Minor shareholders' equity	Total of shareholders' equity
Beginning of term	47,750	60,318	12,569	-73,146	244	47,735
Increased this term						
Decreased this term				18,844	73	18,917
End of term	47,750	60,318	12,569	-91,900	171	28,818

Cause of change: increase of retained profit was the operational accumulation of the Company.

Chapter IV. Particulars about the Capital Shares and Shareholders

I. Movement of capital shares

	In shares									
	Before the change		Changed Currently (+,-)					After the change		
	Amount	Proportion	Issuing of new shares	Bonus shares	Transferred from reserves	Others	Sub-total	Amount	Proportion	
(I) Non-negotiable shares	357,500,000	74.87%	0	0	0	0	0	357,500,000	74.87%	
1. Promoter's shares	357,500,000	74.87%	0	0	0	0	0	357,500,000	74.87%	
Including: State-owned shares	0	0	0	0	0	0	0	0	0	
Domestic legal person shares	346,625,000	72.59%	0	0	0	0	0	346,625,000	72.59%	
Overseas legal person shares	0	0	0	0	0	0	0	0	0	
Other (Natural person)	10,875,000	2.28%	0	0	0	0	0	10,875,000	2.28%	
2. Legal person shares placed	0	0	0	0	0	0	0	0	0	
3. Employees' shares	0	0	0	0	0	0	0	0	0	
4. Preference shares or others	0	0	0	0	0	0	0	0	0	
(II) Negotiable shares	120,000,000	25.13%						120,000,000	25.13%	
1. Common shares in RMB	0	0	0	0	0	0	0	0	0	
2. Foreign shares in domestic market	120,000,000	25.13%	0	0	0	0	0	120,000,000	25.13%	
3. Foreign shares in overseas market	0	0	0	0	0	0	0	0	0	
4. Others	0	0	0	0	0	0	0	0	0	
(III)	477,500,000	100%	0	0	0	0	0	477,500,000	100%	

II. Share placing and listing

- The Company did not issue new shares and derived securities in the previous three years by the end of the report term.
- In the report term, the Company conducted no share equity reorganizing, bonus shares, capitalizing of reserves, share placing, share issuing, private issuing, execution of options, share incentive plan, merger, converting of convertible debentures, capital reducing, listing of employees' shares, issuing of debentures, or other operation which may cause change of shareholding structure or the asset and liability structure.
- The Company does not have employees' shares.

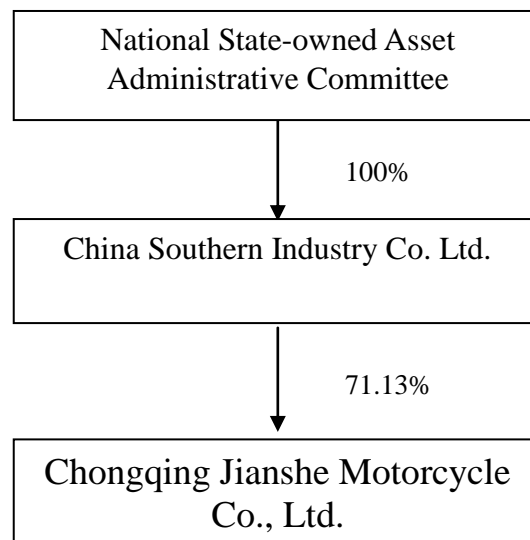
III. Major shareholders and substantial controllers

1. Particulars about the top 10 holders of B-shares and the legal person shareholders

Total of shareholders at end of period		15,540	Total of shareholders at end of March 2012		15,431
Top 10 Shareholders					
Name of the shareholder	Properties of shareholder	Share proportion %	Shares held at the end of year (shares)	Non-negotiable shares (shares)	Pledged or frozen
China Southern Industry Group Co., Ltd.	State-owned legal person shareholder	71.13	339,625,000	339,625,000	0
Gu Zuocheng	Domestic natural person	1.86	8,875,000	8,875,000	0
Yangpu Xinyufeng Investment Co., Ltd.	Domestic non-state-owned legal person shareholder	1.46	7,000,000	7,000,000	0
Feng Yonghui	Domestic natural person	0.42	2,000,000	2,000,000	0
Wang Chuxin	Foreign shares	0.32	1,533,400	0	0
Jin Jie	Foreign shares	0.14	655,935	0	0
Yang Shuitian	Foreign shares	0.13	600,100	0	0
Huang Lianna	Foreign shares	0.11	539,800	0	0
Cai Yugui	Foreign shares	0.11	503,001	0	0
Chen Hanjie	Foreign shares	0.11	502,700	0	0
Top 10 Current Share Holders					
Name of the shareholder	Current shares held		Category of shares		
Wang Chuxin	1,533,400		Foreign shares placed in domestic exchange		
Jin Jie	655,935		Foreign shares placed in domestic exchange		
Yang Shuitian	600,100		Foreign shares placed in domestic exchange		
Huang Lianna	539,800		Foreign shares placed in domestic exchange		
Cai Yugui	503,001		Foreign shares placed in domestic exchange		
Chen Hanjie	502,700		Foreign shares placed in domestic exchange		
Peng Daqiang	470,849		Foreign shares placed in domestic exchange		
Li Mingya	424,400		Foreign shares placed in domestic exchange		
Zhang Shaoqin	420,800		Foreign shares placed in domestic exchange		
Shanghai Hong Kong Wanguo Securities	420,000		Foreign shares placed in domestic exchange		
Notes to relationship or “action in concert” among the top ten shareholders.	There isn't any associated relationship between the sponsoring shareholder and the other shareholders among the top-10 list. None of them are regarded as 'Acting in concert' in accordance with 'The rules of information disclosure on change of shareholding.' Foreign shareholders are unknown for their condition of 'Associated relationship' and 'Acting in concert'.				

2. Profile of the controlling shareholder:

China Southern Industry Group Co., Ltd., the controlling shareholder of the Company, was incorporated on June 29th 1999. Its registered capital is RMB12,645,210,000, and Mr. Xu Bin is the legal representative, and the organization code is 71092604-3. It is a state-owned enterprise with major business scope of: investment and operation of state-owned capital; developing, designing, manufacturing, sales, and storage of optical products, electronics and optical electronics products, night-view equipment, machinery, vehicles, measuring instruments, fire fighting equipment, environmental protection equipment, construction machinery, information and telecommunication equipment, chemical materials, metal and non-metal materials and products, and construction materials; reconnaissance, designing, implementing, contracting, and monitoring of engineering projects; equipment installation; organizing of domestic exhibition; planting and stock farming; deep processing of agriculture side-products; technical developing, trading, consulting, and servicing that related to the above businesses; importing and exporting trades.



3. There were no other corporate shareholders holding over 10% (inclusive) of the total shares of the Company in the report term.

Chapter V. Directors, Supervisors, Senior Executives and Employees

I. Current directors, supervisors and senior managements, and those resigned from their positions in the report period

1. Profiles of the related parties

Name	Position	Sex	Age	Job term	Shares held at the beginning of term	Shares held at the end of term	Changed in the report year	Cause of change	Note
Li Huaguang	Chairman	M	46	2009.11—2014.4	0	0	0	None	
Lu Hongxian	Director, GM	M	42	2009.11—2014.4	0	0	0	None	
Yan Xuechuan	Director, secretary general of CCP committee, chairman of trade union	M	48	2009.11—2014.4	0	0	0	None	
Teng Feng	Director, vice general manager, CFO, secretary of the Board	M	40	2008.4—2014.4	0	0	0	None	
Tang Wenquan	Employee Director	M	44	2011.5—2014.4	0	0	0	None	
Wang Kun	Director	M	37	2008.4—2011.10	0	0	0	None	Resigned
Hao Lin	Director	M	49	2008.4—2014.4	0	0	0	None	
Yang Rongqin	Employee Director	M	45	2008.4—2011.5	0	0	0	None	Resigned
Wang Jun	Independent Director	M	50	2008.4—2014.4	0	0	0	None	
Chen Xingshu	Independent Director	M	50	2008.4—2014.4	0	0	0	None	
Cheng Yuanwei	Independent Director	M	47	2008.4—2014.4	0	0	0	None	
Yu Jianfeng	Independent Director	M	42	2008.4—2014.4	0	0	0	None	
Chen Fengzhen	Chairman of the supervisory committee	F	56	2008.4—2014.4	0	0	0	None	
Han Jinke	Supervisor	M	58	2008.10—2014.4	0	0	0	None	
Wu Weigang	Supervisor	M	50	2009.5—2014.4	0	0	0	None	
Lv Cuiwei	Employee Supervisor	F	44	2011.5—2014.4	0	0	0	None	
Cheng Fukai	Employee Supervisor	M	46	2010.3—2011.5	0	0	0	None	Resigned
Tao Xuqian	Employee Supervisor	M	47	2010.3—2014.4	0	0	0	None	
Wen Hong	Vice General Manager	M	46	2008.4—2014.4	0	0	0	None	
Yu Jiang	Vice General Manager	M	41	2008.4—2014.4	0	0	0	None	
Ye Wenhua	Vice General Manager	M	39	2009.8—2014.4	0	0	0	None	
Liu Hui	Vice General Manager	M	42	2009.8—2014.4	0	0	0	None	
Wu Dadong	Secretary of the Board	M	39	2009.7—2011.8	0	0	0	None	Resigned

2. Major career history of the directors, supervisors and senior management and their jobs taken in parties other than shareholders of the Company.**(1) Major career history of the latest 5 years**

Li Huaguang: Once worked for Jialing Group as head of QC dept., and head of personnel dept.; for Jialing Industrial Co., Ltd. as standing commissioner of CCP committee, head of HR dept., vice headmaster of CCP school, vice chief secretary of CCP division, and chairman of union; for China Jianling Industrial Co., Ltd. (Group) Co., Ltd. as the general manager, chief secretary of CCP committee, chairman of union; and for Chongqing Jialing Special Equipment Co., Ltd. as chief secretary of CCP committee, and chairman of union. At present he's the vice chief secretary of CCP committee and vice general manager of Southern Group Motorcycle Industry Division, chairman of the Company.

Lu Hongxian: Once worked for Jianshe Industrial (Group) Co., Ltd. (Jianshe Group) as vice head of promotion dept., head of CCP office, head of HR division of CCP committee, assistant to the general manager, vice chief secretary of CCP committee, director, chief secretary of CCP committee, and chairman of the union; for the Company as chief secretary of the CCP committee, chairman of the Supervisory Committee, and director; for Jinan Qinqi as general manager. At present he's the general manager and director of the Company.

Yan Xuechuan: Once he worked for Southern Group as technician of factory 5618, vice director of HR dept., vice chief accountant, director of planning dept., vice factory manager and vice chief secretary of CCP committee, chief secretary of discipline committee, and chief secretary of CCP committee; for Hunan Southern China Electro-optical (Group) Co., Ltd. as director, chief secretary of CCP committee; standing commissioner of CCP Dandong city committee, vice mayor, and commissioner of CCP committee. At present he's the director, chief secretary of CCP committee, and chairman of the union.

Teng Feng: Once was head of Accounting Division; Assistant to General Manager of Jianshe Group; Assistant to General Manager of Jianshe Industry; Vice General Manager of Motorcycle Business Division of the Company. At present he's director of Jianshe Industry; At present he's the Director, Vice General Manager, Head of Accounting, and secretary of Board of the Company.

Hao Lin: At present he's the President of Shenzhen Qiaozhouxing Technologies Development Co., Ltd., Chairman of Chongqing Tongkang Technologies Co., Ltd., and Chairman of Shenzhen Yuyang Computer System Co., Ltd., Director of the Company.

Tang Wenquan: once the vice chief and CCP secretary of workshop 52 of Jianshe Group, CCP vice secretary, vice general manager, and general manager of Jianshe Nanhai, chief of workshop 51 and 52 of the engine factory, director of technical department of engine division, quality control department, vice general manager of engine division, vice director of business planning department. At present he's the chief of business planning department and employee director.

Chen Xingshu, once he was director of academic office, vice director and director of Accounting Department, Chongqing College of Business, independent director of Chongqing Gangjiu Co., Ltd. and Chongqing Department Store Ltd.; at present he's the headmaster of Chongqing Vocational College of Economy and Finance; Independent director of Meianshen, Jinke Holdings and the Company.

Wang Jun: Once worked as Manager of Shanghai Wanguo Securities Chongqing Division; Business Manager of Shenyin Wanguo Securities Ltd. Chongqing Division; General Manager of Shenyin Wanguo Securities Ltd. Chongqing Division; Independent Director of China Jialing; Secretary General of Chongqing Securities Association; Financial Advisor of Chongqing Beer and Chongqing Jiachen Biology; Advisor of Chongqing Capital Operation and Reorganizing Section, member of Political Consulting Congress of Yuzhong District Chongqing. At present he's the General Manager of Shenyin Wanguo Securities Co., Ltd. Chongqing Branch; Commissioner of Chongqing Securities and Futures Association; Independent Director of Chongqing Water Service, Chongqing Yuxin Group Co., Ltd. and the Company.

Yu Jianfeng: Once Project Manager of Chongqing (Tianjian) CPAs; Vice Manager and Manager of Auditing Department, Manager and Senior Manager of Professional Standard Division of Chongqing Tianjian CPAs; Executive of Chongqing Green Volunteer Association; Special Technical Assistant of Enterprise Supervisory Committee assigned by National Government. At present he's the Chief Accountant (executive partner) of Chongqing Yonghe CPAs; Independent Director of the Chongqing Beer, Jiulong Electric Power and the Company.

Cheng Yuanwei. Once he was the chief clerk of Chongqing Municipal Discipline Commission and Supervisory Bureau; vice director of Chongqing Xingquan Law Office; independent director of Huabang Pharmacy, Xinan Pharmacy, and China Jialin. At present he's the chief partner and lawyer of Chongqing Yuanwei Law Office; permanent legal consultant of Huazhi Holdings, Hecheng Pharmacy, Zhongshen Power, Fulin Electric Power, Xingmei United, Chaohua Tech, Sanxia Paint;

Chongqing Dongyuan, and Sanxia Hydraulic; independent director of Tongjunge Pharmacy and the Company.

Chen Fengzhen: Once Worked for Jianshe Group as Vice Chief Accountant, Manager of Material Supply Co., Chief Accountant, and Director; Supervisor and Director of the Company. At present she's the Head of Motorcycle Industry Supervisory Committee of Southern Group; Chairman of Supervisory Committee of Jianshe Industry, China Jialin, Jialin Special Equipment, and the Company; Supervisor of Jinan Qingqi, Luoyang Northern Group (Luoyang Northern).

Han Jinke: Once worked for China Qingqi Group Hefei Motorcycle Factory as secretary of CCP Committee and Factory Manager; Secretary of the Board of China Qingqi Group; Secretary of the Board, Vice Chief Secretary of CCP Committee, and Chief Secretary of Discipline Committee of Jinan Qingqi; Supervisor of China Jialin and the Company; Chairman of Supervisory Committee of Jinan Qingqi and Luoyang Northern.

Wu Weigang: Once worked for Luoyang Northern as assistant to general manager, vice general manager, chief accountant, and director; for Luoyang Luoja Hailande Auto Co., Ltd. as chairman of supervisory committee. At present he's the member of supervisory committee of China Jialing, Jinan Qingqi, Luoyang Northern and the Company.

Lv Cuiwei: once secretary of Youth Party of Jianshe Group, office manager of CCP office, PR director of CCP party of Jianshe Industry, vice dean of party school, director of PR office of CCP committee. At present she's the director of Auditing and Legal department, employees' supervisor of the Company.

Tao Xuqian: Once worked for Jianshe Group as vice director of discipline office, vice head of supervisory division; for Jianshe Industry as vice director of discipline office, and vice head of supervisory division; for the Company as vice head of CCP public relationship division, head of supervisory division. At present he's the vice chief secretary of discipline division, office manager of discipline division and head of supervisory division, employee supervisor of the Company.

Wen Hong: Once he was the Manager of Tools Co., Vice Office Manager of Jianshe Industry (Group) Co., Ltd.; Vice General Manager of Sales Co. of the Company. He is currently the General Manager of Sales Co., and Vice General Manager of the Company.

Yu Jiang: Once he's the Vice Chief of Factory No.3 of Jianshe Industry (Group) Co., Ltd.; Manager of Engine Co. of Shenzhen Jianshe Motorcycle Co.; Director of Quality Division of the Company; Vice Office Manager of Jianshe Group; Director of Technical Center of the Company. At present he's the Vice General Manager of the Company.

Ye Wenhua: Once worked for Jianshe Group as vice director of CCP organization division, vice secretary of CCP committee of Factory No.62, vice manager of Welding Co., vice manager of Shandong Division of Sales Company; for Southern Group as vice director of HR division; for the Company as general manager of air conditioner business division. At present he's the vice chief secretary of CCP committee, secretary of the discipline committee, and vice general manager of the Company.

Liu Hui: Once worked for Jianshe Group as vice director of factory No.54 of engine factory, factory manager of factory 53, vice manager of Engine Co., manager of engine factory; for Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd. as vice general manager, chief secretary of CCP committee; for the Company as general manager of finished vehicle division, and assistant to general manager. At present he's the vice general manager of the Company.

(2) Taking positions in shareholding entities

Name	Name of shareholding parties	Job taken in companies inside or outside the shareholding company	Job term
Li Huaguang	Southern Group (Holding shareholder)	Director, secretary of CCP of Chongqing Southern Motorcycle Co., Ltd.	2009.7 - present
Hao Lin	Chongqing Tongkang Technologies Co., Ltd.	Chairman	2001.1 - present
Chen Fengzhen	Southern Group (Holding shareholder) China Jialin (Subsidiary of the controlling shareholder) Jinan Qingqi (Subsidiary of the controlling shareholder) Luoyang Northern (Subsidiary of the controlling shareholder)	Leader of motorcycle area supervisory committee Chairman of the supervisory committee Supervisor Supervisor	2007.11 - present
Han Jinke	Jinan Qingqi (Subsidiary of the controlling shareholder) Luoyang Northern (Subsidiary of the controlling shareholder) China Jialin (Subsidiary of the controlling shareholder)	Chairman of the supervisory committee Chairman of the supervisory committee Supervisor	2008.11 - present
Wu Weigang	China Jialin (Subsidiary of the controlling shareholder) Jinan Qingqi (Subsidiary of the controlling shareholder) Luoyang Northern (Subsidiary of the controlling shareholder)	Supervisor Supervisor Supervisor	2008.11 - present

3. Annual Remuneration

(1) The Company determined the remuneration of directors, supervisors and senior executives according to the indicators of economic liability and their performances.

(2) There were 14 current directors, supervisors and senior executives who were taking remunerations from the Company and were amounted to RMB2.0167 million. Among them, Director General Manager Lv Hongxian RMB213.9 thousand; Director Yan Xuezhao RMB213.3 thousand; Director and Vice GM Teng Feng RMB153.3 thousand; Director Yang Rongqing (resigned) RMB112.6 thousand; Director Tang Wenquan RMB11.5 thousand; Chairman of Supervisory Committee Chen Fengzhen RMB142.6 thousand; Supervisory Cheng Fukai RMB105.6 thousand; Lv Cuiwei RMB105.0 thousand; Supervisor Tao Xuqian RMB93.7 thousand; Vice General Manager Wen Hong RMB154.6 thousand; Vice General Manger Yu Jiang RMB154.6 thousand; Vice General Manger Ye Wenhua RMB153.3 thousand; Vice General Manger Liu Hui RMB153.3 thousand; Secretary of the Board Wu Dadong (resigned) RMB149.4 thousand; 4 Independent Directors each have RMB30 thousand of allowances.

(3) Director Li Huaguang, Wang Kun (resigned), Hao Lin; and Supervisor Han Jinke, and Wu Weigang accept remuneration from the shareholding parties or related parties.

4. Leaving and engaging of directors, supervisors and senior executives.

In the report period, the Board was re-elected for the new term: At the Shareholders' Annual Meeting 2010, Li Huaguang, Lv Hongxian, Yan Xuechuan, Teng Feng, Wang Kun, and Hao Lin were elected directors of the 6th term of Board, Chen Xingshu, Wang Jun, Yu Jianfeng, Cheng Yuanwei were elected the independent directors of the 6th term of Board; Tang Wenquan was elected by the Employees' Congress as the employee director of the 6th term of Board.

Mr. Li Huaguang was elected Chairman of the Board at the 1st meeting of the 6th term of Board; Mr. Lv Hongxian was engaged the general manager once again; Mr. Teng Feng, Wen Hong, Yu Jiang, Ye Wenhua, and Liu Hui were engaged the vice general managers; Mr. Wu Dadong was engaged the secretary of Board; and Lv Cuiwei was engaged the head of internal auditing department.

In the report period, the Supervisory Committee was re-elected for the new term. Chen Fengzhen, Han Jinke, and Wu Weigang were elected by the Shareholders' Annual Meeting 2010 the members of the 6th term of Supervisory Committee; Mr. Tao Xuqian and Ms. Lv Cuiwei were elected the employee supervisors of the 6th term of Supervisory Committee.

Ms. Chen Fengzhen was elected Chairman of the 6th Supervisory Committee at the 1st meeting of the 6th term of Supervisory Committee.

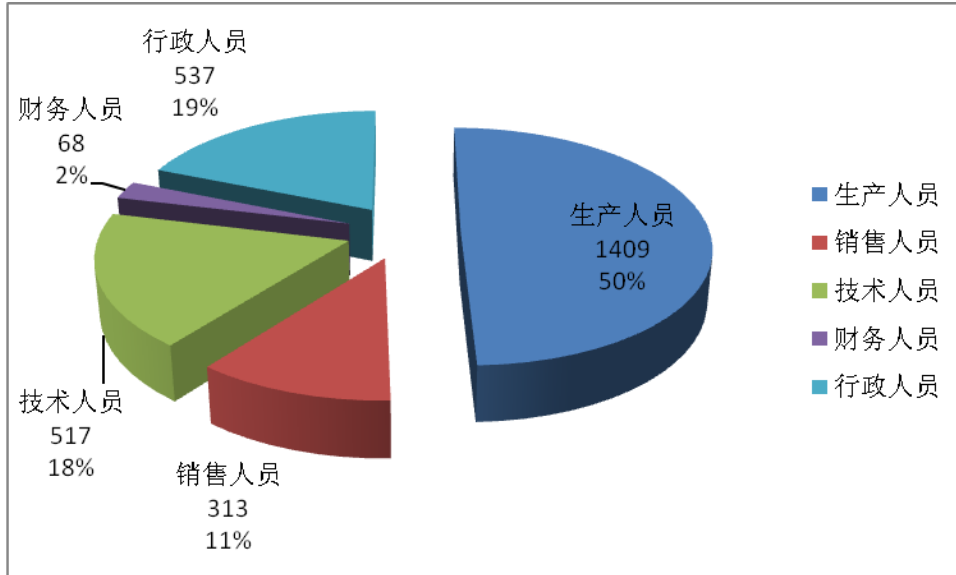
In the report period, Mr. Yang Rongqin resigned from the position of employee director; Mr. Cheng Fukai resigned from the position of employee supervisor. For change of jobs, Mr. Wang Kun resigned from the position of director, and Mr. Wu Dadong resigned from the position of secretary of Board.

Mr. Teng Feng was engaged the secretary of Board at the 2nd meeting of the 6th term of Board.

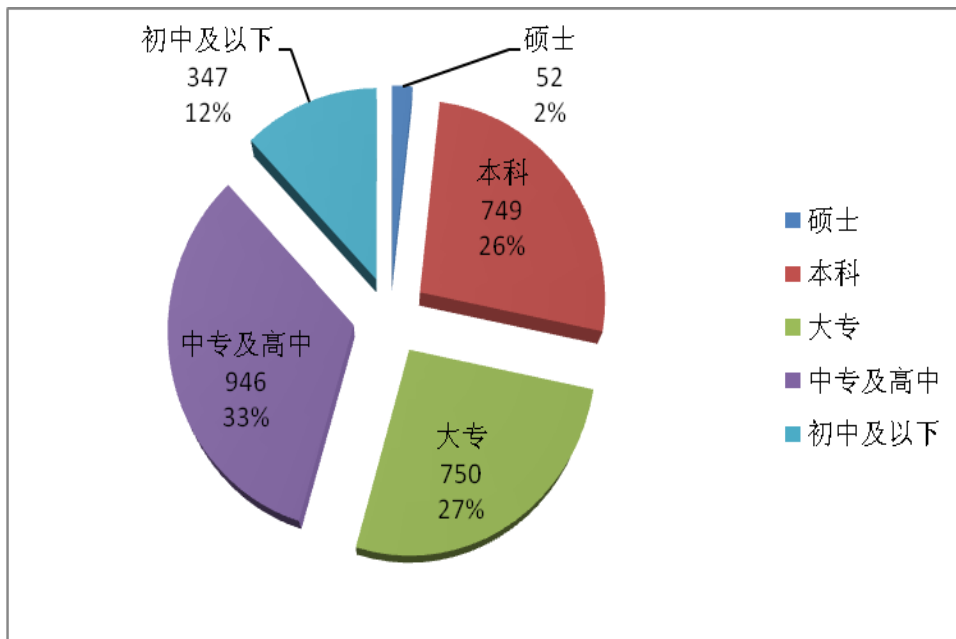
II. Particulars about the employees

As of December 31, 2011, the Company had 2844 employees, no retired employees who take pension from the Company.

1. On occupations



2. On education level



Chapter VI. Company Administration

I. Administrative Position

The Company has been following with the Company Law, Securities Law, and Administration Rules of PLCs, as well as those regulations and documents, kept improving its administration practice. A number of internal regulations and criteria have been established focusing on internal control. The followings are the regulatory documents adopted by the Shareholders' Meeting or the Board which are under execution:

The Articles of Association, Shareholders' Meeting Criteria, Board Meeting Criteria, Supervisory Meeting Criteria, General Managers' Working Rules, Independent Directors' Working Rules, Auditing Committee Working Rules, Assessment and Remuneration Committee Working Rules, the Nominating Committee Working Rules, Information Disclosure Criteria, Investor Relationship Criteria, Financing Proceeds Administration Rules, Material Information Internal Reporting Rules, Administration Rules of Shareholding and Trading by Directors, Supervisors, and Executives, Administration Rules of Related Transaction, Rules of Capital Transaction with Related Parties, Retrospective Rules of Material Error in Annual Report, Rules for Engaging of CPAs, External Information Reporting and Using Rules, Internal Auditing Rules, Independent Director Annual Report Rules, Auditing Committee of the Board Annual Report Criteria, Rules of Information Insider Registration.

According to the Statistic Reporting and State-owned Asset regulations, the Company reported information to Chongqing Economy and Information Commission, Chongqing Banan Statistics Bureau, Chan Southern Industry Group Ltd. about the production and sales of motorcycle and auto air conditioner compressor. According to the External Information Reporting and Using Rules and Rules of Information Insider Registration, the Company has registered the related personnel and insiders of the information, and urged them to keep secret of the information. Meanwhile, the Company disclosed the above production and sales information voluntarily through official medias to make sure all of the investors might acquire the same information equally and duly. No share price irregular fluctuation caused by leak of un-disclosed information.

II. Performance of the Independent Directors

During the year 2011, the independent directors have faithfully performed their duties, safeguarded the Company's interests and really protect the rights and interests of middle and small investors strictly according to relevant laws and regulations since they came into office. Within the scope of their powers and functions, they participated in the decision making of the board of directors of the Company, found out the status of the Company's business operation and management, put forward management proposals and actively promoted the Company's development. During the period when the Annual Report was produced, the independent directors observed the arrangement of auditing and related materials, and conducted communication with the auditors after they issued initial opinions, discussed and inquiry on the Auditors' Report from their professional points of view. In the report period, the 4 independent directors attended 5 board meetings and attended 2 shareholders' general meetings as nonvoting delegates, seriously examined proposals and expressed independent opinions on important matters including related transactions, external investment, share transferring and the engagement or dismissal of directors. The independent directors didn't raised any objection on the proposals of the Board's meeting nor other events other than the Board meeting.

Independent directors' presenting of board meetings and shareholders' meetings:

Name of Independent Director	Times of board meetings to present	Actually attended	Attended by telecom	Presented by proxy	Absented	Not attend the meetings for successively 2 times	Times observed the shareholders' meeting
Chen Xingshu	6	2	1	3	0	No	2
Wang Jun	6	4	1	1	0	No	2
Yu Jianfeng	6	5	1	0	0	No	2
Cheng Yuanwei	6	5	1	0	0	No	2

Independent opinions issued by the independent directors:

No.	Date	Issues	Type of opinion
1	April 19, 2011	Independent opinions on the profit distribution plan 2010	In favor
2	April 17, 2011	Statement on consent in advance upon the routine related transactions newly added for year 2010	In favor
3	April 17, 2011	Statement on consent in advance upon the routine related transactions predicted for year 2011	In favor
4	April 19, 2011	Independent opinions on confirmation of routine related transactions added for year 2010	In favor
5	April 19, 2011	Independent opinions on the routine related transactions predicted for year 2011	In favor
6	April 19, 2011	Independent opinions on extending of the service of CPA for year 2011	In favor
7	April 19, 2011	Special statement and independent opinions on the execution of 证监发[2003]56 号	In favor
8	April 19, 2011	Independent opinions on introspective report of internal control practice	In favor
9	April 19, 2011	Independent opinions on providing of guarantee to the fully-owned subsidiaries	In favor
10	April 19, 2011	Independent opinions on the electing of new term of Board	In favor
11	April 19, 2011	Independent opinions on the technical reforming and production expanding program of rotating compressor for automobile	In favor
12	May 30, 2011	Independent opinion on engaging of executives by the Board	In favor
13	July 28, 2011	Statement on consent in advance on the newly added related transactions	In favor
14	August 1, 2011	Independent opinions on routine related transactions newly added for year 2011	In favor
15	August 1, 2011	Special statement and independent opinions on the execution of 证监发[2003]56 号	In favor
16	August 1, 2011	Independent opinion on engaging of executives by the Board	In favor

III. Separation of personnel, asset, accounting, organization, and business from the Company's controlling shareholder

The Company is completely separate from the holding shareholder in aspects of business, asset, finance, and organization. It has its independent business operation.

1. Business: The Company has independent and complete development, purchase, production and marketing system. The Company is capable to perform business operation independently.
2. Personnel: The Company established independent functional department responsible for labor, personnel and wage management and formed labor, personnel and wage management system.
3. Asset: The Company's assets are independent and complete. The assets are registered, booked, accounted, and administrated independently.
4. Organization: The Company has established an organizational structure that is independent of its controlling shareholder. The organs of the Company are able to exercise their functions independently.
5. Finance: The Company has set up independent finance department, formed independent financial accounting system, established and perfected financial control system and internal control measures, opened independent bank accounts and paid taxes independently.

China Southern Industry Group Co., Ltd. is the holding shareholder of China Jialin (Stock Code: 600877), Jinan Qingqi (Stock Code: 600698), and the Company. National Asset Supervisory Committee of the National Government is the substantial controller of it. It is mainly involved in manufacturing and sales of motorcycles. However then Company is not competing with the above two companies by any means of equity reorganizing, industrial property, national policy, or merger or takeover.

IV. Rewarding and assessment system applied to senior executives of the Company

The wage scheme for executives is divided into monthly basic salary, monthly performance bonus, and deferred floating welfare.

The assessment of the senior executives of the Company is divided into daily assessment, quarterly assessment and annual assessment. Daily assessment is conducted in the forms of interview and talk mainly for supervising the daily work of senior executives. Quarterly assessment is mainly for appraising the status of quarterly fulfillment of the duties of senior executives. Annual performance assessment is conducted according to the Company's regulations on the annual performance assessment of senior executives. Their annual work performance is summarized according to the result of assessment. The result of assessment will be timely feedback to senior executives so that they can pertinently improve their work in the next year.

Awarding system includes quarterly awarding and annual performance awarding. 40% of the award is fixed as basic salary, and 60% of the award is upon the result of assessment. Senior executives are graded according to their performances in the previous month. The deferred annual performance award is granted according to the status of the fulfillment of the indicators of economic liability and the duties of senior executives.

Chapter VII. Internal Control

I. Company Internal Control System Construction and Optimization

Combining with its particular case and according to Company Act, Accountancy Law, the Basic Standards for Enterprise Internal Control and the matching operation guidance issued by Ministry of Finance, Main Board Listed Company Standard Operation Guide issued by Shenzhen Stock Exchange, etc., the company has established, revised, complemented and optimized its company internal control rules and regulations. By far the company has set up a comparatively comprehensive company internal control system basically containing organization structure, development strategy, human resource, social responsibility, enterprise culture, financial activity, purchasing business, assets management, sales business, research and development, engineering project, guarantee business, business outsourcing, financial report, comprehensive budget, contract management, internal information translation, informatization system, expense and supervision with considerable instructive to cover covering all the company operation processes.

1. In the aspect of operating decision and management, the company has set up those related systems listed below: Shareholder Meeting Procedure Rule, Director Meeting Procedure Rule, Supervisor Meeting Procedure Rule, Independent Director System, Accountability System of Significant Error of Information Disclosure in Annual Report, Related Party Transaction Management, Internal Audit Regulation, Compensation Management System, Investment Management System, Fixed Assets Management System, Sales Management System, New Product Research and Development Main Process and Regulation, Research and Development Evaluation, Comprehensive Budget Regulation, Contract Regulation, Purchase Business Process Collection, Company Post Description Collection, Product Quality Standard System and Environmental Protection and Resource Saving Supervision System. The company has set up and optimized modern corporate governance structure to form a scientific decision, execution and supervision to guarantee the company target realization.

2. In the aspect of financial management, the company has set up related systems listed below: Financial Management System (including financing, investment, inventory, financial accounting, accounting statement and financial data collection, cost and expense, etc), Guarantee Management Measure, Capital Settlement Management Approach, Accounting Archives Management Approach, Cost Accounting Management Approach, Operational Fund Management Approach and Borrowing Cost Management Method. The company has thus explicated operation procedure of accounting document, account book and accounting report to ascend accounting information quality.

3. In the aspect of information disclosure, the company has set up related systems such as Information Disclosure Management System, Investor Relationship Management System, Important Information Internal Reporting System and External Information Submission and Appliance Management System to regulate the company operation and enhance the company transparency.

II. Internal Control Inspection and Supervision Setting

The board of directors has set up an audit committee to mainly charge of communication, supervision and inspection to internal and external audit. The company has set up legal affairs of audit office to charge the company internal operation audit and evaluate the authenticity, legality and rationality of company revenue. The office also shall inspect and supervise the company internal control management system and system implementation to report in time significant internal control defects to the company decision and operation layer. The company has settled 4 specific duty staff that have possessed post qualification and 3 of them have professional above intermediate titles.

III. Internal Control Work Arrangement by the Board

The 6th session director meeting 5th conference on February 29, 2012 has determined the Company Internal Control Implementation Plan to further strengthen the internal control system construction. The concrete content is as follows:

1. Organization Guarantee for Internal Control Construction

The company has set up a leading group in which the board chairman Li Huaguang and general manager Lv Hongxian act as the group leader and other company leaders act as group members. The company also has set up internal control project teams under the leading group. The teams were set to be organized by the company audit legal affairs office and consist of relative operational departments. The company has settled specific duty staff that to execute the internal control system construction and implementation.

2. Internal Control Implementation Scope

The company has defined the internal control implementation scope related to financial statement according to the company management options and combining with the wholly owned subsidiary business characteristics. The company has implemented emphatically production and inventory, purchase and payment, sales and collection, salary and staff affair, financing business internal control and fixed assets internal control within the company headquarter, wholly-owned automotive air conditioner compressor subsidiary, sales company and export business company.

3. Internal Control Construction Plan

The first stage: Initiating Stage. The company has formulated internal control implementation plan and announced publically after the board deliberation. The company has submitted the implementation plan to superior regulator for record.

The second stage: Internal Control Construction Stage.

(I). Risk Evaluation, Control Action Distinguishing and Control Efficiency Test (before July 31, 2012)

The company shall have done those things listed below: clearly defining internal control scope related to financial statement; combing processes and comprehensively anglicizing; distinguishing inherent risk and evaluating risk level; formulating risk manuscript and determining key and prior control points; testing control action efficiency to generating internal control imperfection manuscript and report to management in time.

(II). Determining Internal Control Imperfection Rectification and Reformation Plan (before September 30, 2012)

The company shall have done those things listed below: determining internal control imperfection criterions; anglicizing recognized internal control imperfection; proposing rectification and reformation plan and program; submitting the evaluation criterion and plan to superior regulator after deliberation.

(III). Implementation Imperfection Rectification and Reformation (before November 30, 2012)

According to the internal control imperfection rectification and reformation, the company shall implement additional test to generate a special report to submit to superior regulator after deliberation.

(IV). Solidifying Internal Control Achievements (before December 31, 2012)

The company shall generate systematic documents of risk points and key internal control actions.

The third stage: Internal Control Action Self Evaluation Stage

(I). Formulating Internal Control Self Evaluation Plan (December, 2012)

The company shall have done those things listed below: determining evaluation scope, schedule and task division; comprehensively evaluating internal control and formulating evaluation draft.

(II). Implementing Self Evaluation (before the 2012 annual report disclosure)

The company shall have done those things listed below: formulating internal control test sheet draft; formulating imperfection reorganization summary sheet and proposing rectification and reformation advice; promoting the rectification and reformation implementation to formulate a special report; formulating self evaluation report; the supervisor board to have an inspection on the report and to give out its opinion.

(III). Internal Control Self Evaluation Disclosure (along with the 2012 annual report)

IV. Internal Control Self Evaluation Report

1. The Company Director Board Statement about Internal Control Responsibility

The company director board and the company guarantee the concrete content of Chongqing Jianshe Motor Cycle Limited Liability Company 2011 Annual Internal Control Self Evaluation Report is true, accurate and complete without any false record, misleading description or significant omission.

2. The Company Director Board 2011 Internal Control Self Evaluation Report

The Chongqing Jianshe Motor Cycle Limited Liability Company 2011 Annual Internal Control Self Evaluation Report has been deliberated by the 5th conference of 6th session director board meeting and will be published on April 20, 2012 in Tidal wave information net ([shttp://www.cninfo.com.cn](http://www.cninfo.com.cn))

The company director board has agreed the company internal control was essentially efficient. The company has basically set up comprehensive internal control system to guaranteed the efficient business operation and assets security and integrity, prevented and rectified fraud, ensured the accounting data to be true, legal and completed.

3. The Company Independent Director Opinion on the Self Evaluation Report

In the report period, the company internal control system construction was basically comprehensive and essentially executed. The company has set up comprehensively perfect internal control system which conforms to related laws, regulations. Each of the company corporate governance, production operation, information disclosure and significant terms has been strictly execute according the company internal control system and the risks have been efficiently prevented. Therefore the company internal control was essentially efficient. The report authentically and objectively reflected the present internal control construction, execution and supervision.

4. The Superior Board Opinion about the Company Internal Control Self Evaluation (see point 2, chapter X the Company Superior Board Report)

V. Establishment of Company Financial Report Internal Control and Significant Imperfection of Company Financial Report Internal Control in this Year

The company has set up independent accounting institution formulated Financial Management Measure strictly according to Accounting Standards for Business Enterprise and other national regulations and executed in practice. The company has provided corresponding accounting staffs who act strictly according to Accountancy Law, Accounting Standards for Business Enterprise and other related regulations. DAXIN Certified Public Accountants has given 2011 clean opinion audit report to the company. The company has no significant imperfection in the report period.

VI. Establishment and Execution of Accountability System of Significant Error of Information Disclosure in Annual Report

In order to guarantee the company information disclosure is true, accurate, promptly and fair, the company has formulated and implemented Accountability System of Significant Error of Information Disclosure in Annual Report in 2010. The company has made no significant accounting error correction, missing information addition and performance prediction amendment in the report period.

VII. Establishment and Execution of Other Accountability System

The company has one by one established corresponding accountability system to the production, sales and quality check link and the systems have been executed and implemented well in the report period. The company has no significant production, sales and product quality accountability problems in the report period.

Chapter VIII. Particulars about the Shareholders' Meeting

The Board of Directors of the Company called up two shareholders' meetings in the report period. The calling and holding procedures, qualification of delegates, and the voting procedures were complying with the laws, regulations, rules, and the Articles of Association. Therefore the resolutions were legal and effective. Details are as the followings:

I. Shareholders' Annual Meeting 2010

The Shareholders' Annual Meeting 2010 was held on May 30, 2011 in the meeting room of the Company. The meeting was hosted by Chairman Li Huaguang. 3 shareholders presented the meeting representing 355.50 million shares, accounted for 74.45% of the voting capital of the Company. The following resolutions were adopted at the meeting:

The Board of Directors' Work Report 2010 (including the Independent Directors' Report 2010), The Supervisory Committees' Work Report 2010, Annual Report 2010 and the Summary, The Profit Distribution Plan 2010, The Proposal of Extending the Service of CPA for Year 2011, The Proposal of Adding New Related Transaction to Year 2010, The Proposal of Routine Related Transactions Predicted for Year 2011, The Proposal to Provide Guarantee to Fully-owned Subsidiaries of the Company, The Proposal to Launch the Technical Reformation of Rotate Air Compressor of Auto Air Conditioner, The Proposal to Adjust the Allowances for Independent Directors, The Proposal to Revise the Articles of Association, The Proposal to Elect the New Term of Board, and The Proposal to Elect the New Term of Supervisory Committee.

The Resolutions of this meeting were published by Securities times, Hong Kong Commercial Daily and www.cninfo.com.cn date May 31, 2011.

II. The 1st Shareholders' Provisional Meeting 2011

The Shareholders' Provisional Meeting 2011 was held on October 21, 2011 in the meeting room of the Company. The meeting was hosted by Chairman Li Huaguang. 4 shareholders presented the meeting representing 355.7848 million shares, accounted for 74.51% of the voting capital of the Company. The following resolutions were adopted at the meeting:

The Resolutions of this meeting were published by Securities times, Hong Kong Commercial Daily and www.cninfo.com.cn date October 22, 2011.

Chapter IX. Report of the Board

I. Review of Business Operation in the Report Period

(I) Overall Operation

In year 2011, the Company realized turnover of RMB2.472 billion, basically level with the previous year. In which RMB1.801 billion from motorcycle, reduced by 2.97%; RMB671 million from air conditioner, increased by 8.66%.

The 2011 was so grim a year for the motorcycle industry that the company has got a performance loss caused by the rise of raw material price, increasement of human cost, ascending fee and cost for implementation of the National Motorcycle Emission Standard III, and increasing financial expense resulted by the rising loan interest rate and the continuous RMB appreciation.

1. New Progress of Industrial Structural Adjustment

Enhancing Automotive Air Conditioner Compressor Manufacturing Capability. The company has started the 1.50 million units/year technical improvement project to realize automatic processing, online monitoring and fully using of human engineering. The company has optimized its supplier system to form the capacity of 2 million sets of fittings per year.

Expanding Engine and Spare Parts Business. The company has achieved sales of 0.1832 million motorcycle engines, up 37.51%. The company also has enhanced self production capacity by establishing semifinishing lines of automotive air conditioner compressor front and rear end plate, cylinder body parts to form the capacity of 0.26 million sets/year.

Initiating Electromobile Business. The company has set up a electromobile research institution and has finished the plan and development of 3 series and 9 platforms. And so the company has successfully finished the preparation of production access and obtained the industrial qualification.

2. Continuous Improvement of Technology Innovation Ability

The company has continued to optimize its differential product pedigree. In the field of motive power platform, the company has successfully researched and developed F55 (camber beam), F51 (striding type), F33 (400cc), F56 (100T), etc. In the field of vehicle, the company has successfully began to produce K8 Wanpao, X6 New Junfeng, etc. In this year 6 new type products has achieved mass production and the product type and quantity has been further enriched.

The company has continued to improve its research and development ability. The company basically realized product structure 3D design and CAE simulation analysis has been used widely to components and parts structure optimization design, engine nature optimization, vehicle movement simulation, etc. The company has made achievement of the key technology research and development and the company has finished the Euro IV Emission Standard experiment ability construction to basically master the new technologies such as Efi calibration, electronically controlled carburetor, etc. The company has applied for 106 patents among which 10 were invention in 2011.

The company technology center has been ranked 173 among the 729 centers all over the country in the 2011 National Technology Center Innovation Ability Evaluation to be still the first one of the industry. Ten of the new company products were listed in Chongqing Key New Product Plan.

3. Increasing Control Potency Dimension.

The company has continuously made efforts to tamp its basic management, push forward its QMS improvement, comprehensively enhance manufacturing quality assurance and the company has been rated as "National Quality Management Team Activities Excellent Enterprise". The company has continued to enhance supplier quality, strengthen production quality supervision and management, and promote supplier assessment. And the supplier quality guarantee ability has increased greatly compared with which in 2011.

4. Financial highlights (RMB0'000)

Items	2011	2010	Changed by %
Turnover	247,212	247,390	-0.07%
Operation profit	-17,807	816	160.58%
Net profit attributable to the shareholders of the listed company	-18,844	1,196	-1675.59%

Cause of change: decrease of operational profit was caused by increasing of material prices, labor costs, and executing of National III standard. Increasing of loan interest and increase of value of RMB caused increase of financial costs more over.

(II) Main business operation and position

The Company is mainly engaged in the final assembly of motorcycles, mechanical processing and sales of parts and accessories of motorcycles and automobiles, manufacturing of moulds and jigs, standard mould racks, relevant technical services, purchase and sales of household electrical appliances, raw materials and equipment.

(1) Geographical and industrial distribution of income and profit from major business.

Business geographic distribution (in RMB0'000)

North	32,805	5,053
East	17,181	2,118
Mid-south	13,755	1,530
South-west	108,276	9,278
North-east	7,135	663
North-west	10,013	900
South	8,522	809
Total of domestic sales	197,687	20,351
Total of overseas sales	35,854	6,098
Total	233,541	26,449

Segments on industries							
On Industries	Turnover	Operation cost	Gross profit ratio (%)	Change of income over last year %	Change of cost over last year %	Gross profit increased/decreased	ration
Manufacturing	247,212	219,409	11.25%	-0.07%	5.91%		-5.01%
Segments on products							
On Products	Turnover	Operation cost	Gross profit ratio (%)	Change of income over last year %	Change of cost over last year %	Gross profit increased/decreased	ration
Motorcycle and parts	180,137	163,960	8.98%	-2.97%	4.33%		-6.37%
Vehicle air conditioner	67,075	55,449	17.33%	8.66%	10.89%		-1.66%

(3) Major suppliers and clients

In the report term, the purchases from top-5 suppliers are totalled to 21.40% of the overall purchasing in the year.

In the report term, the sales to top-5 buyers are totalled to 26.73% of the overall sales in the year.

(III) Composition and change of assets and expenses

Asset composition (RMB0'000)

Items	End of 2011	Percentage in total asset at end of 2011	End of 2010	Percentage in total asset at end of 2010	Ratio of change (%)
Monetary capital		7.08%		25.80%	-76.90%
	19,064		82,544		
Notes receivable		9.50%		3.54%	125.64%
	25,563		11,329		
Account receivable		6.10%		5.50%	-6.60%
	16,421		17,581		
Other account receivable		0.77%		1.00%	-35.15%
	2,081		3,209		
Inventories		12.17%		9.39%	9.03%
	32,765		30,050		
Long-term share equity investment		24.56%		19.75%	4.65%
	66,111		63,174		
Fixed assets		30.28%		26.75%	-4.73%
	81,517		85,560		
Construction in process		0.02%		0.03%	-38.46%
	64		104		
Notes payable		6.76%		37.27%	-84.73%
	18,205		119,218		
Short-term loans		32.93%		12.99%	113.28%
	88,643		41,561		
Long-term borrowings		17.34%		9.75%	49.58%
	46,670		31,200		

Expense composition (RMB0'000)

Items	2011	2010	Changed by %
Operational expenses			-2.19%
	16,979	17,360	
Administrative expense			33.00%
	20,339	15,292	
Financial expenses			17.61%
	8,229	6,997	
Income tax			105.71%
	504	245	

- (1) Monetary capital reduced because of the payment of accepted notes and decrease of deposit for notes.
- (2) Increase of notes receivable due to accepting of note payment to promote the sales and increase of sales of air conditioners.
- (3) Decrease of construction in process was caused by moving of the constructions in process in the report period.
- (4) Increase of long-term and short-term loans and decrease of notes payable were caused by increase of loans from financial institutions to adjust the credit structure and provide steady cash flow to the Company.
- (5) Increase of administration expenses in the report period was caused by promotion of voluntary resigning among the employees, and the Company paid RMB29.01 million for compensation. And also the increase of repairing expenses for the overdue of warranty period of the equipment.
- (6) Increase of financial expenses was caused by increase of financing costs.
- (7) Increase of income tax was caused by writing back of deferred income tax assets.

(IV) Cash flow in the report period

In RMB 10 thousand

Items	2011	2010	Changed by %
Cash flow generated by business operation, net	-4,776	2,279	-310%
Net cash flow generated by investment	-5,063	-11,414	-56%
Net cash flow generated by financing	1,113	-1,076	-203%

(V) Business situation and performance of main subsidiaries and affiliates

Name of companies	Shares held	Registered capital RMB0'000	Capital scale RMB0'000	Major products or service	Net asset (RMB 10 thousand)	Net profit (RMB0'000)
Chongqing Jianshe Sales Co., Ltd.	100.00%	1,200	38,436	Sales of motorcycle and parts	-11261	-4,860
Chongqing Northern Jianshe Import & Export Co., Ltd.	100.00%	6,038	15,793	International trading and agency of various merchandises and technologies (other than those restricted by national government)	6391	255
Chongqing Jianshe Automobile Air-conditioner Compressor Co., Ltd.	100.00%	16,000	69,486	Production, sales, and services of automobile air-conditioners and parts	16287	3,084
Chengdu Jianshe Motorcycle Sales Co., Ltd.	100.00% (indirectly)	50	283	Sales of motorcycles	-68	0
Huhehaote Jianshe Motorcycle Sales Co., Ltd.	100.00% (indirectly)	50	1	Wholesale and retailing of motorcycles and parts	-37	0
Guangxi Jianshe Motorcycle Sales Co., Ltd.	52.00% (indirectly)	150	137	Sales of motorcycles	5	0
Chongqing Jianshe Motorcycle Sales Co., Ltd.	100.00% (indirectly)	50	68	Sales of motorcycles	41	0
Shanghai Jianshe Motorcycle Co., Ltd.	51.00%	1,600	2,688	Manufacturing and sales of motorcycles, light motorcycles, scooters.	345	-149
Chongqing Jianshe YAMAHA Motorcycle Co., Ltd.	50.00%	37,993	124,526	Manufacturing and sales of motorcycles and engine parts	58852	2,182
Zhuzhou Jianshe YAMAHA Motorcycle Co., Ltd.	50.00%	49,786	79,554	Manufacturing and sales of motorcycles and engine parts	55209	4,197
Chongqing Pingshan Taikai Carburetor Co., Ltd.	49.00%	15,876	18,663	Manufacturing and sales of carburetors, general gas engines and parts	15810	763

In the report term, Ningbo Jianshe Motorcycle Co., Ltd. was suspended in production due to fault operation. The business registration procedures were not completed yet. The Company has provided long-term investment impairment provision on this project, and this company was not included in the consolidation range.

Profile of companies which influenced the net profit of the Company by over 10%.

	Major business turnover (RMB0'000)	Major business profit (RMB0'000)	Net profit (RMB0'000)
Chongqing Jianshe Automobile Air-conditioner Compressor Co., Ltd.	66,623.09	11,526.63	3,084.16
Zhuzhou Jianshe YAMAHA Motorcycle Co., Ltd.	104,433.64	12,457.59	4,197.20

(VI) In the report term, the Company had no special-purpose subject under control which should be consolidated into the report

II. The Prospects of the Company's Future Development

(I) the Industrial Development Tendency and the Market Competition Situation

In 2012, the motor cycle market capacity will basically remain stable, the annual sales volume will essentially flat and the industry will grow steadily with a small increase.

In 2012, the motor cycle industry competition will be more vigorous. The joint-stock brand and first-tier brand product will continue to be enriched accompanied by continuous price decrease. Influenced by export situation, the second-tier and third-tier brand product will face a greater competition both in the domestic and oversea markets. In the field of air conditioner compressor, we need continue to optimize our customer structure, expand the oversea market and create our core technology.

(II) Company Operation Plan and Measurement for the Coming Year

2012 company target: taking making up loss and increase revenue as company targets to achieve main business income 2.56 billion yuan including quarter income 1.83 billion yuan, and sales of 1.80 million automotive air conditioner compressors amounted to 0.73 billion yuan.

2012 company operation guidance: steady increase, adjusting structure, decrease cost, increasing profit.

2012 company operation approach: 5 ascending, 1 optimization.

1. Optimizing company production structure

Continue to improve automotive air conditioner compressor product. Continue to optimize customer structure to solidify the development, stable the traditional market, expand spare part market. Exploit Mazda market, taking the Peugeot and Nesson project as the opportunity to ensure pistol 480cc compressor development speed.

Continue to exploit engine market. Strengthen customer management and service to establish company image and ensure the sales mission.

Enhance corporation with YMAHA. Raise the production and management level. Strengthen quality control to ensure E8, E6 annual sales target and strengthen export to achieve OEM sales.

Expand component production scale. Strengthen production management and technological increase. Ensure components' production capacity.

2. Raising Sales Competency

The first is to optimize product structure. The company shall have done those things listed below: creating strategy system including 1 type of scooter, 3 types of camber beam motor cycle and 5 types of riding motor cycle; ensuring riding motor cycle sales over 50% proportion through deepening and expanding "Double Six Activity" and "West Region Activity".

The second is to strengthen channel management. The company shall have done those things listed below: continuing to push forward channel-flattening to ascend cost competition ability; strengthening key net-point construction; promoting strengthen-net and expand-net work.

The third is to deepen service guarantee. The company shall have done those things listed below: strengthening components supply; strengthening market terminal service quality; ascend market terminal problem distinguishing and solution.

The fourth is to optimize motor cycle export market structure. The company shall have done those things listed below: especially forging 3 A-level quarter core product markets, cultivating 2 B-level markets and exploiting 3 C-level markets; adjusting export production structure, weeding out low additional value product and forging ten thousands class product series.

4. increase the cost competency

The first is to establish cost analysis model to promote supplier VA/VE action (value analysis and value engineering). Decrease purchase cost and production cost to realize project cost decrease.

The second is to raise the comprehensive efficiency and raise the self-manufacturing components proportion. Decrease logistic cost.

The third is decrease each expense through reduce expense and capital saving and control the financial cost. Reduce sales cost.

The fourth is strengthen control and encourage potency dimension to promote the cost reduce atmosphere. Optimize the cost management standard and process to raise the budget realization rate.

4. Raising Research and Development Ability

Deepening Characteristic Technology Research. Aiming continuously at “Construct characteristic technology within 3 to 5 years”, the company shall make breakthroughs in the fields of electric motor cycle, industrial design, electronic injection appliance, engine optimization and vehicle vibration comfortableness research to build up its characteristic technology competition ability.

Strengthening R&D Management. The company shall have done those things listed below: optimizing development procedure, adopting “core competition ability analysis” module and establishing “benchmark motor cycle analysis data base” to deliver parameter support; strengthening project management to ensure 95% schedule node achievement rate; pushing forward design cost decrease and analysis “basic function” and “additional function” of the production to ascend the “cost performance”.

5. Raising Management Competency

Pushing forward Lean Production. The general management proficiency level shall be 3.2 in 2012 and QDC shall be digitalized.

Enhancing Quality Control Potency Dimension. The company shall have done those things listed below: strengthening work team lean quality management; strengthening supplier quality management; establishing cooperating mechanism with suppliers to ascend market rapid respond ability; strengthening process management and establishing visible operation standard to push forward regulatory determination and process capacity evaluation.

Pushing Forward Informatization Construction. The company will positively push forward system operation maintenance standardization and further ascend system intelligence level.

Strengthening Supply Chain Management. The company shall have done those things listed below: implementing systematic system optimization to raise system competency; enhancing control potency dimension to ensure new product development; further combing purchase management process, guarantying delivery time abide rate and delivery check qualified rate ; raising market rapid respond ability.

Promoting Intrinsic Safety Enterprise Construction. The company shall have done those things listed below: optimizing intrinsic safety enterprise construction realize safety management systematized, normalized and standardized to ensure year-round no serious injury and fatal accident, minor wound index controlled within 4%, 0 big and great fire accident; performing well maintenance of environment and occupational health management system to ensure its smooth operation.

6. Raising cultural competitiveness.

Strengthen cultural management to promote its solidity in the staff. Deepen Cultural Publicity to raise staff enthusiasm and promoting enterprise culture popularization. The company shall optimize brand plan according the development demand and

enhance publicity potency dimension and performing positively spread, executive and evaluation to raise the brand popularity, reputation degree and loyalty.

(III) Funds for Future Development Strategy

In 2012 the company will invest 51.97 million yuan with its own capital in new product research and development to get product differentiation and diversification. The company will implement air conditioner production capacity expansion with a investment of 154.1 million yuan which includes 130 million yuan construction investment (loan of 90 million yuan from bank and 40 million yuan from the company itself) and working capital 24.10 million yuan (from the company itself).

III. Investment in the report term.

(I) Usage of financing proceeds

No newly raised finance in the report term.

(II) Application of non-raised fund in the report term

1. On May 25, 2010, the proposal to found Chongqing Southern Motorcycle Technology Development Co., Ltd. was examined and approved at the 17th meeting of the 5th term of Board. Chongqing Southern Motorcycle Technology Development Co., Ltd. (the Development Company) was found by investment made jointly by China Southern Industry Group Co., Ltd., China Jialin, Jinan Qingqi, Luoyang Northern Enterprise Group Co., Ltd., and the Company. The Development Company was registered with RMB120 million of capital, in which RMB20 million was invested by the Company to hold 16.67% of the capital shares. As of December 31, 2010, the Company has input RMB10 million account for 8.33% of actual input. Another RMB10 million was input by the Company as the 3rd batch of investment in the Development Company.

2. On May 30, 2011, the proposal on technical reformation and production expanding of rotating compressor of air conditioner was approved at the Shareholders Meeting 2010. The project was planned for investment of RMB154.10 million. As of end of the report period, the bidding and contracting works for the equipment and supporting facilities were completed, and the amount is expected to be RMB92.925 million.

IV. The Company conducted neither correcting of significant accounting errors nor retrospective adjustment issues in the report term.

V. Daily work of the Board

1. The board of directors of the Company seriously exercised the functions and powers granted by the Articles of Association of the Company and held 6 board meetings according to the status of production and operation of the Company in the report year. The particulars are as follows:

No.	Date and title of the meeting	Resolutions	Date and media of disclosure
1	2011.4.19 The 20th meeting of the 5th term of Board	17 proposals including the Annual Report 2010 and the Summary, Profit Distribution Plan 2010, Profit Distribution Plan 2010, Confirmation of Routine Related Transaction Newly Added to Year 2010, Proposal of Routine Related Transaction Predicted for Year 2011, Proposal to Provide Guarantee to the Fully-owned Subsidiaries, the proposal on technical reformation and production expanding of rotating compressor of air conditioner.	2011.4.22 Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn

2	2011.4.19 The 21st meeting of the 5th term of Board	The 1 st Quarterly Report 2011	2011.4.22 Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn
3	2011.5.30 The 1 st Meeting of the 6 th Term of Board	The 11 proposals including to elect Mr. Li Huaguang Chairman of the 6 th term of Board, to engage Lv Hongxian the General Manager, to engage Teng Feng, Wen Hong, Yu Jiang, Ye Wenhua, and Liu Hui the Vice General Managers of the Company, and to extend the job of Teng Feng as the financial officer of the Company.	2011.5.31 Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn
4	2011.8.1 The 2 nd Meeting of the 6 th Term of Board	4 proposals including the Interim Report 2011 and the Summary, the proposal to newly added related transactions to 2011, resigning of Mr. Wu Dadong from the position of secretary of Board, and engaging of Mr. Teng Feng the secretary of Board.	2011.8.4 Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn
5	2011.10.21 The 3 rd Meeting of the 6 th Term of Board	The 3 rd Quarterly Report 2011	2011.10.22 Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn
6	2011.11.25 The 4th Meeting of the 6 th Term of Board	Revising of the Information Insider Registration Criteria	2011.11.30 Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn

2. There was two shareholders' annual meeting held in the report year. The Board has executed all of the resolutions adopted by the meeting. Among them, the profit distribution plan for year 2010 was: neither profit distribution nor capitalizing of capital reserves was carried out.

3. Auditing Committee's performing of duties

According to the Working Criteria of Auditing Committee and the Notification for 2011 Annual Report of PLCs issued by CSRC, the Auditing Committee performed its duties as the following:

(1) The Auditing Committee held its 1st meeting of 2012 on January 6, 2012. The financial statements of 2011 provided by the accounting department was examined at the meeting. The Auditing Committee deems the financial statements were complying with the Enterprise Accounting Standard, the accounting policies and estimations were reasonable, and they were reflecting the situations regarding assets, business performance, and cash flow in the report term. It is approved to submit to the CPA.

(2) The Auditing Committee conducted communication with the CPAs in the auditing process. On March 12, 2012, the CPA provided initial opinions to the Company. March 13, 2012, the Auditing Committee convened the 2nd meeting of 2012, and examined again on the financial statements, and deemed: Preparing of the financial statements were complying with the Enterprise Accounting Standard, expenses were reasonable, recognition of gains, expenses and profit were complying with the laws, regulations and relative rules, and frankly, completely reflecting the financial situation, business performance and cash flow of the Company. It was approved to be submitted to the Board of Directors.

The meeting also summarized the auditing works of 2011 done by the CPAs: Daxin Certified Public Accountants conducted the auditing works responsibly and diligently according to the China CPA Standard, and issued opinions on the accounting statements objectively and fairly. The Committee suggested to extend the services of Daxin Certified Public Accountants as the auditor of 2012. With reference to the payment to the CPA in previous years and the wildly accepted level in this territory, the Committee suggested RMB650 thousand of auditing fee to the CPA.

(3) The 3rd meeting of 2012 was held by mean of fax on April 6, 2012. The Committee confirmed the legal identity of Daxin Certified Public Accountants, and deems that it is qualified to provide required services to the Company. The Committee suggests to employ Daxin as the auditor of internal control for year 2012, and agreed to submit this issue to the Board of Directors.

4. Remuneration & Assessment Committee's performance of duties

According to the Working Criteria of Remuneration & Assessment Committee, the Committee performed the duties as the following:

On March 13, 2012, the Committee performed assessment on the executives' performances according to the "Assessment and Reward System of Executives" and with reference to the business practice of the Company. The Committee deems: the remuneration level of the executives in year 2011 was complying with the "Assessment and Reward System of Executives".

The Company didn't conducted any share equity incentive program up to the report term.

VI. Profit distribution or capitalizing of reserves for year 2011 proposed by the Board

According to the new Enterprise Accounting Standard, the net profit attributable to the shareholders of the Company in 2011 was RMB-188.45 million, retained profit was RMB-919.90 million. Neither profit distribution nor capitalizing of common reserves will be carried out.

Dividend distribution of the latest three years

In RMB Yuan			
Cash dividend (tax included)	Net profit attributable to the owners of the parent company in the consolidated financial statements	Ratio in net profit attributable to the parent company in the consolidated financial statements	
2010	0.00	11,956,514.54	0.00%
2009	0.00	10,530,115.30	0.00%
2008	0.00	157,322,673.33	0.00%

VII. Establishing and execution of information insider registration rules

The Company has been following the "Regulations on Establishing of Information Insider Registration System in PLCs" issued by CSRC. The Information Insider Registration Rules has been established and executed by the Company with consideration of the Company's business practice.

All inside information including the business performance report of 2011 was recorded one after another. This has been reflecting all of the related issues about the reporting, transmitting, preparing, and decision procedures of the information before being disclosed.

None of the users of the information has been found using them in any illegal trading, no leaking of inside information, and the Company has not been under punishment or criticize by the supervisory authorities regarding default in information insider registration or any under-the-table trade.

VIII. Establishing and executing of external users of the information

The Company has established the Rules of External Information Reporting and Using according to the regulations. For details please find the 2nd paragraph of section I, Chapter VI.

IX. No illegal trading of the Company's shares by any of the directors, supervisors and executives.

X. The Company will continue to use Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn as the information disclosure medias.

XI. Implementation plan for construction of internal control system (for details please go to section III of Chapter VII.)

Chapter X. Report of the Supervisory Committee

I. Meetings of the Supervisory Committee

The Supervisory Committee has called five meetings in the report term, they are:

1. The 15th meeting of the 5th term of Supervisory Committee was held on April 19, 2011. Resolutions adopted were:

- (1) Annual Work Report of the Board 2010.
- (2) Annual Work Report of the Supervisory Committee 2010.
- (3) The General Managers' Work Report 2010.
- (4) Annual Report 2010 and Summary.
- (5) Profit distribution plan 2010.
- (6) Summarizing report of auditing works of CPA for year 2010 and proposal to extend CPA services for year 2011
- (7) Introspection report on internal controlling system.
- (8) The proposal to confirm the newly added routine related transactions for year 2010.
- (9) The proposal on predicted routine related transactions for 2011.
- (10) The proposal to provide guarantee to the fully-owned subsidiaries.
- (11) The proposal to accept financial services.
- (12) The proposal to launch the technical reformation and production expanding project of rotating air conditioner of automobile.
- (13) Proposal to elect the new term of Supervisory Committee.

The above resolutions were published by Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

2. The 16th meeting of the 5th term of Supervisory Committee was held on April 19, 2011, resolution passed in the meeting was the 1st Quarterly Report 2011, which was the only resolution adopted at the meeting, therefore no announcement was published separately.

3. The 1st meeting of the 6th term of Supervisory Committee was held on May 30, 2011. The proposal of electing Ms. Chen Fengzhen the Chairwoman of the Supervisory Committee was approved. The resolution was published by Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> dated May 31, 2011.

4. The 2nd meeting of the 6th term of Supervisory Committee was held on August 1, 2011. The Interim Report 2012 and the summary, and the proposal to add new routine related transactions to year 2011 were adopted as resolutions. The resolutions were published by Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> dated August 4, 2011.

5. The 3rd meeting of the 6th term of Supervisory Committee was held on October 21, 2011, resolution passed in the meeting was the 3rd Quarterly Report 2011, which was the only resolution adopted at the meeting, therefore no announcement was published separately.

II. Independent opinion of the Supervisory Committee:

1. Operation According to the Law

In the opinion of the Supervisory Committee, the Company conducted its operation in a standardized way, implemented various resolutions in a practical way, the decision-making procedures complied with the relevant provisions of the PRC Company Law and the Articles of Association of the Company; the Company established complete internal control system; directors and senior executives did their jobs with due diligence in a work-respecting and honest way, and performed no action against the laws, regulations, the Articles of Association or harmful to the interest of the Company.

2. Inspection over the financial position

The Committee has conducted inspections on the implementation of the financial regulations and situations. The annual financial report has been audited by Daxin CPA. The supervisors deem that the Financial Report 2011 has frankly reflected the financial situation and business performance in the report term.

3. Supervision on the using of proceeds raised through share placing

No newly raised finance in the report term.

4. Related transactions

All of the related transactions with the subsidiaries of the controlling shareholder in the report term were conducted on market price under principle of fair trade. None of them has offended the interests of the shareholders or the company.

5. Opinions on the Introspective Report on Internal Control 2011

The Company has established an internal control system covering most of the aspects of business operation, which has been working effectively to protect the safety and completeness of the Company's asset. The introspection report was frankly and completely reflecting the construction and operation of the internal controlling system.

6. Establishing of information insider registration rules

The Company has been following with the Information Insider Registration Criteria and preventing abusing or leaking of information and insider trading to protect the legal benefit of the investors.

No abusing of inside information or insider trading was discovered in the report period.

Chapter XI. Material Events

I. Material lawsuit or arbitration in the report term

1. Lawsuit and arbitration issues newly raised in the report year

The Company sued to Chongqing Bannan District Court on July 20, 2011 claiming for dismissing of the Work Contract and Technical Contract with Ningbo Huiwang Machinery Co., Ltd. and the trade payment of RMB680 thousand and interests (at same interest rate of the bank since July 1, 2007 up to the date of clearing), and property preservation. The trial was opened on November 15, 2011, the above contracts were judged to be dismissed on August 5, 2011, and the payment RMB680 thousand and related losses will be paid to the Company. Ningbo Huiwang Machinery Co., Ltd. lodged appeal to the No.5 Middle court of Chongqing. It is under processing at present.

2. Unsettled material lawsuit or arbitration in the report period.

(1) On January 5, 2009, Chongqing Northern Jianshe Import & Export Co., Ltd. appealed to Chongqing Jiulongpo People's Court against Chongqing Huiyao Motorcycle Co., Ltd. for returning of trade account of RMB3.3 million, and L/C credit interest of RMB75 thousand, and relative interest losses (basing on RMB3.375 million, at the bank loan interest rate at the same period since August 16, 2007 till the account was cleared). On May 20, 2009, the court opened trial on this case and judged in favor of the Import & Export Co. The defender appealed to No.5 Middle Court but rejected for it has failed to pay the appeal fee. This case is now in execution period.

(2) Jiang Fuqiang and Chongqing Qianhua Machinery Co., Ltd. sued to the 1st middle court of Chongqing on December 17, 2009 claiming for recognition of motorcycle cargo trestle manufactured and sold by Congqing Jianshe Sales Co., Ltd. and Chongqing Feida Surface Processing Center Ltd. to be one of the protected patents of the claimer. They claimed to stop manufacturing and sales of the subject and RMB500 thousand of compensation, and the lawsuit fees. During the trial period, Chongqing Feida Surface Processing Center Ltd. claimed for invalid patent to the Reviewing Committee of National Committee of Patents. Therefore the 1st Middle Court of Chongqing suspended the trial. As of the date of this report, the trial has not been restored.

Chongqing Northern Jianshe Import and Export Co., Ltd. sued to Chongqing No.5 Middle Court in September 2010, claiming for USD1.390472 million of trade account and interests from Weiran Motorcycle (Nigeria) Co., Ltd. The Court has accepted the application on October 19, 2010. Serving of court notice will be through diplomatic channel for it involves in international lawsuit. The first trial is primarily scheduled in the first half of 2012.

3. There is no major lawsuits or arbitration issues closed in the report term.

II. Capital appropriation of 2011

Auditors' opinion on capital appropriation:

Report of Verification on Capital Appropriation by Controlling Shareholder and Related Parties

大信专审字[2012]第 2-0209 号

To the shareholders of Chongqing Jianshe Motorcycle Co., Ltd.:

As entrusted by Chongqing Jianshe Motorcycle Co., Ltd. (the Company), we have performed auditing works upon the Balance Sheet and Consolidated Balance Sheet of the Company as of December 31, 2011, the Income Statement and Consolidated Income Statement of 2011, the Statement of Change in Shareholders' Equity and Consolidated Statement of Change in Shareholders' Equity of 2011, and the Cash Flow Statement and Consolidated Cash Flow Statement of 2011, as well as the Notes to the Financial Statements (the Financial Statements", and issued the standard Auditors' Report without qualified opinion dated April 17, 2012. It is the executive's responsibility to prepare the Financial Statements, whereas it is our responsibilities to provide auditing opinions on the Financial Statements basing on the auditing works done according in accordance with the Chinese CPA Auditing Work Rules.

Upon the auditing works done on the above Financial Statements, we have performed verifications on the "Summary of Capital Appropriation by the Controlling Shareholder and Related Parties – Chongqing Jianshe Motorcycle Co., Ltd." (the Summary").

According to the provisions of "Notice on Regulating the Capital Exchange and Providing of External Guarantees of PLCs" (证监发[2003]56 号文) issued by CSRC and National Asset Administration Commission, it is the management of the Company's responsibility to ensure the Summary for its truthfulness, valid, and completeness.

Our responsibility is to provide verification opinions on the Summary basing upon the auditing works we have done. We have performed the verification works according to the Chinese CPA Auditing Work Rules. We are required by the Rules to maintain the professional and moral standard as auditors, to plan and perform auditing works finding out the reasonable evidence of no material error in the Summary. With considering the practical situation of the Company, we used necessary processes including verification, questioning, and sampling of the accounting records. And we believe that the works done have provided a reasonable foundation for the issuing of auditing report.

We believe that the information carried in the Summary attached hereafter has no material discrepancy with the accounting material we have been investigating in the Annual Financial Report 2011.

For better understanding of the situation of capital appropriation by the controlling shareholder and related parties in 2011, the Summary hereafter shall be read along with the audited Financial Statements.

It needs to be clarified that this report is not for any usage other than to be provided along with the Annual Report of the Company. We are affirmative that this report will be used as the essential part of the Annual Report to be reported and disclosed.

Daxin CPA Ltd. CPA China: Liu Jingjin

Beijing, China CPA China: Wan Ping

April 17, 2012

Chongqing Jianshe Motorcycle Co., Ltd.

Summary of Capital Appropriation by Holding Shareholder and Related Parties

Prepared by: Chongqing Jianshe Motorcycle Co., Ltd.

RMB0'000

Property of the capital adopter	Name of the parties	Relationship with the Company	Accounting of PLC	Balance of capital adopted at beginning of 2011	Capital adopted in 2011	Capital repaid in 2011	Balance of capital adopted at end of 2011	Causation	Type of asset adopted
Controlling shareholder, substantial controller, and the affiliates	Chongqing Jianshe Industry (Group) Co., Ltd.	Under same control	Other account receivable		3,440.34	3,440.34	-	Purchase of goods	Operational adoption
	Chongqing Jianshe Machinery Co., Ltd.	Under same control	Prepayments	2,480.26	181.81	2,480.26	181.81	Paid on behalf	Operational adoption
	Chongqing Southern Motorcycle Co., Ltd.	Under same control	Account receivable		10,268.95	10,268.95	-	Sales of products	Operational adoption
	China Jialin Industry Co., Ltd.	Under same control	Account receivable		2,625.55	2,625.55	-	Sales of products	Operational adoption
	Jinan Qingqi Motorcycle Co., Ltd.	Under same control	Account receivable		1,462.91	1,384.17	78.74	Sales of products	Operational adoption
	Chongqing Changan Automobile Co., Ltd.	Under same control	Account receivable	1,518.39	8,037.89	8,938.33	617.94	Sales of products	Operational adoption
			Notes receivable	510.00	8,785.00	7,962.00	1,333.00	Sales of products	Operational adoption
	Hebei Changan Automobile Co., Ltd.	Under same control	Account receivable	4.50	784.96	763.54	25.92	Sales of products	Operational adoption
			Notes receivable	345.36	643.00	743.00	245.36	Sales of products	Operational adoption
	Nanjing Changan Auto Co., Ltd.	Under same control	Account receivable	724.86	859.04	1,458.25	125.65	Sales of products	Operational adoption
			Notes receivable	34.64	1,426.33	1,376.33	84.64	Sales of products	Operational adoption
	Jiangxi Changhe SUZUKI Automobile Co., Ltd.	Under same control	Account receivable	917.73	3,444.50	4,187.06	175.16	Sales of products	Operational adoption
			Notes receivable	480.00	3,981.97	4,290.08	171.89	Sales of products	Operational adoption
	Chongqing Chang'an SUZUKI Automobile Co., Ltd.	Under same control	Account receivable	-85.21	15,281.71	15,043.29	153.22	Sales of products	Operational adoption
Sub-total				6,930.52	61,223.96	64,961.14	3,193.34		

Related nature person and legal person under his/her control									
Sub-total									
Other related parties and its affiliates	Chongqing Jianshe YAMAHA Motorcycle Co., Ltd.	Joint ventures	Account receivable	-	27,860.10	25,533.85	2,326.25	Sales of products	Operational adoption
	Chongqing Jianshe YAMAHA Motorcycle Co., Ltd.	Joint ventures	Other account receivable	540.88	382.75	616.72	306.91	提供资产租赁	Operational adoption
Sub-total				540.88	28,242.85	26,150.57	2,633.15		
Subsidiaries and affiliates of the Company	Chongqing Jianshe Sales Co., Ltd.	Fully-owned subsidiary	Other account receivable	13,268.07	95,249.48	90,518.61	17,998.94	Sales of products	Operational adoption
	Chongqing Northern Jianshe Import & Export Co., Ltd.	Fully-owned subsidiary	Other account receivable	-3,006.67	25,593.29	20,408.13	2,178.49	Sales of products	Operational adoption
	Shanghai Jianshe Motorcycle Co., Ltd.	Controlled subsidiaries	Other account receivable	256.76	463.87	552.09	168.54	Sales of products	Operational adoption
	Chongqing Jianshe Automobile Air-conditioner Compressor Co., Ltd.	Fully-owned subsidiary	Other account receivable	3,774.41	20,542.58	29,378.67	-5,061.68	Sales of products	Operational adoption
Sub-total				14,292.56	141,849.22	140,857.50	15,284.28		
Total				21,763.97	231,316.02	231,969.22	21,110.77		

Legal representative: Li Huaguang Financial officer: Teng Feng Accounting Manager: Liao Jian

The independent directors provided their independent opinions on the capital appropriation: As of December 31, 2011, except for those operational trade regarding purchasing or sales of goods, or construction done on behalf, the Company hasn't involved in any capital appropriation by holding shareholder or associated parties as described by article I and II of the Notification 证监发[2003]56号文, neither paid on behalf of the holding shareholder or other associated parties the periodic expenses such as wages, welfares, insurances, or commercial, nor other costs or expenses.

III. No bankruptcy or capital reorganizing issue in the report period

IV. Holing of other company's shares

Up to the end of report term, the Company hasn't participated in any investment in financial institutions such as commercial banks, securities companies, insurance companies, trust companies, or future companies, or participated in any company whose shares are going to be placed to the stock market.

V. No acquisition or disposing of assets, merger or takeover occurred in the report period

VI. Material related transactions in the report period

1. For details of related transactions please go to the financial report.
2. Debtors and credits with related parties

In RMB10 thousand

Related parties	Fund provided to the related parties		Accept money from the related parties	
	Amount occurred	Balance	Amount occurred	Balance
Military Finance Co.	0.00	0.00	650.00	0.00
Total	0.00	0.00	650.00	0.00

Including: RMB0 of capital provided to the holding shareholder or its subsidiaries in the report term and balanced RMB0.

VII. Fulfilling of material contracts

- 1.No events concerning trusteeship, contracting or lease of assets in which the Company was involved

2. Material guarantees (RMB0'000)

The proposal of providing guarantee to the fully-owned subsidiaries was approved at the shareholders' meeting 2011. Details are:

External Guarantee (Exclude controlled subsidiaries)					
Guarantee provided to	Date of contract	Amount guaranteed	Term	Completed or not	Related party or not
-	-	-	-	-	-
Total occurred in the report term		32800			
Total of balance of guarantee at the end of report term		18520			
Guarantee provided to controlled subsidiaries					
Total of guarantee provide to controlled subsidiaries in the report term		32,800			
Total of balance of guarantee provide to controlled subsidiaries in the report term		18,520			
Total of guarantee (including provided to controlled subsidiaries)					
Total of guarantees		18,520			
Proportion of the total guarantee in the net asset of the Company			64.65%		
In which:					
Guarantee provided to shareholders, substantial controller and their related parties		-			
Amount of guarantee exceeded the 50% party of the net profit		4,111			
Amount of guarantee provided to objects with over 70% of liability / asset ratio, directly or indirectly		18,520			

As of the end of report term, the balance of guarantees provided to Chongqing Jianshe Automobile A/C Compressor Co., Ltd. and Chongqing North Jianshe Sales Co., Ltd. was RMB185.20 million, account for 64.27% of net asset provided by the latest auditing report. All of the above companies are the fully-owned subsidiaries of the Company. The Company is holding 100% of their shares directly or indirectly. They are included in the consolidation range of the financial statements, the Company has complete control over these three companies. All of the three subsidiaries were in good capital and business situation. Providing of guarantees to them will not impair the interests of the Company or the shareholders. No guarantee provided to the controlling shareholder, other related parties in which the Company is holding lower than 50% of shares, or any non-legal-person parties or individuals. None of the controlling shareholder or other related parties has forced the Company to provide guarantees to other parties.

3. In the report period, the Company did not entrust any other party to management its cash assets. It does not plan to do so in the future.

VIII. None of the shareholders who are holding more than 5% of the share equity of the Company has conducted any commitment event.

IX. Engaging or dismissing of CPAs

On May 30, 2011, as decided by the Shareholders' Annual Meeting 2010, Daxin Certified Public Accountants was engaged as the auditor of the Company for year 2011. The service will be for one year and the auditing fee was RMB650 thousand. 2011 was the 5th year Daxin Certified Public Accountants has been providing services to the Company.

No CPA was engaged for internal auditing in the report period.

X. In the report term, none of the directors, supervisors, executives, shareholders, substantial dominators, buyer of the Company was investigated by relative departments, executed by legal & discipline departments, delivered to legal departments, appeared for crime, investigated or punished by China Securities Regulatory Commission, restricted to security market, criticized publicly, regarded as improper person, punished by other executive departments, or publicly condemned by the Stock Exchange.

XI. No risk of suspending or delisting exists upon disclosure of the annual report.

XII. Index of material information disclosure in the report period

Announcement No.	Content	Media of disclosure	Date of disclosure
2011-004	Resolutions of the 12 th Meeting of the 5 th Term of Board	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.4.22
2011-006	Confirmation of newly added routine related transactions to year 2010	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.4.22
2011-007	Announcement on routine related transactions predicted for year 2011	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.4.22
2011-008	Announcement on providing of guarantee to the fully-owned subsidiaries	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.4.22
2011-010	Announcement on implementing of technical reformation and production expanding of rotating air conditioner for automobiles	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.4.22
2011-011	Announcement on electing of the new term of Board	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.4.22
2011-013	Resolutions of the 15 th Meeting of the 5 th Term of Supervisory Committee	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.4.22
2011-031	Resolutions of the 1 st Meeting of the 6 th Term of Board	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.5.31
2011-032	Resolutions of the 1st Meeting of the 6 th Term of Supervisory Committee	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.5.31
2011-037	Prediction of Interim Business Performance 2011	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.7.15
2011-038	Resolutions of the 2nd Meeting of the 6 th Term of Board	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.8.4
2011-040	Announcement on adding new routine related transactions to year 2011	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.8.4
2011-041	Announcement on resigning of the secretary of Board	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.8.4
2011-047	Business forecast of the first 3 quarters of 2011	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.10.11
2011-051	Resigning of directors	Securities Times, Hong Kong Commercial Daily, and http://www.cninfo.com.cn	2011.10.22

XIII. Accepting of investigations and visitings

In the report term, on basis of open, fairness, and justice, the Company received the investigation, communication, and visiting requests from the investors fully pursuant to the provisions of "Guide to Fair Information Disclosure of Listed Companies" provided by Shenzhen Stock Exchange. No classified important information was disclosed under-table, ahead of schedule, or to selective objects. The fairness of information disclosure was therefore guaranteed.

Reception Records of Investigations, Communications, and Visiting

Date	Location	Means	Visitors	Contents and information referred
2011-7-7	The Company	Telephone communication	Individual investors	<p>Q: According to the "Production and Sales Express, June 2011", the sales of motorcycles has decreased by 20% in the first half of year. Will this influence the Company's interim business performance?</p> <p>A: Financial settlement is not completed yet for the 1st half of year. It will be released duly according to the Share Listing Rules of SSE and related regulations.</p>

Chapter XII. Financial Report

- I. Financial Statements (Attached herein)**
- II. Auditors' Report (Attached)**
- III. Notes to Financial Statements (Attached)**

Chapter XIII. Documents for Reference

Including the following documents:

- I. Annual Report carrying personal signature and seal of the Chairman of the Board;**
- II. Financial Statements with signatures of the legal representative, the financial officer, and accounting manager.**
- III. Original copy of the Auditors' Report with the seal of the CPA and signed by the certified accountants.**
- IV. All of the originals of the Company's documents and public notices publicized by the presses designated by China Securities Regulatory Commission in the report period;**
- V. Verification Report on Capital Appropriation by Holding Shareholders and Related Parties issued by Daxin CPA (大信专审字[2012]第 2-0209 号).**

The above documents are available in the secretary office of the Board of Directors of Chongqing Jianshe Motorcycle Co, Ltd.

This report is prepared both in English and Chinese. When there is any conflict in understanding, the Chinese version shall prevail.

Li Huaguang - Chairman of the Board
Chongqing Jianshe Motorcycle Co., Ltd.

April 17, 2012

Independent Auditor's Report

DXCPA [2012] No.2-0283

To shareholders of Chongqing Jianshe Motorcycle Co., Ltd.

We have audited the financial statements of Chongqing Jianshe Motorcycle Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated and parent company's balance sheets as at 31 December 2011, and the consolidated and parent company's income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of financial statements. This responsibility includes (1) preparation of financial statements in accordance with Accounting Standards for Business Enterprises, (2) designing, implementing and maintaining internal control to enable the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether they are due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards on Auditing issued by the Institute of Chinese Certified Public Accountants. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether they are due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated and parent company financial statements give a true and fair view in all material respects, the financial position of the Company and of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

Daxin Certified Public Accountants Co., Ltd.

CPA:

Beijing-China

CPA:

17 April 2012

Consolidated Balance Sheet

Chongqing Jianshe Motorcycle Co., Ltd.

31 Dec. 2011

Expressed in RMB Yuan

Assets	Notes	Closing balance	Opening balance
Current assets:			
Cash and cash equivalents	V. 1	190,637,204.06	825,440,026.90
Deposit reservation for balance			
Lendings			
Trading financial assets			
Notes receivable	V. 2	255,630,070.43	113,287,107.16
Account receivables	V. 3	164,211,795.84	175,805,282.76
Prepayments	V. 4	84,180,707.60	103,649,799.91
Premium receivables			
Reinsurance receivables			
Reinsurance agreement reserve receivables			
Interest receivables			
Dividend receivables	V. 5		
Other receivables	V. 6	20,812,821.83	32,085,914.13
Financial assets purchased under agreements to resell			
Inventories	V. 7	327,646,526.59	300,495,276.28
Non-current assets due within 1 year			
Other current assets			
Total current assets		1,043,119,126.35	1,550,763,407.14
Non-current assets:			
Entrusted loans and advances granted			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	V. 9	661,109,026.54	631,736,542.30
Investment property			
Fixed assets	V. 10	815,167,792.40	855,597,461.88
Construction in progress	V. 11	637,819.15	1,040,282.31
Engineer materials			
Disposal of fixed assets			
Productive biological assets			
Petroleum and natural gas assets			
Intangible assets	V. 12	114,167,766.09	90,185,914.33
Development expenditures	V. 12	40,642,012.19	46,372,717.73
Goodwill			
Long-term prepaid expenses	V. 13	11,958,171.84	12,812,902.71
Deferred tax assets	V. 14	3,695,408.84	8,741,293.83
Other non-current assets	V. 16	1,224,000.00	1,632,000.00
Total non-current assets		1,648,601,997.05	1,648,119,115.09
Total assets		2,691,721,123.40	3,198,882,522.23

Consolidated Balance Sheet (Continued)

Chongqing Jianshe Motorcycle Co., Ltd.

31 Dec. 2011

Expressed in RMB Yuan

Items	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term loan	V. 18	886,432,513.10	415,611,440.00
Loan from central bank			
Deposits from customers and Placements from banks and non-bank financial institutions			
Borrowings from banks and other financial institutions			
Trading financial liabilities			
Notes payable	V. 19	182,052,500.00	1,192,183,328.82
Account payables	V. 20	493,041,465.91	483,750,526.61
Receivables in advance	V. 21	90,848,770.88	81,587,932.62
Financial assets sold for repurchase			
Commissions			
Accrued payroll	V. 22	1,295,690.87	2,591,770.66
Tax payables	V. 23	122,045,251.33	130,292,791.35
Interest payables			
Dividend payables			
Other payables	V. 24	44,989,142.90	38,746,970.04
Reinsurance payables			
Insurance agreement reserve payables			
Payables for acting trading of securities			
Payables for acting underwriting of securities			
Non-current liabilities due within 1 year	V. 25	115,400,000.00	62,500,000.00
Other current liabilities			
Total current liabilities		1,936,105,334.99	2,407,264,760.10
Non-current liabilities:			
Long-term loan	V. 26	466,700,000.00	312,000,000.00
Bonds payable			
Long-term payables			
Special payables	V. 27	738,000.00	2,269,250.00
Estimated liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		467,438,000.00	314,269,250.00
Total liabilities		2,403,543,334.99	2,721,534,010.10
Owner's equity:			
Share capital	V. 28	477,500,000.00	477,500,000.00
Capital surplus	V. 29	603,180,517.59	603,180,517.59
Less: treasury stock			
Special reserve			
Surplus reserve	V. 30	125,686,000.00	125,686,000.00
General risk reserve			
Retained earnings	V. 31	-919,900,424.03	-731,457,938.07
Exchange difference			

Total equity attributable to shareholders of the Company		286,466,093.56	474,908,579.52
Minority interests		1,711,694.85	2,439,932.61
Total equity		288,177,788.41	477,348,512.13
Total liabilities and equity		2,691,721,123.40	3,198,882,522.23

Balance Sheet of the Company

Chongqing Jianshe Motorcycle Co., Ltd.

31 Dec. 2011

Expressed in RMB Yuan

Items	Notes	Closing balance	Opening balance
Current assets:			
Cash and cash equivalents		95,112,079.64	427,024,050.29
Trading financial assets			
Notes receivables		91,147,805.32	7,890,000.00
Account receivables	XI.1	25,519,400.79	5,727,805.75
Prepayments		32,008,622.36	79,713,229.02
Interest receivables			
Dividend receivables			
Other receivables	XI.2	210,618,877.52	201,171,446.05
Inventories		68,804,889.80	57,564,284.39
Non-current assets due within 1 year			
Other current assets			
Total current assets		523,211,675.43	779,090,815.50
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XI.3	810,107,982.84	781,197,070.18
Investment property			
Fixed assets		618,928,862.75	650,107,621.77
Construction in progress		530,820.15	1,040,282.31
Engineer materials			
Disposal of fixed assets			
Productive biological assets			
Petroleum and natural gas assets			
Intangible assets		91,938,540.79	66,573,220.08
Development expenditure		40,642,012.19	46,372,717.73

Goodwill			
Long-term prepaid expenses		3,079,034.88	2,550,355.83
Deferred tax assets			1,170,239.51
Other non-current assets			
Total non-current assets		1,565,227,253.60	1,549,011,507.41
Total assets		2,088,438,929.03	2,328,102,322.91

Balance sheet of the Company (Continued)

Chongqing Jianshe Motorcycle Co., Ltd.

31 Dec. 2011

Expressed in RMB Yuan

Items	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term loan		695,720,000.00	361,950,000.00
Trading financial liabilities			
Notes payable			690,160,140.40
Account payables		451,497,827.87	364,985,581.76
Receivables in advance		13,682,056.79	3,771,303.87
Accrued payroll		738,942.92	1,123,194.06
Tax payables		128,821,934.36	128,907,519.65
Interest payables			
Dividend payables			
Other payables		76,348,143.67	42,091,175.90
Non-current liabilities due within 1 year		17,000,000.00	62,500,000.00
Other current liabilities			
Total current liabilities		1,383,808,905.61	1,655,488,915.64
Non-current liabilities:			
Long-term loan		271,500,000.00	82,000,000.00
Bonds payable			
Long-term payables			
Special payables		738,000.00	2,269,250.00
Estimated liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		272,238,000.00	84,269,250.00
Total liabilities		1,656,046,905.61	1,739,758,165.64
Owner's equity:			

Share capital		477,500,000.00	477,500,000.00
Capital surplus		601,240,294.29	601,240,294.29
Less: treasury stock			
Special reserve			
Surplus reserve		125,686,000.00	125,686,000.00
General risk reserve			
Retained earnings		-772,034,270.87	-616,082,137.02
Total owner's equity		432,392,023.42	588,344,157.27
Total liabilities and equity		2,088,438,929.03	2,328,102,322.91

Consolidated Income Statement

Chongqing Jianshe Motorcycle Co., Ltd.

Year ended 31 Dec. 2011

 Expressed in RMB
Yuan

Items	Notes	2011	2010
I. Total operating income		2,472,121,020.84	2,473,901,864.94
Including: sales income	V. 32	2,472,121,020.84	2,473,901,864.94
interest income			
Premium income			
commission income			
II. Total operating costs		2,685,154,523.84	2,502,916,030.53
Including: Cost of sales	V. 32	2,194,086,210.30	2,071,647,763.56
Interest expenses			
Commission expenses			
Surrender fees			
Compensations			
Withdrawing of insurance agreement reserve			
Insurance bonus expenses			
Reinsurance expenses			
Operating tax and surcharges	V. 33	34,643,342.73	33,200,837.55
Selling expenses	V. 34	169,794,022.38	173,599,021.57
Administrative expenses	V. 35	203,390,869.21	152,915,972.79
Financial expenses	V. 36	82,281,362.72	69,969,273.21
Impairment loss of assets	V. 38	958,716.50	1,583,161.85
Add: Gain/(loss) from change in fair value			
Gain/(loss) from investment (Minus: loss)	V. 37	34,964,484.24	37,170,332.31
Of which: share of profits in associates and joint ventures	V. 37	35,971,293.90	33,015,224.97
Foreign exchange gains (Minus: loss)			
III. Operating profit (Minus: loss)		-178,069,018.76	8,156,166.72
Add: non-operating income	V. 39	6,210,952.45	7,844,631.17
Less: non-operating expenses	V. 40	12,267,970.18	1,554,077.74

Including: losses on disposal of non-current asset	V. 41	354, 441. 12	497, 780. 22
IV. Profit before tax (Minus: losses)		-184, 126, 036. 49	14, 446, 720. 15
Less: income tax expense	V. 41	5, 044, 687. 23	2, 449, 546. 87
V. Net profit (Minus: loss)		-189, 170, 723. 72	11, 997, 173. 28
Attributable to Shareholders of the Company		-188, 442, 485. 96	11, 956, 514. 54
Attributable to minority interests		-728, 237. 76	40, 658. 74
VI. Earnings per share:			
(1) Basic earnings per share (Yuan/share)	V. 42	-0. 395	0. 025
(2) Diluted earnings per share (Yuan/share)	V. 42	-0. 395	0. 025
VII. Other comprehensive income	V. 43		-3, 122, 700. 00
VIII. Total comprehensive income		-189, 170, 723. 72	8, 874, 473. 28
Attributable to shareholders of the Company		-188, 442, 485. 96	8, 833, 814. 54
Attributable to minority interests		-728, 237. 76	40, 658. 74

Income Statement of the Company

Chongqing Jianshe Motorcycle Co., Ltd.

Year ended 31 Dec. 2011

Expressed in RMB Yuan

Items	Notes	2011	2010
I. Operating income	XI. 4	1, 835, 956, 826. 52	2, 715, 526, 026. 70
Less: operating costs	XI. 4	1, 728, 570, 142. 99	2, 469, 289, 448. 15
Operating tax and its surcharge		30, 338, 230. 68	33, 525, 579. 88
Selling expenses		31, 909, 576. 12	36, 094, 584. 07
Administrative expenses		167, 391, 652. 32	118, 681, 664. 50
Financial expenses		59, 146, 354. 92	44, 585, 073. 77
Impairment loss of assets		980, 969. 40	-441, 252. 81
Add: Gain/(loss) from change in fair value			
Gain/(loss) from investment (Minus: loss)	XI. 5	34, 910, 912. 66	32, 125, 297. 57
Of which: share of profits in associates and joint ventures		35, 917, 722. 32	33, 132, 107. 23
II. Operating profits		-147, 469, 187. 25	45, 916, 226. 71
Add: non-operating income		4, 295, 847. 13	5, 672, 106. 63
Less: non-operating expenses		11, 608, 554. 22	1, 316, 781. 34

of which: net loss on disposal of non-current asset		21,790.58	410,499.29
III. Total profit		-154,781,894.34	50,271,552.00
Less: income tax expense		1,170,239.51	578,649.29
IV. Net profit		-155,952,133.85	49,692,902.71
V. Earnings per share			
(1) Basic earnings per share (Yuan/share)			
(2) Diluted earnings per share (Yuan/share)			
VI. Other comprehensive income			
VII. Total comprehensive income		-155,952,133.85	49,692,902.71

Consolidated Cash Flows Statement

Chongqing Jianshe Motorcycle Co., Ltd.

Year ended 31 Dec. 2011

Expressed in RMB Yuan

Items	Notes	2011	2010
I. Cash flows from operating activities:			
Cash received from goods sold or rendering of services		1,933,864,473.44	2,912,563,759.12
Net increase in deposits and interbank placement			
Net increase in loans from central bank			
Net increase in loans from other financial institutions			
Cash received from insurance premiums			
Net cash received from reinsurance businesses			
Net increase in deposits and investments of the insured			
Net increase in tradable financial assets			
Cash received from interests and commissions			
Net increase in other borrowings			
Net increase in financial assets sold under repurchase agreements			
Refund of tax		33,186,282.31	22,252,722.90
Cash received relating to other operating activities	V. 44	26,832,896.57	38,089,116.75
Subtotal of cash inflows from operating activities		1,993,883,652.32	2,972,905,598.77
Cash paid for goods and services		1,631,219,245.79	2,525,439,383.98
Net increase customer lendings and advances			
Net increase in deposits of central bank and interbank placement			
Cash paid for compensation of insurance agreement			
Cash paid for interests and commissions			
Cash paid for insurance bonus			
Cash paid to and on behalf of employees		214,358,500.86	198,491,081.04
Cash paid for all types of taxes		77,554,830.80	59,347,085.89
Cash paid relating to other operating activities	V. 44	118,515,503.52	166,839,697.88
Subtotal of cash outflows from operating activities		2,041,648,080.97	2,950,117,248.79
Net cash flows from operating activities		-47,764,428.65	22,788,349.98
II. Cash flows from investing activities:			
Cash received from disposal investments			6,514,317.00
Cash received from return on investments		16,000,000.00	17,000,000.00

Net cash received from disposal of fixed assets, intangible assets and other long-term assets		89,974.04	342,771.14
Net cash received from the sale of subsidiaries and other business units			
Cash received relating to other investing activities	V. 44		17,851,029.78
Subtotal of cash inflows from investing activities		16,089,974.04	41,708,117.92
Cash paid for acquisition fixed assets, intangible assets and other long-term assets		56,718,767.92	145,847,835.97
Cash paid for investments		10,000,000.00	10,000,000.00
Net increase in pledge loan			
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities			
Subtotal of cash outflows from investing activities		66,718,767.92	155,847,835.97
Net cash inflows from investing activities		-50,628,793.88	-114,139,718.05
III. Cash flows from financing activities:			
Cash received from capital contributions			
Of which: cash received from minority shareholders of subsidiaries			
Cash received from borrowings		1,674,275,680.93	881,750,000.00
Cash received from issuance of bonds			
Cash received relating to other financing activities	V. 44	733,797,322.10	2,648,379,657.26
Subtotal of cash inflows from financing activities		2,408,073,003.03	3,530,129,657.26
Repayments of borrowings		995,854,607.83	808,700,000.00
Dividends or interests paid		81,769,944.69	72,707,861.29
Of which: dividends paid to minority shareholders of subsidiaries			
Cash payments relating to other financing activities	V. 44	1,319,317,035.54	2,659,485,154.32
Subtotal of cash outflows from financing activities		2,396,941,588.06	3,540,893,015.61
Net cash inflows from financing activities		11,131,414.97	-10,763,358.35
IV. Effect of exchange rate changes on cash and cash equivalents		-861,183.33	-2,201,216.52
V. Net increase in cash and cash equivalents		-88,122,990.89	-104,315,942.94
Add: Cash and cash equivalents at beginning of year		249,201,397.77	353,517,340.71
VI. Cash and cash equivalents at beginning of year		161,078,406.88	249,201,397.77

Cash Flows Statement of the Company

Chongqing Jianshe Motorcycle Co., Ltd.

Year ended 31 Dec. 2011

 Expressed in RMB
Yuan

Items	Notes	2011	2010
I. Cash flows from operation activities:			
Cash received from goods sold or rendering of services		1,241,812,550.48	1,752,042,517.36
Refund of tax		23,585,123.44	16,297,417.52
Cash received relating to other operating activities		5,952,103.95	23,009,768.64
Subtotal of cash inflows from operating activities		1,271,349,777.87	1,791,349,703.52
Cash paid for goods and services		1,216,890,703.89	1,529,638,086.75
Cash paid to and on behalf of employees		158,206,292.11	155,985,730.55
Cash paid for all types of taxes		34,981,613.77	38,832,174.67
Cash paid relating to other operating activities		40,811,059.33	56,216,229.35

Subtotal of cash outflows from operating activities		1,450,889,669.10	1,780,672,221.32
Net cash flows from operating activities		-179,539,891.23	10,677,482.20
II. Cash flows from investing activities:			
Cash received from disposal investments			
Cash received from return on investments		16,000,000.00	17,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,310.26	302,241.14
Net cash received from the sale of subsidiaries and other business units			
Cash received relating to other investing activities		467,421.79	17,851,029.78
Subtotal of cash inflows from investing activities		16,474,732.05	35,153,270.92
Cash paid for acquisition fixed assets, intangible assets and other long-term assets		50,795,130.44	127,068,128.78
Cash paid for investments		10,000,000.00	10,000,000.00
Net cash paid for the acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities			
Subtotal of cash outflows from investing activities		60,795,130.44	137,068,128.78
Net cash inflows from investing activities		-44,320,398.39	-101,914,857.86
III. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from borrowings		1,345,720,000.00	573,950,000.00
Cash received from issuance of bonds			
Cash received relating to other financing activities		3,143,424,672.16	3,458,815,555.33
Subtotal of cash inflows from financing activities		4,489,144,672.16	4,032,765,555.33
Repayments of loan		867,950,000.00	478,000,000.00
Dividends, profits or interests paid		58,143,465.26	37,358,923.01
Cash paid relating to other financing activities		3,412,676,217.01	3,590,664,675.75
Subtotal of cash outflows from financing activities		4,338,769,682.27	4,106,023,598.76
Net cash inflows from financing activities		150,374,989.89	-73,258,043.43
IV. Effect of the change of exchange rate		-750,170.92	-227,766.81
V. Net increase in cash and cash equivalents		-74,235,470.65	-164,723,185.90
Add: Cash and cash equivalents at beginning of year		166,262,401.89	330,985,587.79
VI. Cash and cash equivalents at beginning of year		92,026,931.24	166,262,401.89

Consolidated Statement of Changes in Equity

Chongqing Jianshe Motorcycle Co., Ltd.

Year ended 31 Dec. 2011

Expressed in RMB Yuan

Items	2011										Minority interests	Total equity
	Attributable to equity holders of the Group									Subtotal		
	Share capital	Capital surplus	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others				
I. As at 31 December 2009	477,500,000.00	603,180,517.59			125,686,000.00		-731,457,938.07		474,908,579.52	2,439,932.61	477,348,512.13	
Add: changes in accounting policies												
Correction of errors in previous year												
Others												
II. As at 1 January 2010	477,500,000.00	603,180,517.59			125,686,000.00		-731,457,938.07		474,908,579.52	2,439,932.61	477,348,512.13	
III. Changes in current period							-188,442,485.96		-188,442,485.96	-728,237.76	#####	
1. Net profit							-188,442,485.96		-188,442,485.96	-728,237.76	#####	
2. Other comprehensive income												
Sub-total of 1 and 2							-188,442,485.96		-188,442,485.96	-728,237.76	#####	
3. Capital invested and withdrawn by owners												
(1) Capital invested												
(2) Share paid recognized in owner's equity												
(3) Others												
4. Distribution of profits												
(1) Surplus reserve withdrawn												
(2) General risk reserve withdrawn												
(3) Distribution to owners												
(4) Others												
5. Internal transference of owner's equity												
(1) Capital surplus transferred to share capital												
(2) Surplus reserves transferred to share capital												
(3) Surplus reserve offsetting loss												
(4) Others												
6. Special reserve												
(1) Withdrawn in current period												
(2) Used in current period												
7. Others										0.00		
IV. At at 31 December 2010	477,500,000.00	603,180,517.59			125,686,000.00		-919,900,424.03		286,466,093.56	1,711,694.85	288,177,788.41	

Consolidated Statement of Changes in Equity

Chongqing Jianshe Motorcycle Co., Ltd.

Year ended 31 Dec. 2011

Expressed in RMB Yuan

Items	2010										
	Attributable to equity holders of the Group									Minority interests	Total equity
	Share capital	Capital surplus	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others	Subtotal		
I. As at 31 December 2008	#####	601,303,217.59			125,686,000.00		-743,414,452.61		461,074,764.98	2,399,273.87	463,474,038.85
Add: changes in accounting policies											
Correction of errors in previous year											
Others											
II. As at 1 January 2009	#####	601,303,217.59			125,686,000.00		-743,414,452.61		461,074,764.98	2,399,273.87	463,474,038.85
III. Changes in current period		1,877,300.00					11,956,514.54		13,833,814.54	40,658.74	13,874,473.28
1. Net profit							11,956,514.54		11,956,514.54	40,658.74	11,997,173.28
2. Other comprehensive income		-3,122,700.00							-3,122,700.00		-3,122,700.00
Sub-total of 1 and 2		-3,122,700.00					11,956,514.54		8,833,814.54	40,658.74	8,874,473.28
3. Capital invested and withdrawn by owners		5,000,000.00							5,000,000.00		5,000,000.00
(1) Capital invested											
(2) Share paid recognized in owner's equity											
(3) Others		5,000,000.00							5,000,000.00		5,000,000.00
4. Distribution of profits											
(1) Surplus reserve withdrawn											
(2) General risk reserve withdrawn											
(3) Distribution to owners											
(4) Others											
5. Internal transference of owner's equity											
(1) Capital surplus transferred to share capital											
(2) Surplus reserves transferred to share capital											
(3) Surplus reserve offsetting loss											
(4) Others											
6. Special reserve											
(1) Withdrawn in current period											
(2) Used in current period											
7. Others											
IV. At at 31 December 2009	#####	603,180,517.59			125,686,000.00		-731,457,938.07		474,908,579.52	2,439,932.61	477,348,512.13

Statement of Changes in Equity (the Company)

Chongqing Jianshe Motorcycle Co., Ltd.

Year ended 31 Dec. 2011

Expressed in RMB Yuan

Items	2011							
	Share capital	Capital surplus	Less: treasury stock	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. As at 31 December 2009	#####	601,240,294.29			#####		#####	588,344,157.27
Add: changes in accounting policies								
Correction of errors in previous year								
Others								
II. As at 1 January 2010	#####	601,240,294.29			#####		#####	588,344,157.27
III. Changes in current period							#####	#####
1. Net profit							#####	#####
2. Other comprehensive income								
Sub-total of 1 and 2							#####	#####
3. Capital invested and withdrawn by owners								
(1) Capital invested								
(2) Share paid recognized in owner's equity								
(3) Others								
4. Distribution of profits								
(1) Surplus reserve withdrawn								
(2) General risk reserve withdrawn								
(3) Distribution to owners								
(4) Others								
5. Internal transference of owner's equity								
(1) Capital surplus transferred to share capital								
(2) Surplus reserves transferred to share capital								
(3) Surplus reserve offsetting loss								
(4) Others								
6. Special reserve								
(1) Withdrawn in current period								
(2) Used in current period								
7. Others								
IV. At at 31 December 2010	#####	601,240,294.29			#####		#####	432,392,023.42

Statement of Changes in Equity (the Company)

Chongqing Jianshe Motorcycle Co., Ltd.

Year ended 31 Dec. 2011

Expressed in RMB Yuan

Items	2010							
	Share capital	Capital surplus	Less: treasury stock	Special provision	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. As at 31 December 2008	#####	596,240,294.29			125,686,000.00		#####	533,651,254.56
Add: changes in accounting policies								
Correction of errors in previous year								
Others								
II. As at 1 January 2009	#####	596,240,294.29			125,686,000.00		#####	533,651,254.56
III. Changes in current period		5,000,000.00					49,692,902.71	54,692,902.71
1. Net profit							49,692,902.71	49,692,902.71
2. Other comprehensive income								
Sub-total of 1 and 2							49,692,902.71	49,692,902.71
3. Capital invested and withdrawn by owners		5,000,000.00						5,000,000.00
(1) Capital invested								
(2) Share paid recognized in owner's equity								
(3) Others		5,000,000.00						5,000,000.00
4. Distribution of profits								
(1) Surplus reserve withdrawn								
(2) General risk reserve withdrawn								
(3) Distribution to owners								
(4) Others								
5. Internal transference of owner's equity								
(1) Capital surplus transferred to share capital								
(2) Surplus reserves transferred to share capital								
(3) Surplus reserve offsetting loss								
(4) Others								
6. Special reserve								
(1) Withdrawn in current period								
(2) Used in current period								
7. Others								
IV. At at 31 December 2009	#####	601,240,294.29			125,686,000.00		#####	588,344,157.27

Chongqing Jianshe Motorcycle Co., Ltd.

Notes to the Financial Statements

Year ended 31 December 2011

(Expressed in Renminbi unless otherwise stated)

I. Company Information

1. Brief introduction

Chongqing Jianshe Motorcycle Co., Ltd. (the precursor is Shenzhen Northern Jianshe motorcycle Co., Ltd., hereafter referred as 'the Company') obtained the legal representative's operating license whose registered No. is 5000001805583 in Administrative Bureau for Industry and Commerce of Chongqing on Mar. 11th 2003. The registered address is No. 1, Jianshe Road, Huaxi Industrial Park, Banan District, Chongqing. The legal representative is Huaguang Li. The scope of business include motorcycle; vehicle installation kits and fittings; research and development of machinery; processing, manufacturing and relevant technical services; tooling mould design, manufacturing and relevant technical services (exclude special regulation by state); research, production, sale of motorcycle engine; electromechanical products; household appliances, bicycle, research, development and processing of environmental protection products; import, wholesale, retail, commission agency (exclude auction) of the like-goods (exclude special goods) mentioned above.

2. History of the company

The Company was listed on the Shenzhen Stock Exchange (B shares) on July 25, 1995, set up by Jianshe Industrial (Group) Co., Ltd. (Jianshe Group) and China Northern Industrial Corporation Shenzhen subsidiary, as a Corporation Limited.

On Dec. 30, 2002, the company's temporary general meeting of shareholders passed a resolution of changing the company name 'Shenzhen Northern Jianshe Motorcycle Co., Ltd.' as 'Chongqing Jianshe Motorcycle Co., Ltd.'. The business administrative registration was completed on March 11, 2003.

Jianshe Group and the China South Industries Group Corporation (South Group) signed an 'Agreement of Equity Transfer' on Dec. 3, 2004 and a 'Supplementary Agreement of Equity Transfer' on Jan. 22, 2005. According to these agreements, Jianshe Group transferred 339,625,000 of state-owned legal representative shares to South Group. The transfer had been approved by State-owned Assets Supervision

and Management Committee of State Council on March 9, 2005 and approved by the China Securities Regulatory Commission to exempt Southern Group's obligations of Takeover Offer on May 2005.

In September 2005, under the approval the Foreign capital [2005] certificates No. 0628 of the People's Republic of China Department of Commerce, the company changed from the domestic-fund corporation to the foreign-fund corporation and completed the registration of business change in August 2007, receiving new legal representative business license 'Registered No.500000400001350', and the registered address is Chongqing. The original registered capital was RMB 477.5 million Yuan.

In April 2007, according to the Guangdong Province Shenzhen Intermediate People's Court '(2006) second instance judgment No.21-4 on bankruptcy by Intermediate People's Court of Shenzhen city', 17.875 million shares of state-owned legal representative shares by China Northern Industrial Shenzhen Company were transferred to Yangpu New Yufeng Investment Co., Yonghui FENG and Zuocheng GU. Yangpu New Yufeng Investment Co. held 700 million shares, Yonghui FENG held 200 million shares and Zuocheng GU held 887.5 million shares.

3. Organization structure

The company has four subsidiaries, namely, Chongqing Jianshe Marketing LLC., Chongqing Northern Import and Export Trade LLC., Chongqing Jianshe Vehicle-used Air-conditioning LLC. And Shanghai Jianshe Motorcycle LLC., and three associates, namely, Chongqing Jianshe Yamaha Motorcycle Co., Ltd., Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd. and Chongqing Pingshan Taikai Co., Ltd.

The controlling shareholder of the company is Southern Group, the largest shareholder of which is State-owned Assets Supervision and Management Committee of State Council. The Committee hold 100% shares of Southern Group.

4. The approval body of financial report

The approval body of financial report of the company is board of directors.

II. Significant accounting policies and estimates and error correction of previous years

1. Basis of the preparation of financial statement

The company's financial statements are prepared on a going concern basis and are prepared basing on transactions and matters occurred actually. The financial statements are prepared in according with "Corporate Accounting Standards-The Principles" which was published by Ministry of Finance at 15 February 2006, and "the 38 specific accounting standards", its application guide, interpretations for accounting standards, and other

relevant regulations (collectively "CAS"). And the financial statements are prepared on the basis of accounting policies and estimates expressed as followed.

2. Declaration of compliance with CAS

The financial statements are prepared in accordance with CAS, which showing a true and fair view of the financial position on 31 December 2011, financial performance and cash flow in 2011 of the Company and the Group.

3. Accounting year

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

4. Reporting currency

The Group reporting and presentation currency is the Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is Yuan.

5. Accounting treatment of company consolidation under common control and non-common control

(1) Business combination under common control

To the business combination under common control, the assets and liabilities obtained by the acquirer shall be measured at carrying amount in the acquiree's accounts as at the date of combination. The difference between the carrying amount of the net assets obtained and the cost of combination (or the total face value of shares issued), capital surplus shall be adjusted. Where the capital surplus is not sufficient to be subtracted, retained earnings shall be adjusted.

The related expenses incurred in the combination process are recorded in profit or loss.

(2) Business combination under non-common control

For business combination under non-common control, the considerations of the acquirer are the fair value of assets paid, liabilities occurred or undertaken and equity securities issued for the combination. For the business combination realized through several-time transactions, the combination costs are the total of every single transaction's costs. The direct relevant expenses incurred in the combination are recorded in profit or loss. The assets and liabilities and contingent liabilities obtained by the acquirer shall be measured at fair value as at the date of combination. Where the cost of combination is greater than the fair value of assets and liabilities and contingent liabilities, the difference should be recognized as goodwill. Where the cost of combination is smaller than the fair value of acquiree's assets and liabilities and contingent liabilities, and cost of combination should be reevaluated. Where cost of combination is still smaller than fair value of acquiree's net assets, the difference should be recognized in income statement.

6. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the

basis of control. The consolidated financial statements include the financial statements of the Company and its subsidiaries. The subsidiaries are entities that are controlled by the Company.

The consolidated financial statements of the company are prepared in accordance with the regulations of 'Accounting standard for Business Enterprises No. 33- Consolidated financial statement', offsetting all the significant intercompany transactions and balances. The owner's equity in the subsidiary that are not attributable to the Company is considered as the minority interests displayed in the consolidated financial statements solely.

When the accounting policies or periods in the subsidiary and the Company are inconsistent, the adjustment of the accounting policies or periods in the subsidiary is carried out in accordance with the accounting policies or periods of the Company.

For the subsidiaries acquired through business combination under non-common control, their financial performance and cash flow shall be included in the consolidated financial statements from the combination date, as long as they are under control by the Company. In preparation of the consolidated financial statements, the subsidiaries' identifiable assets, liabilities and contingent liabilities are adjusted by their fair value on the acquisition date. For the subsidiaries acquired through business combination under common control, their financial performance and cash flow shall be included in the consolidated financial statements. When preparing comparative consolidated financial statements, the pre-combination adjustment of the subsidiary's financial statements is considered as it has existed before the business combination from the beginning of the reporting period.

7. Cash and cash equivalents

Cash comprises cash on hand and demand deposit. Cash equivalents refers to short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and foreign currencies reporting

(1) Translation of foreign currency transactions

For any foreign currency transactions, they are recorded in functional currency. Transactions in currencies other than the reporting currency are translated into the reporting currency at spot rate on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are restated into the reporting currency using the rates of exchange ruling at the balance sheet date. The exchange gains or losses dealt with in the income statement, except the exchange difference that is created by foreign-currency loan relating to the constructed or produced assets that meet the capitalization condition is recognized as the cost of the assets before the assets reach the expected usable or available-for-sale conditions.

Non-monetary items denominated in foreign currencies which are measured at historical cost are translated using the exchange rates on their transaction dates. Non-monetary foreign items denominated in foreign currencies which are measured at fair value are translated using the exchange rates on balance sheet date, and any

difference is recognized in income statement or other comprehensive income.

(2) Translation of financial statements denominated in foreign currency

The foreign currency financial statements are translated into Renminbi for the preparation of consolidated financial statements.

The assets and liabilities in the foreign currency financial statements are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for “retained earnings”, are translated to Renminbi at the spot exchange rates at the dates on which such items arose. The assets and liabilities in the balance sheet are translated at the spot rate at the end of reporting period. Owner’s equity is translated at the occurring rate, except ‘the undistributed profit’. Income and expenses in the profit or loss are translated into Renminbi at the spot exchange rates at the dates of transactions. The resulting exchange differences are presented as “exchange difference” in the consolidated statement of financial position within the shareholder’s equity.

Foreign currency cash flows are translated using the spot exchange rate prevailing on the date that the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

When dispose the foreign operation, the translating difference of the foreign currency statements relating to the foreign operation is recognized in income statement.

9. Financial instruments

(1) Classification, recognition and valuation of financial instruments

Financial instruments are classified as financial assets and financial liabilities.

Financial assets recognized initially are classified as financial assets that are measured at fair value and its change is recognized in profit or loss, account receivables, available-for-sale financial assets and held-to-maturity investments that are measured at fair value and recognized in profit or loss. The classification of financial assets is subject to the holding intention and holding ability of the company and its subsidiaries.

Financial liabilities recognized initially are classified as financial liabilities that are measured at fair value and its change is recognized in profit or loss, and other financial liabilities.

Once the company becomes one side of financial instrument contract, the financial asset or liability is recognized. The financial assets or liabilities of the company are measured initially at fair value. They are also measured at fair value in the subsequent period, except held-to-maturity investments and account receivables are measured at amortization costs, or historical costs if the fair value is not measured reliably.

The fair value change of financial assets or liabilities forming gain or loss is treated by the following methods, except hedging: ① financial assets or liabilities that are measured at fair value and its change is recognized in gain or loss; the interests and cash dividends obtained over the period of assets held are recognized as investment income; when treating with the disposal, the difference between the amount received actually and the initial recorded amount is recognized as investment income, and the changing gain or loss of fair value is adjusted;

②the change of fair value of available-for-sale financial assets is recorded in capital reserve. The interests calculated by the effective interest rate over the holding periods are recorded in investment income. The cash dividends from the available-for-sale equity instruments are recorded in investment income at the time of the investee declaring the dividend distribution. When treating with the disposal, the difference between the amount received actually and the book value less the accumulated amount of fair value's change that recorded in capital reserve previously is recognized as investment income.

(2) Recognition basis and measurement method of financial assets transfer

Recognition basis of financial assets transfer: The financial assets are recognized when almost all the risks and rewards of the ownership right are transferred, or almost all the risks and rewards of the ownership right are neither transferred nor maintained but the control of the financial assets is given up.

Measurement of financial assets: The financial assets that are satisfied with the conditions of derecognition should be measured as financial assets transfer. The difference between the book value of financial assets that will be transferred and the total of the consideration received from the transfer and the accumulated amount of fair value's change that is recorded in capital reserve previously is recorded in gain or loss.

When parts of financial assets that are satisfied with the conditions of derecognition, the integral book value of the transferred financial assets at the interval of the parts of derecognition and the parts of not derecognition is amortized in accordance with individual relative fair value. The difference between the book value of the parts of derecognition and the total of the consideration received from the parts of derecognition and the accumulated amount of fair value's change that is recorded in capital reserve previously is recorded in income statement.

(3) The condition of derecognition of financial liabilities

The conditions of derecognition of financial liabilities: When all or parts of the current obligation are released, financial liabilities or parts of financial liabilities should be derecognized.

(4) Recognition method of fair value of financial assets and liabilities

Recognition method of fair value of financial assets and liabilities: if there is the active market, the fair value of financial instruments is recognized at the price in the active market. If there is no active market, the fair value of financial instruments is recognized by estimation technique.

The estimation technique includes the price that the parties referring the familiar situations use for voluntary transactions, the current fair value of other financial assets that have the same characteristics, the method of cash flows discounted and so on. When adopting the estimation technique, the use of market parameters is prioritized at utmost and the use of specific parameters related to the company and its subsidiaries should be decreased.

(5) Impairment of financial assets

The Company shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. An impairment test shall be made on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, they shall be included in a

combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test. Where a financial asset measured on the basis of post-amortization costs is impaired, the carrying amount of the said financial asset shall be written down to the current value of the predicted future cash flow (excluding the loss of future credits not yet occurred), and the amount as written down shall be recognized as loss of the impairment of the asset. Where there is a very small gap between the predicted future cash flow of a short-term account receivable item and the current value thereof, the predicted future cash flow is not required to be capitalized when determining the relevant impairment-related losses. Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the carrying amount of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses.

Where available-for-sale financial assets are impaired due to significant drop of fair value and the drop is not temporary, the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out and recorded into the profits and losses of the current period.

(6) Re-classification of financial assets

The main judgment standards of the re-classification of held-to-maturity investments that are not mature :

- 1) No financial resources to provide the supporting funds for these financial assets to be held to maturity;
- 2) The management have no intention to be held to maturity;
- 3) Difficult to be held to maturity due to the limitation of law, administration regulation or others;
- 4) others indicate that the Company have no ability to be held to maturity.

Those Significant held-to-maturity investments that are not mature and are re-classified as available-for-sale financial assets should be made the decision after the approval of board of directors.

10. Account receivables

The receivables of the Company include account receivables, long-term receivables and other receivables. At the end of reporting period, if there is any objective evidence that can demonstrate the value has been written down, the difference between the book value and the present value of expected future cash flows is recognized as impairment loss.

(1) Recognition standards and provision method of account receivables with individual large amount: :

Recognition standards of bad debt provision of individual account receivables with significant amount

Individual account receivable over 5 millions,
other individual receivable over 3 millions

Recognition standards of bad debt provision of individual account receivables with significant amount	Individual account receivable over 5 millions, other individual receivable over 3 millions
Provision method of bad debt provision of individual account receivable with significant amount	Account receivables with the significant amount and with the objective evidence that can demonstrate the value has been written down are made bad debt provision in accordance with the difference of the present value of future cash flows less than the book value. Account receivables with the significant amount that are not written down through individual check are made bad debt provision by account aging analysis

(2) Recognized and provision of bad debts base on risk group

Recognition of risk group	Account receivables that are not recognized bad debt based on individual account.
Method of bad debt provision of risk group	Account aging analysis

In risk group, Account aging method:

Ages	Proportion of provision (%)
Within 1 year (include 1 year)	5
1-2 years	10
2-3 years	20
Over 3 years	50

11. Inventories

(1) Classification of inventories

Inventories are finished goods or merchandize held for sale in operation activities, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. They include raw materials, turnover materials, consignment processing materials, packing materials, low-value consumables, working in progress, semi-finished products, finished products and so on.

(2) Measurement of inventories delivered

When inventories are delivered, the effective costs are recognized by weighted average method.

(3) Recognition basis of net realizable value of inventories and provision method of inventory write-down provision

At the end of reporting period, the inventories are measured at the lower of the costs and net realizable value and made write-down provision for individual inventory. However, the inventories with large amount and low unit-price are made write-down provision in accordance with the category of inventory.

Recognition basis of net realizable value of inventories: ① the net realizable net of finished goods is the estimated selling price less the estimated costs to sell and the relevant tax; ② when the net realizable value of held-for-production materials is higher than the costs, they are measured at the costs; when the price of the materials decrease, which indicates the net realizable value of the finished goods is lower than the costs, the net realizable value is the estimated selling price less the estimated costs incurred until the completion of production, and the estimated costs to sell and the relevant tax; ③ the net realizable value of held-for-sale materials is the

market price.

(4) Policies of inventory counting

The Company adopts perpetual inventory system.

(5) Amortization method of low-value consumables

Low-value consumables and packing materials are amortized by one-off write-off method.

12. Long-term equity investments

(1) Recognition of initial investment costs

- ①The initial costs of the long-term equity investments obtained by the combination: Under common control, the initial costs should be recognized in terms of the book value of owner's equity in the acquiree. Under non-common control, initial costs should be recognized in terms of the consolidation costs at the acquisition costs;
- ②The initial costs of the long-term equity investment obtained by cash are the acquisition price paid actually;
- ③The initial costs of the long-term equity investment obtained by equity securities issued are the fair value of equity securities issued;
- ④The investment from investor is recorded at value agreed in the investment contract as initial cost;
- ⑤The initial costs of the long-term equity investment obtained by exchange of non-monetary assets or debt restructure are recognized in accordance with the regulation of Standards.

(2) Subsequent measurement and recognition method of gain or loss

The subsequent measurement of long-term equity investments is by equity method or cost method. Using equity method, the long-term equity investment is recognized investment income and adjusted in accordance with the enjoyed or shared proportion of net gain or loss realized by the investee. When the gains obtained are calculated by distributed profits or cash dividends declared the book value of long-term equity investment decrease correspondingly.

Using cost method, the book value of the long-term equity investment do not change, except adding or withdrawing the investments. When the gains obtained are calculated by distributed profits or cash dividends declared, they are recognized as investment income.

The long-term equity investments that are equipped with common control and significant influence are measured by equity method, and others are measured by cost method.

(3) Recognition basis of joint control and significant influences over investees

- ①Basis of joint control over the investee: There is the contract or agreement of two or more parties, and the investee's finance and operating policies must be determined by both sides or several sides.
- ②Basis of having significant influence over the investee: When the investor holds over 20% to 50% of voting right of the investee, it can be presumed that the investor has significant influence over the investee. Or when the investor holds less than 20% but satisfies one of the following conditions, it also has significant influence over the investee:

- a. appoint representatives in board of directors or similar power institutions;
- b. participating in the investee's policy making process;
- c. appointment management personnel of the investee;
- d. investee depends on the technology or technology information of the Company;
- e. other situations that can demonstrate there is the significant influence over the investee.

(4) Method of impairment test and impairment provision

At the end of the reporting period, the Company should check whether or not there has the indication that the long-term equity investments might be impaired. If the indication exists, it will be taken the impairment test to recognize its recoverable amount and should be made provision at the low of the book value and the recoverable cost. Once made provision for impairment loss, it cannot be reversed in the subsequent accounting periods.

The impairment test method: If the indication of impairment exists, the long-term equity investments should be taken the test to recognize the recoverable amount.

The recoverable amount of the long-term equity investments is measured at the higher of the long-term equity investment's fair value less costs to sell and the present value of the expected cash flow.

The net amount of fair value of the long-term equity investment sold should less the relevant tax in terms of agreement, if there has the agreed price of fair trade. Or the net amount of fair value should less the relevant tax in accordance with market price, if there has no fair trade agreement but has the active market of like-asset. Or the recoverable amount of the net amount of fair value of the long-term equity investment sold that cannot be estimated reliably is recognized in accordance with the present value of expected future cash flows from the long-term equity investment held over the periods and disposed ultimately.

13. Investment property

(1) Classification and measurement of investment property

The investment property of the company are classified as land-use right for lease, buildings for lease and land-use right held for transfer when value added.

(2) Review policy using cost method

In the investment property, buildings for lease are made depreciation provision by straight-line method. The specific review policy is the same as it in the fixed assets.

In the investment property, land-use right for lease and land-use right held for transfer when value added is amortized by straight-line method. The specific review policy is the same as it in the intangible assets.

On each balance sheet date, the Group made assessment on whether or not there is any indication of potential impairment of investment property. If there is any evidence that indicates the possibility of impairment, the Company first carries out impairment testing on the investment property, calculating the recoverable amount, impairment loss should be recognized at the lower of the book value and the recoverable amount. Once made provision for impairment loss, it cannot be reversed in the subsequent accounting periods.

14. Fixed assets

(1) Recognition conditions of fixed assets

The fixed assets are the tangible assets held for goods produced, services rendered, leasing or administration and the using life are over one accounting period. They are recognized by satisfying with the following conditions simultaneously :

- ①The economic benefits related to the fixed asset probably flow to the company;
- ②The costs of the fixed asset can be measured reliably.

(2) Classification and depreciation method of fixed assets

The fixed assets of the company are classified as house and buildings, machinery equipment, electronic equipment, transport equipment and so on. The depreciation method is by straight-line method, and the life and estimated net scrap value of the fixed assets is recognized in accordance with the nature and use status. At the end of reporting period, the life, estimated net scrap value and depreciation method is reviewed. If there is difference with the previous estimates, the adjustment will be carried out. Except the fixed assets that are depreciated enough but still using and the land that is measured solely, the Company makes depreciation provision for all the fixed assets.

Items	Estimated life (year)	Estimated net scrap value	Annual depreciation rate
House and buildings	30-35	3%	2.77-3.23
Machinery and equipment	7-14	3%	6.93-13.86
Transport tools and office facility	5-8	3%	12.13-19.40

(3) Impairment test method and provision method of fixed asset

On each balance sheet date, the Company made assessment on whether or not there is any indication of potential impairment of fixed asset. If there is any evidence that indicates the possibility of impairment, it will be taken the impairment test to recognize its recoverable amount and should be made provision at the lower of the carrying value and the recoverable cost. Once made provision for impairment loss, it cannot be reversed in the subsequent accounting periods.

The recoverable amount of fixed asset is the higher of present value of the expected cash flow and its fair value less costs to sell. The net amount of the fair value of the fixed asset less the disposal costs is recognized in accordance with the amount of the agreed price in contract less the amount that are attributable directly to the disposal costs, if there has the agreed price in the contract. Or if there has no fair trade agreement but has the active market or the trade price of like-asset, the net amount of the fair value is recognized in terms of the market price less the disposal costs. Or the recoverable amount of the net amount of the fair value that cannot be estimated reliably is recognized as the present value of expected future cash flows over the periods of the fixed asset held and disposed.

15. Construction in progress

(1) Types of construction in progress

The construction in progress of the company is classified as self-construction and outsource-construction.

(2) Standards and time point of construction in progress transferred to fixed assets

The time point of construction in progress transferred to fixed assets: When the constructions completed reach the usable status, it should be transferred to the fixed assets. The judgement standard of the expected usable status should satisfy one of the following standards:

- ①The entity construction (include installation) of the fixed assets has been finished completely or finished completely in essence;
- ②The fixed assets have produced for test or operated for test. And the results indicate that the assets can run normally or produce the qualified products stably, or the result of the trial production indicates the assets can run or operate normally;
- ③The expenditure on the fixed assets constructed are incurred slightly or not incurred at all;
- ④The fixed assets constructed have reached the requirements of design or contract, or they are satisfied basically with the requirements of design or contract.

(3) Impairment test method and impairment provision method of construction

On each balance sheet date, the Company made assessment on whether or not there is any indication of potential impairment of construction in progress. If there is any evidence that indicates the possibility of impairment, it will be taken the impairment test to recognize its recoverable amount and should be made provision at the lower of the carrying value and the recoverable cost. Once made provision for impairment loss, it cannot be reversed in the subsequent accounting periods.

The recoverable amount of construction in progress is measured at the higher of the asset's fair value less costs to sell and the present value of the expected cash flow.

16. Borrowing costs

(1) Recognition principle of borrowing cost capitalization

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. And other borrowing costs are debited to the income statement according to the recognition of the incurred amount. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, those qualifying asset could be fixed assets, investment property and inventories.

(2) Computation method of the capitalization amount

The period of capitalization is from the time point of borrowing costs starting capitalization to the time point of ending capitalization. The period of capitalization suspended is excluded.

The period of capitalization suspended: The capitalization should be suspended if the process of construction or production is interrupted improperly and the interruption periods exceed 3 months continually.

The computation of the capitalization amount: ①the special borrowing is recognized by the interest expenses incurred actually in current period of special borrowing less the interest income from unused borrowings deposited

in bank or the investment income from temporary investments; ②using normal borrowings is calculated by the weighted average amount of accumulated asset expenditure exceeding the special borrowing for the asset expenditure times the capitalization rate of normal borrowings. The capitalization rate is calculated using weighted average borrowing rate; ③the amortized amount of the discounted value or premium of borrowing in every accounting period is recognized by the effective interest rate, and the interest amount in every period is also adjusted.

The effective interest method is the method used to calculating its amortized value or premium or interest expenses by the effective interest rate of borrowings. The effective interest rate is the rate used to discounting the future cash flows in the expected continual periods as the book value of the borrowing.

17. Intangible assets

(1) Valuation method of intangible assets

The opening balance of intangible assets is measured at its cost. Those intangible assets bought outside should be recognized by actual cost expenses. The effective cost of intangible assets invested by investors is recognized by agreed cost in investment contract or agreement. If the agreed cost is not fair, the effective cost is recognized as the fair value. The cost of intangible asset developed by self is the total expenses of it reaching the expected use.

The subsequent measurement of intangible assets is: ①the intangible assets with finite life are amortized using straight-line method, and at the end of reporting period, the life and amortization method is reviewed. If there is difference with the previous estimates, the adjustment will be carried out; ② the intangible assets with infinite life are not amortized. At the end of reporting period, however, the life is reviewed. If there is any evidence that can demonstrate the life is finite, the life of intangible assets will be estimated and amortized by straight-line method.

(2) Estimation of the usable life of intangible assets with finite life

The company consider the following factors when estimating the life of intangible assets with finite life: ① the life cycle of the products produced by the assets, and the available information of the similar assets' life; ②the current stage of technology, art and so on, and the evaluation of future development trend; ③the market demand of products or services provided by the assets; ④current or potential competitors are expected to take action; ⑤ expected maintenance expenses for maintaining the ability of the assets to bring economic benefits, and the company's ability of expected to pay the expenses; ⑥relevant laws and regulations or similar restrictions for the controlling period of the assets, such as concessional using period and the leasing period; ⑦ relevance that is related to service life of other assets held by the company.

(3) Judgement basis of infinite life

The company cannot expect the future economic benefits that will flow to the company. Or if the life cannot be identified, the intangible assets are identified as the intangible assets with infinite life.

The judgement basis of infinite life is: ①derived from the contractual right or other statutory right, but the regulation of contract or law has no clear life; ②combined with the information of the same industry or the

argument of experts, but still cannot judge the time limit of the future economic benefits that will flow to the company.

On each balance sheet date, the company should review the usage life of infinite life intangible asset by department employing these assets and then evaluating whether the basis has changed or not.

(4) The impairment test method and provision method of intangible assets

At the end of reporting period, the company should check whether the intangible assets are impaired or not. If there has the indication that the intangible assets are impaired, the recoverable amount is recognized by taking impairment test and the intangible assets are made provision at the lower of book value and recoverable amount. Once the impairment loss of intangible assets is identified, it will not be back in the subsequent accounting periods.

The impairment test method is that the intangible assets that indicate the impairment are made the test for the recoverable amount.

The NRV of intangible assets is valued at the higher of the asset's fair value less costs to sell and the present value of the expected cash flow.

(5) Specific standards of R&D stage in internal R&D projects and specific standards of expenditure on development that meet the capitalization conditions

The expenditure on internal R&D are recorded in gain or loss at the occurrence time. The expenditure incurred on development are recognized as intangible assets when satisfying the following conditions simultaneously: ①the technical availability of finishing the intangible asset that can be used or sold; ②equipped with the intention of use and sale after the completion of the intangible asset; ③The mode of creating the economic benefits from the intangible asset includes can demonstrate there is the market for the products of the intangible asset or the intangible asset itself. If the intangible asset is used internally, the usability can be demonstrated; ④there has the supporting by sufficient technique, financial resources and other resources to complete the development of the intangible asset and the company have the competence of using or selling this intangible asset; ⑤The expenditure on the development stage of the intangible asset can be measured reliably.

The specific standards of differentiating research stage and development stage of internal R&D projects: research stage is the planned research for obtaining knowledge of new technology, the preparation for further development, and that there is too much uncertainty of whether the research activities will be transferred to the development and whether intangible assets will be formed after the development.

According to Enterprise Accounting Standards and combining the actual situation of the company, development stage is defined as the period from the research report debut to the review report issued. The expenditure incurred in this period are recorded in income statement.

Development stage is the process of production for business, or using the previous research achievements or other knowledge applied for certain plan or design to produce materials, apparatus and products equipped with substantial improvement. In this stage, the company is equipped with the basic conditions of forming one type of

product of technology to large extent.

According to the actual status of the company, the period of development is defined as the period from the time of the project review passed and the review report given to the time of bulk production. Under the occasion of satisfying the capitalization conditions, the expenditure on the development of this project can be capitalized.

The expenditure belonging to the research of basic application technology are considered as the expenditure on development stage. When they are incurred, all of them are recorded in gain or loss.

18. Long-term prepaid expenses

Long-term prepaid expenses of the company are the expenditure that have been expended but the beneficial period of which is over 1 year (exclude 1 year). They are mainly including mould charge, initial fees of technology and so on. Long-term prepaid expenses are amortized over the beneficial periods. If the project of long-term prepaid expense is not beneficial in the subsequent periods, the amortized value of the project that has not been amortized is transferred to the gain or loss.

19. Accrued liabilities

(1) Recognition standards of accrued liabilities

This obligation is the actual obligation the company undertakes. It probably leads to the outflow of economic benefits and the reliable estimate can be made of its amount.

(2) Valuation method of accrued liabilities

The accrued liabilities are measured initially at the optimal estimates of the expenses of fulfilling the actual obligation. If the expenses cover the serial range and the possibility of various results occurred is the same, the optimal estimate is the mean of this range. If relating to several projects, the optimal estimate is identified in accordance with the possible result of its probability.

At the end of reporting period, the book value of the accrued liabilities should be reviewed. If there is any evidence that can demonstrate the book value does not reflect the current optimal estimate, the book value should be adjusted to the current optimal estimate.

20. Revenue

(1) Goods sold

The company recognizing the revenue of goods sold from the contract or agreement that is received or should be received should satisfy the following conditions: ① the risks and rewards of ownership have been transferred to buyers; ② the company neither maintains the right of continuing management that is related to ownership, nor implements control over goods sold; ③ the amount of revenue can be measured reliably; ④ the future economic benefits probably flow to the company; ⑤ the relevant cost of goods sold that is incurred or will be incurred can be measured reliably.

The receipts of revenue in contract or agreement are by deferred method. The revenue of goods sold provided with financing are recognized in accordance with the fair value of receivables in contract or agreement.

(2) Rendering of services

At the end of the reporting period, if reliably, the revenue of service rendered can be measured by the stage of completion of the transaction.

At the end of the reporting period, if measured unreliably, it must be treated as followed: ① the service costs incurred which can be compensated expectedly are recognized as service revenue and carried down to the service costs with the same amount; ② the service costs incurred which cannot be compensated expectedly are recorded in gain or loss and are not recognized as service revenue.

(3) Transfer of asset-use right

Revenue arising from the transfer of asset-use right shall be recognized only when both of the following conditions are satisfied: it is probable that the associated economic benefits will flow to the enterprise; the amount of the revenue can be measured reliably.

21. Government grants

(1) Types of government grant

Government grants include government grant related to assets and government grant related to income.

(2) Accounting treatment of government grants

Government grant that is related to assets is recognized as deferred income and allocated average over the relevant periods of usable life and recorded in gain or loss. Government grant related to income is treated as: ① if the grant is a compensation for related expenses or losses to be incurred by the Company in subsequent period, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; ② if the grant is a compensation for related expenses or losses that have incurred is recognized directly in income statement.

22. Deferred tax assets and deferred tax liabilities

Recognition of deferred tax assets and deferred tax liabilities:

(1) deferred tax assets or liabilities are recognized in accordance with the difference between the book value of the assets or liabilities and their tax base calculated using the appropriate tax rate over the period of expected assets recovered or liabilities paid.

(2) deferred tax assets are recognized as the amount of income tax recoverable in future periods in respect of deductible temporary difference. At the end of reporting period, if there is any evidence that can demonstrate the company probably recovers the sufficient amount of income tax in future period offsetting deductible temporary difference, the deferred tax assets unrecognized in previous accounting periods are recognized. If the company probably cannot recover the adequate amount of income tax in future period offsetting deductible temporary difference, the book value of deferred tax assets is written down.

(3) To taxable temporary difference related to the subsidiaries and joint venture, the deferred tax liabilities are recognized, unless the company can control the reverse time of temporary difference and this temporary difference cannot be reversed in foreseeable future probably. To deductible temporary difference related to the subsidiaries and joint venture, the deferred tax assets are recognized when this temporary difference can be

reversed in foreseeable future probably and the company can probably recover the sufficient amount of income tax offsetting deductible temporary difference.

23. Leases

Leases that substantially transfer all the rewards and risks of ownership of assets are accounted for as finance leases, otherwise are accounted for as operating leases.

24. Claims of changes in accounting policies and accounting estimate, and correction of prior period errors

(1) Accounting policy changes during reporting period

No change in current reporting period.

(2) Accounting estimate changes during reporting period

No change in current reporting period.

25. Correction of prior period errors

No correction in current reporting period.

III. Taxation

1. The main taxes and tax rate:

Category	Taxable base	Rate
Value-added tax	Revenue of goods sold, processing and repair	17%
Consumption tax	Revenue of taxable consumables	3%
Operating tax	Revenue of leasing and taxable services	5%
City maintenance and construction tax	Value-added tax, operating tax and consumption tax paid	7%
Corporate income tax	Taxable income	15%、25%

2. Tax benefits in the company and its subsidiaries:

The company and its subsidiary (Chongqing Jianshe Vehicle-used Airconditioning LLC.) can enjoy the lower tax rate under the tax policies of Western large-scale development, according to the regulation of Cai Shui[2011]No. 58‘Notice of implementation of tax policies of Western large-scale development’, Corporate income tax of the company and its subsidiary (Chongqing Jianshe Vehicle-used Airconditioning LLC.) is paid at the rate of 15% from 2011.

Corporate income tax of other subsidiaries is paid at the rate of 25%.

The company’s export tax rebate rate of Motorcycle is 14%, according to the regulation of ‘Notice of increasing export tax rebate rate of parts of machinery products’ (Cai Shui [2008] No. 177) issued by the Ministry of Finance and State Taxation Administration.

IV. Consolidation and consolidated financial statements

The subsidiaries controlled actually by the company and the entities with the special purpose are fit into the range of consolidated financial statements.

The consolidated financial statements of the company are prepared in accordance with the regulations of 'No. 33 of Enterprise Accounting Standards—consolidated financial statements', offsetting all the significant internal transactions in the consolidation range. The owner's equity in the subsidiary that are not attributable to the parent company is considered as the minority interest displayed in the consolidated financial statements solely.

When the accounting policies or periods in the subsidiary and the company are inconsistent, the adjustment of the accounting policies or periods in the subsidiary is carried out in accordance with the accounting policies or periods of the company.

For the subsidiary consolidated under non-common control, the adjustment of some consolidated statements is carried out based on the identifiable net assets at the acquisition date when preparing the consolidated financial statements. For the subsidiary consolidated under common control, the consolidation of the subsidiary is treated as occurred at the beginning of the period, and its assets, liabilities, operating performance and cash flows are recorded in consolidated financial statements from the beginning of the period.

1. Information of subsidiaries

(1) Subsidiaries obtained by establishment or investment

Name of subsidiaries	Registered address	Registered capitals (ten thousand Yuan)	Scope of business	Closing balance of effective capitals invested (ten thousand Yuan)	Proportion of shareholding (%)	Proportion of voting right (%)	Consolidated or not	Minority interest (ten thousand Yuan)
Chongqing Jianshe Motorcycle Marketing Co., Ltd.	Chongqing	1,200	Sale of motorcycle and its parts, Vehicle-used airconditioning, electromechanical products (exclude automobile), metal materials (exclude precious metal), household appliances, maintenance and repair of household appliances	1,200	100	100	Yes	
Chongqing Jianshe Vehicle-used Airconditioning LLC.	Chongqing	16,000	Manufacturing, sale and repair of Vehicle-used airconditioning and its parts	16,000	100	100	Yes	
Guangxi Jianshe Motorcycle Co., Ltd.	Nanning	150	Sale of motorcycle and its installation kits	78	52	52	Yes	2.24
Chengdu Jianshe Motorcycle Marketing Co., Ltd.	Chengdu	50	Wholesale and retail of 'Jianshe' motorcycle and its installation kits	50	100	100	Yes	
Huhehaote Jianshe Motorcycle Marketing Co., Ltd.	Huhehaote	50	Wholesale and retail of motorcycle and its parts	50	100	100	Yes	
Chongqing Jianshe Motorcycle Consignment Co., Ltd.	Chongqing	50	Sale of Vehicle, motorcycle and its installation kits	50	100	100	Yes	
Ningbo Jianshe Motorcycle Manufacturing Co., Ltd.	Ningbo	1,600	Production and sale of motorcycle and its parts	816	51	51	No	

(2) Subsidiaries consolidated by companies under common control

Name of subsidiaries	Registered address	Nature of business	Registered capitals (ten thousand Yuan)	Closing balance of effective capitals invested (ten thousand Yuan)	Proportion of shareholding (%)	Proportion of voting right (%)	Consolidated or not	Minority interest
Chongqing Northern Import and Export Trade Co., Ltd.	Chongqing	Foreign trade	6,037.80	6,037.80	100	100	Yes	

(3) Subsidiaries consolidated by companies under uncommon control

Name of subsidiaries	Registered address	Registered capitals	Scope of business	Closing	Proportion of shareholding	Proportion of voting right (%)	Consolidated or not	Minority interest
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		(ten thousand Yuan)		balance of effective capitals invested (ten thousand Yuan)	(%)			(ten thousand Yuan)
Shanghai Jianshe Motorcycle Co., Ltd.	Shanghai	1,600	Motorcycle with two wheels, portable motorcycle with two wheels and installation kits manufacturing and sale, moped manufacturing and sale, power-driven bicycle and its parts manufacturing and sale	816	51	51	Yes	241.76

2. The changes of scope of consolidated financial statements

(1) Subsidiaries that the company possess 50% or under 50% voting right and that are fit into consolidation range is not exist.

(2) Invested companies that the company possess over 50% voting right but that are not fit into consolidation range

Name of companies	Proportion of voting right	Reasons for not bringing into the range of consolidation
Ningbo Jianshe Motorcycle Manufacturing Co., Ltd.	51%	The company have stopped operation and have made the impairment provision for full amount of equity.

3. Instruction of the change of consolidation range in the reporting period

None.

V. Notes to the significant items of consolidated financial statements

1. Cash and cash equivalents

(1) Category of cash and cash equivalents

Items	31 December 2011			1 January 2011		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash:	—	—	124,504.75	—	—	108,533.28
Of which: RMB	—	—	122,160.82	—	—	108,533.28
USD	372.00	6.3009	2,343.93			
EUR						
Bank deposits:	—	—	160,953,902.13	—	—	249,092,864.49
Of which: RMB	—	—	148,347,161.93	—	—	234,390,860.47
USD	1,866,287.28	6.3009	11,759,289.53	2,197,430.12	6.6227	14,552,920.45
EUR	103,822.44	8.1625	847,450.67	16,928.81	8.8065	149,083.57
Other monetary assets:	—	—	29,558,797.18	—	—	576,238,629.13
Of which: RMB	—	—	29,542,736.56	—	—	576,238,629.13
USD						
EUR	1,967.61	8.1625	16,060.62			
Total	—	—	190,637,204.06	—	—	825,440,026.90

(2) Details of other monetary assets

Items	31 December 2011	1 January 2011
Bank acceptance exchange-bill security	22,426,832.17	557,982,500.00

Items	31 December 2011	1 January 2011
Letter of credit security	7,131,965.01	245,129.13
Term deposits		18,000,000.00
Letter of guarantee security		11,000.00
Total	29,558,797.18	576,238,629.13

2. Notes receivable

(1) Category of notes receivable

Items	31 December 2011	1 January 2011
Bank acceptance note	255,630,070.43	113,287,107.16
Business acceptance note		
Total	255,630,070.43	113,287,107.16

(2) Top 5 Notes receivable used for pledge

Pledger	Issuing date	Maturity date	Book value
Chongqing Jianshe Vehicle-used Airconditioning LLC.	2011/9/22	2012/3/22	26,780,000.00
Chongqing Jianshe Vehicle-used Airconditioning LLC.	2011/10/25	2012/4/25	39,350,000.00
Chongqing Jianshe Vehicle-used Airconditioning LLC.	2011/12/29	2012/6/29	11,610,000.00
Chongqing Jianshe Motorcycle Marketing Co.,Ltd.	2011/11/23	2012/5/23	37,000,000.00
Chongqing Jianshe Motorcycle Marketing Co.,Ltd.	2011/12/29	2012/6/29	18,352,500.00
Total			133,092,500.00

(3) Top 5 Notes receivable transferred to account receivables

The Company has no notes receivable were reclassified as accounts receivable.

(4) Top 5 Notes receivable endorsed to third parties but not yet matured is as follows:

Drawer	Issuing date	Maturity date	Book value
1. Chongqing Changan Auto Co., Ltd.	2011.07.20	2012.01.10	5,000,000.00
2. Chongqing Changan Auto Co., Ltd.	2011.10.19	2012.04.10	5,000,000.00
3. Chongqing Changan Auto Co., Ltd.	2011.07.20	2012.01.10	5,000,000.00
4. Greatwall Vehicle Co., Ltd.	2011.08.15	2012.02.15	4,000,000.00
5. Greatwall Vehicle Co., Ltd.	2011.09.21	2012.03.21	4,000,000.00

3. Account receivables

(1) Category of account receivables

Category	31 December 2011			
	Balance		Provision	
	Amount	Proportion (%)	Amount	Proportion (%)

Category	31 December 2011			
	Balance		Provision	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Individual significant account receivables and individual impairment test				
2. Account receivables impairment test on risk group	175,125,570.34	95.37	10,913,774.50	6.23
3. Account receivables that individual insignificant but individual impairment test	8,500,782.79	4.63	8,500,782.79	100.00
Total	183,626,353.13	100.00	19,414,557.29	10.57

Category	1 January 2011			
	Balance		Provision	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Individual significant account receivables and individual impairment test				
2. Account receivables impairment test on risk group	186,294,298.10	95.84	10,854,218.17	5.83
3. Account receivables that individual insignificant but individual impairment test	8,083,509.05	4.16	7,718,306.22	95.48
合计	194,377,807.15	100.00	18,572,524.39	9.55

Note: The company identifies the standard of account receivables with individual significant amount as 5,000,000 Yuan in accordance with operation scale and business nature. To account receivables with individual significant amount that are not impaired after individual impairment test, the company made provision for bad debt in accordance with account aging percentage.

Account receivables with individual insignificant amount but with large risk after combination by credit risk are the receivables over 3 years that are difficult to get back.

The risk group of Aging analysis

Account aging	31 December 2011			1 January 2011		
	Amount	Proportion (%)	Provision	Amount	Proportion (%)	Provision
Within 1 year	162,718,945.19	92.92	8,135,947.26	173,116,666.72	92.92	8,671,627.82
1-2 years	2,033,814.27	1.16	203,381.43	8,749,636.52	4.70	874,963.66
2-3 years	8,708,328.26	4.97	1,742,204.50	3,021,235.82	1.62	604,247.17
Over 3 years	1,664,482.62	0.95	832,241.31	1,406,759.04	0.76	703,379.52
Total	175,125,570.34	100.00	10,913,774.50	186,294,298.10	100.00	10,854,218.17

At 31 December 2011, account receivables that individual insignificant but individual impairment test

Items	31 December 2011	Bad debt	Proportion of provision	Provision reasons
Domestic sale receivables	3,411,189.09	3,411,189.09	100.00%	Account aging over 3 years and difficult to get back
Export sale receivables	5,089,593.70	5,089,593.70	100.00%	Account aging over 3 years and difficult to get back
Total	8,500,782.79	8,500,782.79	—	—

(2) Account receivables due from shareholders with voting rights of 5% or above

At 31 December 2011, there were no account receivables due from shareholders with voting rights of 5% or

above.

(3) Top 5 clients' closing balance of account receivables

Debtors	Relationship with the Group	Amount	Account aging	Proportion of total receivables (%)
1、China Northern Vehicle Co., Ltd.	Third party	28,981,722.38	Within 1 year	15.78
2、Greatwall Vehicle Co., Ltd.	Third party	26,401,850.77	Within 1 year	14.38
3、Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Joint venture	23,262,463.62	Within 1 year	12.67
4、Baoding Greatwall Northern China Vehicle Co., Ltd.	Third party	7,901,074.63	Within 1 year	4.30
5、Chongqing Changan Auto Co., Ltd.	Control by same party	6,179,437.62	Within 1 year	3.37
Total	—	92,726,549.02	—	50.50

(4) Account receivables from related parties are as following

Debtors	Relationship with the Group	Amount	Proportion of total receivables (%)
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Control by same party	23,262,463.62	12.67
Jinan Qinqi Sales Co., Ltd.	Control by same party	787,400.41	0.43
Chongqing Changan Auto Co., Ltd.	Control by same party	6,179,437.62	3.37
Hebei Changan Auto Co., Ltd.	Control by same party	259,217.40	0.14
Nanjing Changan Auto Co., Ltd.	Control by same party	1,256,522.19	0.68
Jiangxi Changhe Suzuki Auto Co., Ltd.	Control by same party	1,751,591.07	0.95
Chongqing Changan Suzuki Auto Co., Ltd.	Control by same party	1,532,172.37	0.83
Total	—	35,028,804.68	19.07

(5) Foreign currency account receivables

Foreign currency	31 December 2011			1 January 2011		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	5,491,569.10	6.3009	34,601,827.73	4,888,810.13	6.6227	32,377,122.85
EUR				148,975.00	8.8065	1,311,948.34
JPY				9,802,605.25	0.0813	796,559.70
Total	—	—	34,601,827.73	—	—	34,485,630.89

4. Prepayments

(1) Prepayments displayed by account aging

Account aging	31 December 2011		1 January 2011	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	56,866,929.14	67.55	85,715,147.23	82.70
1-2 years	24,430,708.59	29.02	14,968,867.02	14.44
2-3 years	460,885.35	0.55	939,283.57	0.90
Over 3 years	2,422,184.52	2.88	2,026,502.09	1.96
Total	84,180,707.60	100.00	103,649,799.91	100.00

(2) Top 5 prepayments

Debtors	Relationship with the Group	Amount	Proportion of total prepayments (%)	Payment time	Reason for being outstanding
1 Panzihua steel group international trading Co., Ltd. Chongqing branch	Third party	15,983,719.27	18.99	2011	Construction not finish
2 Hongkong Jiashi industry Co., Ltd.	Third party	15,796,682.39	18.77	2010 -2011	goods not received
3 WILLEMING-MACODEL S.A.	Third party	14,438,281.20	17.15	2010 -2011	goods not received
4 Shanhai Yige management consulting Co., Ltd.	Third party	1,905,000.00	2.26	2011	goods not received
5 Chongqing Jianshe machinery Co., Ltd.	Control by same party	1,818,083.40	2.16	2011	goods not received
Total	—	49,941,766.26	59.33	—	—

(3) Advances paid to the shareholders with voting rights of 5% or above

At 31 December 2011, there were no advances paid to the shareholders with voting rights of 5% or above.

5. Dividend receivables

Item	1 January 2011	Increase	Decrease	31 December 2011
Dividend receivables within 1 year		16,000,000.00	16,000,000.00	
Total		16,000,000.00	16,000,000.00	

Note: The Company received RMB 16,000,000 dividends from joint venture this year.

6. Other receivables
(1) Category of other receivables

Category	31 December 2011			
	Balance		Provision	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Individual significant other receivables and individual impairment test	3,013,664.00	11.20	3,013,664.00	100.00
2. Other receivables impairment test on risk group	20,465,715.09	76.03	1,455,227.37	7.11
3. Other receivables that individual insignificant but individual impairment test	3,438,304.32	12.77	1,635,970.21	47.58
Total	26,917,683.41	100.00	6,104,861.58	22.68

Category	1 January 2011			
	Balance		Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Individual significant other receivables and individual impairment test	3,013,664.00	7.92	3,013,664.00	100.00
2. Other receivables impairment test on risk group	24,862,529.61	65.30	1,750,143.24	7.04
3. Other receivables that individual insignificant but individual impairment test	10,197,898.50	26.78	1,224,370.74	12.01
Total	38,074,092.11	100.00	5,988,177.98	15.73

Note: The company identifies the standard of account receivables with individual significant amount as 3,000,000 Yuan in accordance with operation scale and business nature. To receivables with individual significant amount that are not impaired after individual impairment test, the company made provision for bad debt in accordance with account aging percentage.

Account receivables with individual insignificant amount but with large risk after combination by credit risk are the receivables over 3 years that are difficult to get back.

The risk group of Aging analysis

Account aging	31 December 2011			1 January 2011		
	Amount	Proportion (%)	Provision	Amount	Proportion (%)	Provision
Within 1 year	15,341,247.02	74.96	747,108.71	21,962,800.00	88.34	1,098,140.01
1-2 years	4,347,905.24	21.25	434,790.53	1,307,214.89	5.26	130,721.49
2-3 years	383,177.61	1.87	76,635.52	916,585.43	3.69	183,317.09
Over 3 years	393,385.22	1.92	196,692.61	675,929.29	2.71	337,964.65
Total	20,465,715.09	100.00	1,455,227.37	24,862,529.61	100.00	1,750,143.24

At 31 December 2011, other receivables that individual insignificant but conduct individual impairment test

Item	31 December 2011	Bad debt	Proportion of provision	Provision reasons
Receivables of refund export tax	1,802,334.11			Small risk, short term
Others	1,635,970.21	1,635,970.21	100.00	Over 3 years, difficult to receive
Total	3,438,304.32	1,635,970.21	47.58	

(2) Other receivables due from shareholders with voting rights of 5% or above

At 31 December 2011, there were no other receivables due from shareholders with voting rights of 5% or above.

(3) Top 5 other receivables

Debtors	Relationship with the Group	Amount	Account aging	Proportion of other receivables (%)
1 Reserve borrowings	employee	8,795,228.03	Within 1 year	32.67
2 Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Joint venture	3,069,077.45	Within 1 year	11.40
3 Shenzhen Jianshe Motorcycle Co., Ltd.	Third party	3,013,664.00	Over 3 years	11.20
4 Receivables of refund export tax	Third party	1,802,334.11	Within 1 year	6.70
5 Ningbo Jianshe Motorcycle Co., Ltd.	Third party	1,021,664.04	Over 3 years	3.80
Total	—	17,701,967.63	—	65.76

(4) Other receivables from related parties

Debtors	Relationship with the Group	Amount	Proportion of other receivables (%)
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Joint venture	3,069,077.45	11.40

7. Inventories

(1) Category of inventories

Items	31 December 2011	1 January 2011
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	Balance	Provision	Net carrying amount	balance	Provision	Net carrying amount
Raw materials	66,917,845.90		66,917,845.90	28,503,085.28		28,503,085.28
Work in progress	10,132,546.58		10,132,546.58	13,011,398.77		13,011,398.77
Finished goods	250,596,134.11		250,596,134.11	258,980,792.23		258,980,792.23
Total	327,646,526.59		327,646,526.59	300,495,276.28		300,495,276.28

8. Investment in joint ventures and associates

(1) Information of joint ventures

Invested companies	Proportion of shareholding (%)	Proportion of voting right (%)	Closing Total assets	Closing total liabilities	Closing Total equity	Total operating income of 2011	Net profit of 2011
Chongqing Pingshan Taikai Carburetor Co., Ltd.	49.00	49.00	186,633,224.57	28,528,859.19	158,104,365.38	131,506,602.00	7,627,741.51
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	50.00	50.00	1,245,263,494.92	656,741,902.32	588,521,592.60	2,176,863,568.01	21,819,524.81
Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd.	50.00	50.00	795,537,036.76	243,443,857.45	552,093,179.31	1,074,391,908.50	41,901,259.46

(2) Information of associates

Invested companies	Proportion of shareholding (%)	Proportion of voting right (%)	Closing Total assets	Closing Total liabilities	Closing Total equity	Total operating income of 2011	Net profit of 2011
Chongqing Fuyeda Property Management Co., Ltd.	20.00	20.00	5,449,229.34	5,181,371.41	267,857.93	18,644,076.41	566,783.96
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	30.00	30.00	52,813,238.91	48,088,479.57	10,647,765.20	125,722,488.70	2,268,544.30

9. Long-term equity investments

(1) Long-term equity investments displayed as followed

Invested companies	Initial costs	1 January 2011	Increase ("decrease")	31 December 2011	Proportion of shareholding (%)	Proportion of voting right (%)	Statements of the differences between proportion of shareholding and Proportion of voting right	provision	dividend
I. Cost method									
Chongqing Jingjian Vehicle-used Airconditioning LLC.	3,200,000.00	3,200,000.00		3,200,000.00	6.74	6.74		3,200,000.00	
Ningbo Jianshe Motorcycle Manufacturing Co., Ltd.	8,160,000.00	1,140,915.04		1,140,915.04	51.00	51.00		1,140,915.04	
Chongqing south motorcycle technology development Co., Ltd.	20,000,000.00	10,000,000.00	10,000,000.00	20,000,000.00	8.33	8.33			
Subtotal	31,360,000.00	14,340,915.04	10,000,000.00	24,340,915.04				4,340,915.04	
II. Equity method									
Chongqing Pingshan Taikai Carburetor Co., Ltd.	67,316,539.87	74,931,165.04	3,138,783.68	78,069,948.72	49.00	49.00			
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	154,699,622.03	281,915,840.30	5,909,762.41	287,825,602.71	50.00	50.00			5,000,000.00
Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd.	215,710,320.08	262,375,770.69	9,589,803.28	271,965,573.97	50.00	50.00			11,000,000.00
Chongqing Fuyeda Property Management Co., Ltd.	400,000.00		53,571.58	53,571.58	20.00	20.00			
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	3,000,000.00	2,513,766.27	680,563.29	3,194,329.56	30.00	30.00			
Subtotal	441,126,481.98	621,736,542.30	19,372,484.24	641,109,026.54				4,340,915.04	
Total	472,486,481.98	636,077,457.34	29,372,484.24	665,449,941.58	—	—	—	4,340,915.04	16,000,000.00

Notes: The Company invest in Chongqing south Motorcycle technology development Co.,Ltd. ("Technology company") by cash together with the related

parties, including China South Industries Group Corporation, China Jialing industrial Co., Ltd., Jinan Qingqi Motorcycle Co., Ltd., Luoyang North enterprise Group Co., Ltd., the registered capitals of Technology company is RMB120 million. The Company prepare to invest RMB20 million to the new entity, proportion of shareholding is 16.67%. As of 31 December 2010, the Company invest RMB10 million actually. The joint investment transaction has been verified by the report 'zhongxincai guanghua(Yu)shenyanzi(2010)No.009' issued by Zhongxingcai Guanghua CPA firm. This year, the company invested the rest RMB10 million in Technology company. This capital increase has not yet been verified.

10. Fixed assets

(1) Details and changes of fixed assets and accumulated depreciation

Items	1 January 2011	Increase		Decrease	31 December 2011
I. Cost	1,468,224,650.66	29,103,634.17		1,509,346.83	1,495,818,938.00
Buildings	421,201,810.19	1,677,564.23			422,879,374.42
Machineries and equipment	989,873,996.98	11,252,155.74		275,178.68	1,000,850,974.04
Motor vehicles and office facility	57,148,843.49	16,173,914.20		1,234,168.15	72,088,589.54
		Other Increase	depreciation	—	
II. Accumulated depreciation	612,627,188.78	69,160,022.81		680,651,145.60	612,627,188.78
Buildings	26,003,669.37	13,814,255.27		39,817,924.64	26,003,669.37
Machineries and equipment	562,335,263.00	47,406,550.28		609,494,730.86	562,335,263.00
Motor vehicles and office facility	24,288,256.41	7,939,217.26		31,338,490.10	24,288,256.41
III. Net carrying amount	855,597,461.88			7,939,217.26	815,167,792.40
Buildings	395,198,140.82				383,061,449.78
Machineries and equipment	427,538,733.98				391,356,243.18
Motor vehicles and office facility	32,860,587.08				40,750,099.44
IV. Impairment provision					
Buildings					
Machineries and equipment					
Motor vehicles and office facility					
V. Total book value	855,597,461.88				815,167,792.40
Buildings	395,198,140.82				383,061,449.78
Machineries and equipment	427,538,733.98				391,356,243.18
Motor vehicles and office facility	32,860,587.08				40,750,099.44

Note: Depreciation for 2011 is RMB69,160,022.81. In 2011, the value of property, plant and equipment transferred from construction in progress is RMB29,103,634.17.

Fixed assets for operating leasing

Items	Net carrying value
Buildings	21,220,500.16
Machineries and equipments	8,507,884.98
Motor vehicles	23,806.85
Others	16,445.55
Total	29,768,637.54

Fixed assets without property certificate

Items	Reasons for property right certificate unsettled	Estimated time of settling property right certificate
Buildings in new factory district	The formalities of entrusting takeover and	After the settlement of the formalities of

Items	Reasons for property right certificate unsettled	Estimated time of settling property right certificate
	construction Chongqing Jianshe Machinery Co., Ltd. and the clearance formalities of construction project are not settled	entrusting takeover and construction Chongqing Jianshe Machinery Co., Ltd.

11. Construction in progress

(1) Details and changes of construction in progress

Items	31 December 2011			1 January 2011		
	Balance	Provision	Carrying value	Balance	Provision	Carrying value
Equipment reconstruction	106,999.00		106,999.00			
New product testing field				1,040,282.31		1,040,282.31
Others	530,820.15		530,820.15			
Total	637,819.15		637,819.15	1,040,282.31		1,040,282.31

(2) Details and changes of significant construction in progress

Items	1 January 2011	Increase	Transferred to fixed asset	Other subtraction	31 December 2011	Financed by
Equipment reconstruction		28,170,350.86	28,063,351.86		106,999.00	Self-raised
New product testing field	1,040,282.31		1,040,282.31			Self-raised
New factory relocation project		399,820.15			399,820.15	Self-raised
Others		131,000.00			131,000.00	Self-raised
Total	1,040,282.31	28,701,171.01	29,103,634.17		637,819.15	—

12. Intangible assets

(1) Details and changes of Intangible assets

Items	1 January 2011	Increase	Decrease	31 December 2011
I . Cost	107,631,735.42	30,082,854.85		137,714,590.27
Land use right	94,574,636.64	10,110,331.19		104,684,967.83
Non-patent technique	13,057,098.78	19,972,523.66		33,029,622.44
II .Accumulated amortization	17,445,821.09	6,101,003.09		23,546,824.18
Land use right	11,886,167.49	1,889,250.60		13,775,418.09
Non-patent technique	5,559,653.60	4,211,752.49		9,771,406.09
III. Net carrying amount	90,185,914.33			114,167,766.09
Land use right	82,688,469.15			90,909,549.74
Non-patent technique	7,497,445.18			23,258,216.35
IV. Impairment provision				
Land use right				
Non-patent technique				
V . Total book value	90,185,914.33			114,167,766.09
Land use right	82,688,469.15			90,909,549.74

Items	1 January 2011	Increase	Decrease	31 December 2011
Non-patent technique	7,497,445.18			23,258,216.35

Note: The amortization of intangible assets in 2011 is RMB 6,101,003.09.

(2) Development expenditures

Items	1 January 2011	Increase	Decrease		31 December 2011
			Recorded into income statement	Recognized as intangible assets	
Motorcycle Development	39,784,277.07	11,679,842.31		19,972,523.66	31,491,595.72
Engine Development	6,146,255.91	917,174.85			7,063,430.76
New resources Development	442,184.75	1,644,800.96			2,086,985.71
Motorcycle and parts research		25,409,214.29	25,409,214.29		
Vehicle-used Airconditioning research		10,016,891.32	10,016,891.32		
Total	46,372,717.73	49,667,923.73	35,426,105.61	19,972,523.66	40,642,012.19

13. Long-term prepaid expenses

Items	1 January 2011	Increase	Amortization	Other subtraction	31 December 2011
Mould casting	2,550,355.83	4,511,564.57	3,982,885.52		3,079,034.88
83 Model aluminum machine technique induction fees	10,262,546.88		1,383,409.92		8,879,136.96
Total	12,812,902.71	4,511,564.57	5,366,295.44		11,958,171.84

14. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities that have been recognized

Items	31 December 2011	1 January 2011
Deferred tax assets:		
Provision of assets	3,695,408.84	4,926,976.52
Deductible losses		3,814,317.31
Total	3,695,408.84	8,741,293.83

(2) Details of deferred tax assets unrecognized

Items	31 December 2011	1 January 2011
Deductible temporary difference	12,201,297.90	2,800,272.81
Deductible losses	698,715,427.07	472,122,530.86
Total	710,916,724.97	474,922,803.67

Note: Due to the uncertainty of income tax reclaimed in the future, the company and its subsidiaries (Chongqing Jianshe Marketing LLC. and Shanghai Jianshe Motorcycle LLC.) did not recognize the deductible temporary difference and deductible loss of deferred tax assets.

(3) unrecognized deferred tax assets will be mature in the year listed below

Year	31 December 2011	1 January 2011

Year	31 December 2011	1 January 2011
2011		543,256.52
2012	29,135,673.18	31,946,756.46
2013	211,366,725.94	219,752,411.90
2014	144,543,012.31	144,543,012.31
2015	75,337,093.67	75,337,093.67
2016	238,332,921.97	
Total	698,715,427.07	472,122,530.86

(4) Temporary difference arised by related assets and liabilities

Items	Amount
Deductible temporary difference:	
Provision of assets	17,659,036.01
Deductible losses	
Total	17,659,036.01

15. Asset impairment provision

Items	1 January 2011	Increase	Decrease		31 December 2011
			Recovery	Write-off	
Bad debt provision	24,560,702.37	958,716.50			25,519,418.87
Impairment provision of long-term investment	4,340,915.04				4,340,915.04
Total	28,901,617.41	958,716.50			29,860,333.91

16. Other non-current assets

Items	31 December 2011	1 January 2011
Debit difference of equity investment in Shanghai Jianshe Motorcycle Co., Ltd. under former accounting policy	1,224,000.00	1,632,000.00
Total	1,224,000.00	1,632,000.00

Note: The subsidiary (Shanghai Jianshe Motorcycle LLC.) is consolidated by company not controlled commonly through the company. Due to the company cannot amortize the balance of the difference between fair value and book value of the identifiable assets and liabilities in Shanghai Jianshe Motorcycle LLC. less the amortized amount on the acquisition date to all the identifiable assets and liabilities of Shanghai Jianshe Motorcycle LLC. by the reasonable method. Therefore, the company amortized the balance of previous equity investment difference average over the remaining period, according to 'Expert Group's Opinion to Implementation Issue in Enterprise Accounting Standards', and the balance that has not been amortized is displayed in 'other non-current assets' in consolidated balance sheet.

17. Assets with restricted ownership

Items	31 December 2011	Reasons for limited ownership or using right
I. Assets used for guarantee		
Cash and cash equivalents-others	29,558,797.18	Bank acceptance security, letter of credit security or pledge loan
Notes receivable	133,092,500.00	Bank acceptance security

Account receivables	3,900,257.10	Pledge loan
Fixed assets	27,828,880.38	Mortgage loan
Of which: Buildings	27,828,880.38	Mortgage loan
Machinery and equipment	148,853,467.11	Mortgage loan
Intangible assets	22,229,225.30	Mortgage loan
Of which: land-use right	22,229,225.30	Mortgage loan
II .restricted ownership with other reasons		
Total	216,609,659.96	

18. Short-term loan

Short-term loan displayed by category

Category	31 December 2011	1 January 2011
Pledge loan	43,712,513.10	23,161,440.00
Mortgage loan	74,000,000.00	109,450,000.00
Guarantee loan	215,720,000.00	33,000,000.00
Credit loan	553,000,000.00	250,000,000.00
Total	886,432,513.10	415,611,440.00

a. Pledge loan:

Debtors	Creditors	Amount	Pledge goods
Chongqing Northern Jianshe Import and Export Trade LLC.	Huaxia Bank	3,900,257.10	Account receivables of Chongqing Northern Jianshe Import and Export Trade LLC.
Chongqing Jianshe Vehicle-used Airconditioning LLC.	BOC Jiulong Branch	9,812,256.00	Other monetary assets of Chongqing Jianshe Vehicle-used Airconditioning LLC.
Chongqing Jianshe Motorcycle Marketing Co.,Ltd.	ICBC	30,000,000.00	Other monetary assets of Chongqing Jianshe Motorcycle Co., Ltd.
Total		43,712,513.10	

b. Mortgage loan:

Debtors	Creditors	Amount	Collaterals
Chongqing Jianshe Motorcycle Co., Ltd.	EIBC Chongqing Branch	70,000,000.00	Property of Chongqing Jianshe Vehicle-used Airconditioning LLC.
Shanghai Jianshe Motorcycle LLC.	ICBC Shanghai Fengxian Branch	4,000,000.00	Property of Shanghai Jianshe Motorcycle LLC.
Total		74,000,000.00	

c. Guarantee loan:

Debtors	Creditors	Amount	Guarantors
Chongqing Jianshe Vehicle-used Airconditioning LLC.	CITIC Chongqing Branch	40,000,000.00	Chongqing Jianshe Motorcycle Co., Ltd.
	Chongqing Bank	50,000,000.00	Chongqing Jianshe Motorcycle Co., Ltd.
Chongqing Jianshe Motorcycle Co., Ltd.	CMSB	17,220,000.00	Chongqing Jianshe Vehicle-used Airconditioning LLC.
	CITIC Chongqing Branch	30,000,000.00	Chongqing Jianshe Vehicle-used Airconditioning LLC.
	Bank of Communications	48,500,000.00	Chongqing Jianshe Vehicle-used Airconditioning LLC.
	CITIC Chongqing Branch	10,000,000.00	Chongqing Jianshe Vehicle-used Airconditioning LLC.
	BOC Jiulong Branch	20,000,000.00	Southwest Weapon Industrial Company
Total		215,720,000.00	

d. Credit loan:

Debtors	Creditors	Amount
Shanghai Jianshe Motorcycle LLC.	Shanghai Yangwang Investment Development LLC.	3,000,000.00
Chongqing Jianshe Vehicle-used Airconditioning LLC.	CBC Yangjiaping Branch	50,000,000.00
	CMBC Jiulong Branch	100,000,000.00
Chongqing Jianshe Motorcycle Co., Ltd.	ICBC Chongqing Yangjiaping Branch	20,000,000.00
	Chongqing Bank	50,000,000.00
	Huaxia Bank	80,000,000.00
	China Everbright Bank Chongqing Branch	50,000,000.00
	ABC Chongqing Branch	200,000,000.00
Total		553,000,000.00

19. Notes payable

Items	31 December 2011	1 January 2011
Bank acceptance note	182,052,500.00	1,192,183,328.82
Business acceptance note		
Total;	182,052,500.00	1,192,183,328.82

Note: In the closing balance of note payables, the amount that is mature in the next accounting period is RMB 182,052,500.00.

20. Account payables

(1) Account payables displayed by account aging

Items	31 December 2011		1 January 2011	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	470,352,336.03	95.40	476,396,281.77	98.48
1-2 years	17,402,915.81	3.53	3,953,356.23	0.82
2-3 years	2,270,205.28	0.46	2,580,142.58	0.53
Over 3 years	3,016,008.79	0.61	820,746.03	0.17
Total	493,041,465.91	100.00	483,750,526.61	100.00

(2) payable to shareholders who have over 5% (including 5%) voting right

In closing balance of account payables, there is no payable to shareholders who have over 5% (including 5%) voting right.

21. Receivables in advance

(1) Receivables in advance displayed by account aging

Items	31 December 2011		1 January 2011	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	74,343,892.52	81.83	81,429,495.36	99.81
1-2 years	16,382,202.48	18.03	35,761.38	0.04
2-3 years			1,750.00	0.00
Over 3 years	122,675.88	0.14	120,925.88	0.15
Total	90,848,770.88	100.00	81,587,932.62	100.00

(2) payable to shareholders who have over 5% (including 5%) voting right

In closing balance of receivables in advance, there is no payable to shareholders who have over 5% (including

5%) voting right.

22. Accrued payroll

Items	1 January 2011	Increase	Decrease	31 December 2011
I .Wage, bonus and subsidy	2,030,158.18	131,791,244.96	132,814,704.34	2,030,158.18
II .Welfare		11,788,752.46	11,788,752.46	
III.Social insurance	282,800.53	26,673,257.41	26,742,921.99	213,135.95
Of which: medical insurance	28,980.80	8,009,987.27	8,009,987.27	28,980.80
Basic pension	71,706.78	16,435,116.22	16,435,116.22	71,706.78
Annuity	168,357.20	17,756.75	87,421.33	98,692.62
Unemployment insurance	7,089.91	1,022,629.78	1,022,629.78	7,089.91
Employment injury insurance	3,872.09	773,004.49	773,004.49	3,872.09
Maternity insurance	2,793.75	414,762.90	414,762.90	2,793.75
IV .Housing funds	20,655.24	5,828,078.00	5,828,078.00	20,655.24
V .Labor union and education expenditure		29,414,766.11	29,414,766.11	
VI.Others	258,156.71	4,316,449.70	4,519,405.53	55,200.88
Total	2,591,770.66	209,812,548.64	211,108,628.43	1,295,690.87

23. Tax payables

Items	31 December 2011	1 January 2011
Value-added tax	-6,251,755.49	1,215,595.31
Operating tax	1,372,470.21	1,354,646.36
Consumption tax	138,744,669.34	139,565,535.78
City maintenance	396,464.68	295,949.57
Corporate income tax	-12,292,552.33	-12,298,112.19
Others	75,954.92	159,176.52
Total	122,045,251.33	130,292,791.35

24. Other payables

(1) Other payables displayed by account aging

Items	31 December 2011		1 January 2011	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	39,331,599.87	87.43	35,698,679.54	92.13
1-2 years	3,595,809.23	7.99	1,046,556.70	2.70
2-3 years	784,431.55	1.74	735,947.45	1.90
Over 3 years	1,277,302.25	2.84	1,265,786.35	3.27
Total	44,989,142.90	100.00	38,746,970.04	100.00

(2) Other payables to shareholders who have over 5% (including 5%) voting right

In closing balance of other payables, there is no payable to shareholders who have over 5% (including 5%) voting right.

25. Non-current liabilities due within 1 year

(1) Non-current liabilities due within 1 year displayed by category

category	31 December 2011	1 January 2011
Long-term loan due within 1 year	115,400,000.00	62,500,000.00
Bonds payable due within 1 year		
Long-term payables due within 1 year		
Total	115,400,000.00	62,500,000.00

(2) Long-term loan due within 1 year

a. Long-term loan due within 1 year displayed by category

category	31 December 2011	1 January 2011
Pledge loan		
Mortgage loan		42,500,000.00
Guarantee loan	113,000,000.00	20,000,000.00
Credit loan	2,400,000.00	
Total	115,400,000.00	62,500,000.00

b. Details of long-term loan due within 1 year

Creditors	Starting date	Ending date	Currency	Interest rate	Amount
Chongqing Bank Jiulong Square Branch	2010/01/05	2012/06/21	RMB	6.56%	1,000,000.00
Bank of Communications Jiulongpo Branch	2010/02/23	2012/12/01	RMB	5.08%	1,000,000.00
Bank of China Jiulongpo Branch	2011/03/10	2012/10/21	RMB	6.10%	4,000,000.00
China Construction Bank Yangjiaping Branch	2011/04/01	2012/04/02	RMB	6.10%	2,000,000.00
China Construction Bank Yangjiaping Branch	2011/04/14	2012/07/05	RMB	6.40%	2,000,000.00
Bank of China Jiulongpo Branch	2011/05/17	2012/10/21	RMB	6.40%	6,000,000.00
China Construction Bank Yangjiaping Branch	2011/06/03	2012/12/01	RMB	6.40%	1,000,000.00
Chongqing Bank Jiulong Square Branch	2009/12/28	2012/12/28	RMB	5.40%	47,000,000.00
Bank of Communications Jiulongpo Branch	2010/08/30	2012/07/11	RMB	5.40%	38,500,000.00
Bank of Communications Jiulongpo Branch	2010/03/18	2012/03/16	RMB	5.40%	9,000,000.00
Chongqing Bank Jiulong Square Branch	2009/12/28	2012/06/21	RMB	5.40%	1,000,000.00
Bank of Communications Jiulongpo Branch	2010/08/30	2012/03/12	RMB	5.40%	500,000.00
Chongqing Rural Commercial Bank	2010/08/18	2012/12/21	RMB	5.985%	2,400,000.00
Total	—	—		—	115,400,000.00

26. Long-term loan

(1) Long-term loan displayed by category

category	31 December 2011	1 January 2011
Pledge loan		
Mortgage loan		
Guarantee loan	271,500,000.00	182,000,000.00
Credit loan	195,200,000.00	130,000,000.00
Total	466,700,000.00	312,000,000.00

a. Guarantee loan:

Debtors	Creditors	Amount	Guarantors
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Bank	29,000,000.00	Southwest Weapon Industrial Company
Chongqing Jianshe Motorcycle Co., Ltd.	Bank of Communications Jiulongpo Branch	48,000,000.00	Southwest Weapon Industrial Company
Chongqing Jianshe Motorcycle Co., Ltd.	BOC Jiulongpo Branch	34,000,000.00	Southwest Weapon Industrial Company
Chongqing Jianshe Motorcycle Co., Ltd.	CBC Yangjiaping Branch	48,000,000.00	Southwest Weapon Industrial Company
Chongqing Jianshe Motorcycle Co., Ltd.	CBC Yangjiaping Branch	48,000,000.00	Southwest Weapon Industrial Company
Chongqing Jianshe Motorcycle Co., Ltd.	BOC Jiulongpo Branch	16,000,000.00	Southwest Weapon Industrial Company
Chongqing Jianshe Motorcycle Co., Ltd.	CBC Yangjiaping Branch	48,500,000.00	Southwest Weapon Industrial Company
Total		271,500,000.00	

b. Credit loan

Debtors	Creditors	Amount
Chongqing Jianshe Vehicle-used Airconditioning LLC.	Chongqing Commercial Bank	195,200,000.00

(2) Top 5 long-term loan

Creditors	Starting date	Ending date	Currency	Interest rate	Amount
1. Bank of Communications	2010/02/23	2013/02/23	RMB	5.08%	48,000,000.00
2. CBC Yangjiaping Branch	2011/04/01	2014/03/31	RMB	6.10%	48,000,000.00
3. Chongqing Commercial Bank	2010/08/18	2013/08/17	RMB	4.86%	48,800,000.00
4. Chongqing Commercial Bank	2010/12/28	2013/12/27	RMB	5.27%	48,800,000.00
5. Chongqing Commercial Bank	2010/02/01	2014/02/01	RMB	5.27%	68,000,000.00
Total	—	—		—	261,600,000.00

27. Special payables

Items	1 January 2011	Increase	Decrease	31 December 2011
Technical research	2,269,250.00	343,750.00	1,875,000.00	738,000.00
Total	2,269,250.00	343,750.00	1,875,000.00	738,000.00

28. Share capital

Items	1 January 2011	Changes (+, -)					31 December 2011
		Issue of new shares	Bonus issue	apitalization of surplus reserve	Others	Sub-total	
Total share	477,500,000.00						477,500,000.00

29. Capital surplus

Items	1 January 2011	Increase	Decrease	31 December 2011
Capital premium	344,407,741.07			344,407,741.07
Others	258,772,776.52			258,772,776.52
Total	603,180,517.59			603,180,517.59

30. Surplus reserve

Items	1 January 2011	Increase	Decrease	31 December 2011
Statutory surplus reserve	125,686,000.00			125,686,000.00
Total	125,686,000.00			125,686,000.00

31. Retained earnings

Details of retained earnings

Items	Amount
Closing balance of last period	-731,457,938.07
adjustment of opening balance (+, -)	
Opening balance of current period	-731,457,938.07
Add: Net profit attributable to Shareholders of the Company	-188,442,485.96
Less: Surplus reserve withdrawn	
Surplus random reserve withdrawn	
General risk reserve withdrawn	
Cash dividends distributed	
Stock dividends distributed	
Closing balance of current period	-919,900,424.03

32. Operating revenue and operating costs

(1) Operating revenue

Items	2011	2010
Main operating revenue	2,335,409,121.65	2,352,203,995.82
Others	136,711,899.19	121,697,869.12
Total	2,472,121,020.84	2,473,901,864.94

(2) Operating costs

Items	2011	2010
Main operating costs	2,070,923,743.38	1,972,540,536.25
Others	123,162,466.92	99,107,227.31
Total	2,194,086,210.30	2,071,647,763.56

(3) Main operating businesses displayed by category

Category	2011		2010	
	Main operating revenue	Main operating costs	Main operating revenue	Main operating costs
Motorcycle and its parts	1,669,178,229.71	1,538,431,174.56	1,775,758,664.94	1,515,535,929.18
Vehicle-used airconditioning	666,230,891.94	532,492,568.82	576,445,330.88	457,004,607.07
Total	2,335,409,121.65	2,070,923,743.38	2,352,203,995.82	1,972,540,536.25

(4) Top 5 clients' revenue

Items	Operating revenue	Proportion (%)
Motorcycle and its parts	441,217,271.04	17.84
Vehicle-used airconditioning	433,484,437.47	17.53
Total	874,701,708.51	35.37

33. Operating tax and surcharges

Items	Tax rate	2011	2010
Consumption tax	3%	27,254,343.70	29,160,347.26
Operating tax	5%	657,519.48	1,713,429.24
City maintenance and construction tax	7%、1%	4,191,866.58	1,644,765.40
Education surtax	3%	1,827,037.06	682,295.65
Local education surtax	2%	712,575.91	
Total		34,643,342.73	33,200,837.55

34. Selling expenses

Items	2011	2010
Wage and Welfare	35,425,409.46	32,838,665.48
Depreciation	1,692,723.41	1,459,595.66
Office fee	7,748,146.53	5,456,335.02
Packing fee	7,780.90	96,668.80
Loading fee	1,022,006.78	1,569,494.80
Transport expenses	38,293,867.18	34,416,513.42
Insurance fee	1,126,790.28	1,504,124.31
Operation expenses	230,193.55	4,944.00
Exhibits expenses	720,212.00	983,630.68
Advertisement expenses	26,429,921.31	33,690,122.91
Travelling expenses	9,116,113.02	11,358,700.04
Selling commission	1,690,746.82	1,008,688.45
Sale service expenses	20,028,681.24	21,433,452.06
Sample cost	7,193.17	1,360.00
Repair expenses	6,202,957.92	4,369,662.00
Storage expenses	7,757,157.13	7,293,855.24

Items	2011	2010
Marketing expenses	11,043,185.71	15,792,920.97
Others	1,250,935.97	320,287.73
Total	169,794,022.38	173,599,021.57

35. Administrative expenses

Item	2011	2010
Salary and employee benefit	96,520,412.23	65,579,457.07
Depreciation	7,167,069.58	5,735,535.84
Office expenses	4,132,766.27	3,914,949.49
Water and electricity	855,281.87	1,065,643.55
Travelling expenses	2,196,918.14	2,798,619.01
Transport expenses	2,569,901.35	2,251,858.39
Insurance fee	851,881.46	698,631.76
Leasing expenses	13,050.00	6,000.00
Repair expenses	10,049,171.11	7,378,872.87
Consult expenses	632,791.00	2,529,235.53
Law expenses		17,037.00
Disposal dirty water expenses	591,023.00	463,211.10
Environment expenses	806,581.69	108,443.30
Goods consume	1,175,487.49	1,976,037.13
Heating expenses	156,923.42	206,473.60
R&D expenses	35,719,664.75	32,552,977.10
Technical support expenses	5,783,855.40	8,491,001.46
Taxation	13,300,496.55	3,067,460.41
Amortization	6,101,003.09	4,379,789.47
Entertainment fee	3,304,805.01	3,155,723.20
Meeting fee	140,925.65	267,866.60
agency expenses	1,480,814.62	1,314,764.26
board of directors expenses	470,552.20	361,653.60
Others	9,369,493.33	4,594,731.05
Total	203,390,869.21	152,915,972.79

36. Financial expenses

Items	2011	2010
Interest expenses	86,907,224.29	86,846,265.62
less: Interest income	6,824,405.95	21,204,916.31
Exchange loss	1,601,326.56	2,201,216.52
less: Exchange gain	392,706.31	
Financial fee	1,740,183.54	2,773,246.91

Items	2011	2010
Others	-750,259.41	-646,539.53
Total	82,281,362.72	69,969,273.21

37. Investment income

(1) Details of Investment income

Items	2011	2010
Long-term equity investments measured by cost method		
Long-term equity investments measured by equity method	35,971,293.90	33,015,224.97
Investments from disposal available-for-sale financial asset		5,161,917.00
Others	-1,006,809.66	-1,006,809.66
Total	34,964,484.24	37,170,332.31

Note: The subsidiary (Shanghai Jianshe Motorcycle LLC.) is consolidated by company not controlled commonly through the company. Due to the company cannot amortize the balance (3,264,000 Yuan) of the difference between fair value and book value of the identifiable assets and liabilities in Shanghai Jianshe Motorcycle LLC. less the amortized amount on the acquisition date to all the identifiable assets and liabilities of Shanghai Jianshe Motorcycle LLC. by the reasonable method. Therefore, the company amortized the balance of previous equity investment difference average over the remaining period, according to 'Expert Group's Opinion to Implementation Issue in Enterprise Accounting Standards', and the balance that has not been amortized is displayed in 'other non-current assets' in consolidated balance sheet. The amount of amortization is 408,000 Yuan in 2011.

The company transfer the balance (3,592,857.98 Yuan) of the debit difference of old equity investments in the associate (Chongqing Pingshan Taikai Carburetor Co., Ltd.) in the first implementation date into long-term equity investments as the recognized cost of long-term equity investments in the first implementation date in accordance with 'Enterprise Accounting Standards'. At the same time, the company continues to amortize the debit difference of long-term equity investments in previous remaining periods. The amount of amortization is 598,809.66 Yuan in 2011.

(2) Long-term equity investments measured by cost method

Invested Company	2011	2010
Chongqing Pingshan Taikai Carburetor Co., Ltd.	3,737,593.34	3,422,795.88
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	10,909,762.41	16,993,540.54
Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd.	20,589,803.28	12,378,329.22
Chongqing Fuyeda Property Management Co., Ltd.	53,571.58	-116,882.26
Chongqing Tongsheng Jianshe Industrial Co. Ltd.	680,563.29	337,441.59
Total	35,971,293.90	33,015,224.97

(3) Statement of the investment income

As of 31 December 2011, there was no significant restriction on the remittance of investment income to the investor.

38. Impairment loss

Items	2011	2010
Loss on bad debt	958,716.50	1,583,161.85

Items	2011	2010
Loss on inventory write-down		
Total	958,716.50	1,583,161.85

39. Non-operating income

(1) Details of non-operating income

Items	2011		2010	
	Amount	Recorded into non-operating profit or loss	Amount	Recorded into non-operating profit or loss
Total gain on disposal of non-current assets	38,907.19	38,907.19	877,193.64	877,193.64
Of which: Gain on disposal of fixed assets	38,907.19	38,907.19	877,193.64	877,193.64
Gain on disposal of intangible assets				
Gain on debt restructure				
Gain on non-monetary assets exchange				
Gain on donation				
Gain on government grant	3,890,061.69	3,890,061.69	5,996,138.00	5,996,138.00
Others	2,281,983.57	2,281,983.57	971,299.53	971,299.53
Total	6,210,952.45	6,210,952.45	7,844,631.17	7,844,631.17

(2) Details of government grant

Items	2011	2010	Remarks
Supporting funds of technology innovation R&D in export company	50,000.00	480,000.00	Financial appropriation
Funds of brand projects	160,000.00	150,000.00	Yu foreign trade 【2007】 No. 47
Supporting funds of international market development	151,900.00	170,000.00	Yu foreign trade 【2008】 No. 334
Insurance funds of exports	282,000.00	531,000.00	Yu foreign trade 【2008】 No. 226
Funds of SMB international market development in 2008		56,400.00	Jiulongpo foreign trade (2008) No. 33
Special funds from finance bureau	294,100.00	300,000.00	Notice of reporting industrial development special funds in 2008
Funds of social insurance	738,888.00	3,209,088.00	Yu labor bureau 【2009】 No. 2
Funds from Jiulongpo finance bureau		10,000.00	
"design and simulation of elaborative production logistics in motorcycle enterprises" projects		200,000.00	Yu Ke Fa Ji Zi 【2009】 No. 6
Funds for 1 st technology project		100,000.00	Yu Ke Fa Ji Z [2010] No. 6
Funds for human resource	120,000.00	66,120.00	Wai zhuang Fa[2008]No.2
Fund of Import interest		50,000.00	
patent grant	143,700.00	147,780.00	Banan KE WEI FA[2010]No.21
Industry development special funds	600,000.00	300,000.00	
Employment funds		95,750.00	
Top 10 industry company funds		120,000.00	
Technology grant	300,000.00	10,000.00	
Funds for SMB development	800,000.00		
Others	249,473.69		
Total	3,890,061.69	5,996,138.00	

40. Non-operating expenses

Items	2011		2010	
	Amount	Recorded into non-operating profit or loss	Amount	Recorded into non-operating profit or loss
Total loss on disposal of non-current assets	354,441.12	354,441.12	497,780.22	497,780.22
Of which: Loss on disposal of fixed assets	354,441.12	354,441.12	497,780.22	497,780.22
Loss on disposal of intangible assets				
Loss on debt restructure				
Loss on non-monetary assets exchange				
Public-interest donation expenses	213,306.56	213,306.56	150,000.00	150,000.00
Others	11,700,222.50	11,700,222.50	906,297.52	830,718.86
Total	12,267,970.18	12,267,970.18	1,554,077.74	1,554,077.74

41. Income tax expenses

Items	2011	2010
Current income tax expenses		
Deferred income tax expenses	5,044,687.23	2,449,546.87
Total	5,044,687.23	2,449,546.87

42. Computation of basic earnings per share and diluted earnings per share

According to CSRC Rule No.9 of Information Disclosure of Public-issue Company-computation and disclosure of basic earnings per share and diluted earnings per share (modified in 2010) (CSRC Announcement (2010) No. 2) and CSRC Explanatory Announcement No.1 of Information Disclosure of Public-issue Company-extraordinary gain or loss (2008) (CSRC Announcement (2008) No. 43), the company are required to compute earnings per share:

Items	Code	2011	2010
Net profit attributable to the company's shareholders with ordinary shares (I)	P0	-188,442,485.96	11,956,514.54
Net profit attributable to the company's shareholders with ordinary shares less extraordinary gain or loss (II)	P0	-183,146,060.90	1,510,804.45
Total amount of shares in opening balance	S0	477,500,000.00	477,500,000.00
Increasing amount of share due to capital reserve transferred to share capital or distribution of stock dividends in reporting period	S1		
Increasing amount of share due to issue of new shares or convertible bonds in reporting period	Si		
Decreasing amount of share due to buying-back in reporting period	Sj		
Amount of shrunk shares	Sk		
Months in reporting period	M0		

Items	Code	2011	2010
Accumulated months from the month after the month of share increase to the end of reporting period	Mi		
Accumulated months from the month after the month of share decrease to the end of reporting period	Mj		
Weighted average amount of share issued externally	S	477,500,000.00	477,500,000.00
Basic earnings per share (I)		-0.395	0.025
Basic earnings per share (II)		-0.384	0.003
Net profit attributable to the company's shareholders with ordinary shares after adjustment (I)	P1	-188,442,485.96	11,956,514.54
Net profit attributable to the company's shareholders with ordinary shares after deducting extraordinary gain or loss after adjustment (II)	P1	-183,146,060.90	1,510,804.45
The increase of weighted average amount of ordinary share due to subscription warrants, share warrants and convertible bonds			
Weighted average amount of ordinary share issued externally after dilution			
Diluted earnings per share (I)		-0.395	0.025
Diluted earnings per share (II)		-0.384	0.003

(1) Basic earnings per share

Basic earnings per share = $P0 \div S$

$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$

Of which: P0 is the net profit attributable to the company's shareholders with ordinary shares or the net profit attributable to the company's shareholders with ordinary shares less extraordinary gain or loss; S is Weighted average amount of share issued externally; S0 is the total amount of opening shares; S1 is the increasing amount of share due to capital reserve transferred to share capital or distribution of stock dividends in reporting period; Si is the increasing amount of share due to issue of new shares or convertible bonds in reporting period; Sj is the decreasing amount of share due to buying-back in reporting period; Sk is the amount of shrunk shares; M0 is the months in reporting period; Mi is the accumulated months from the month after the month of share increase to the end of reporting period; Mj is the accumulated months from the month after the month of share decrease to the end of reporting period.

(2) Diluted earnings per share

Diluted earnings per share = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{The increase of weighted average amount of ordinary share due to subscription warrants, share warrants and convertible bonds})$

Of which, P1 is the net profit attributable to the company's shareholders with ordinary shares or the net profit attributable to the company's shareholders with ordinary shares after deducting extraordinary gain or loss, considering the effect from dilutive potential ordinary shares. The adjustment is carried out in accordance with 'Enterprise Accounting Standards'. When calculating diluted earnings per share, the company consider the effect of the net profit attributable to the company's

shareholders with ordinary shares or the net profit attributable to the company's shareholders with ordinary shares less extraordinary gain or loss from all dilutive potential ordinary shares. The earnings per share is diluted to the minimum in accordance with the sequence from large dilute extent to small.

43. Other comprehensive income

Items	2011	2010
Fair value change of available-for-sale financial assets		
Less: Effect of income tax related to other comprehensive income available-for-sale financial assets		
Previously recorded as Other comprehensive income transferred to income statement in current period		3,122,700.00
Total		-3,122,700.00

44. Notes to cash flows statement

(1) Cash received relating to other operating activities

Items	2011	2010
Interest income	6,824,405.95	13,939,397.26
Rent income	7,495,705.47	7,466,984.81
Government grant	3,890,061.69	5,996,138.00
Guarantee money		2,976,519.89
Withdraw spare money		1,052,798.00
Total	18,210,173.11	31,431,837.96

(2) Cash paid relating to other operating activities

Items	2011	2010
Delivery expenses	40,863,768.53	36,668,371.81
Advertising, marketing and administrative expenses	77,651,734.99	120,171,326.07
Total	118,515,503.52	156,839,697.88

(3) Cash received relating to other investing activities

Items	2011	2010
097 project funds		13,200,000.00
Total		13,200,000.00

(4) Cash received relating to other financing activities

Items	2011	2010
received cash from financing note endorse	161,620,000.00	2,173,713,791.19
Decrease in note security	546,679,831.95	374,665,866.07
Total	708,299,831.95	2,548,379,657.26

(5) Cash payments relating to other financing activities

Items	2011	2010
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Items	2011	2010
Payments to financing mature note	1,319,317,035.54	2,508,740,000.00
Increase in note security		
Total	1,319,317,035.54	2,508,740,000.00

45. Supplementary information to consolidated cash flow statement

(1) Supplementary materials of cash flows statement

Items	2011	2010
1. Net profit adjusted to operating activities:		
Net profit	-189,170,723.72	11,997,173.28
Add: asset impairment provision	958,716.50	1,583,161.85
Depreciation of fixed assets, Depletion of oil and gas assets, Depreciation of productive biological assets	69,160,022.81	78,985,168.06
Amortization of intangible assets	6,101,003.09	4,379,789.47
Amortization of long-term prepaid expenses	5,366,295.44	2,203,025.06
Loss on disposal of fixed assets, intangible assets and other long-term assets (minus: gain)	315,533.93	-379,413.42
Loss on scrap of fixed asset (minus: gain)		
Loss on fair value change (minus: gain)		
Finance expenses (minus: income)	86,043,705.14	67,388,950.30
Loss on investments (minus: gain)	-34,964,484.24	-37,170,332.31
Decrease in deferred tax assets (minus: increase)	5,045,884.99	2,449,546.87
Increase in deferred tax liabilities (minus: decrease)		
Decrease in inventory (minus: increase)	-27,151,250.31	-53,257,515.94
Decrease in operating receivables (minus: increase)	-100,966,008.24	27,662,834.35
Increase in operating payables (minus: decrease)	131,496,875.96	-83,054,037.59
Others		
Net cash flow from operating activities	-44,764,428.65	22,788,349.98
2. Significant investments and fund raising with non-related cash		
Capitals transferred from debts		
One-year-maturity convertible bonds		
Non-current asset with finance leasing		
3. Net change in cash and cash equivalents:		
Closing balance of cash	161,078,406.88	249,201,397.77
Minus: opening balance of cash	249,201,397.77	353,517,340.71
Add: closing balance of cash equivalents		
Minus: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-88,122,990.89	-104,315,942.94

(2) Cash and cash equivalents

Items	2011	2010
1. Cash	161,078,406.88	249,201,397.77

Items	2011	2010
Of which: cash on hand	124,504.75	108,533.28
Bank deposits	160,953,902.13	249,092,864.49
Others		
2.Cash equivalents		
Of which: bond investments due within 3 months		
3.Closing balance of cash and cash equivalents	161,078,406.88	249,201,397.77

Note: Reason of inconsistency with balance of cash and cash equivalents in financial statement of the company is that the company did not recognize note security and letter of credit security as cash and cash equivalents.

VI、Related parties and related party transaction

1. The parent company of the company

Company names	Relationship with the company	Type of company	Registered address	Legal representative	Business nature	Registered capitals (million Yuan)	Proportion of shareholding	Proportion of voting right	Ultimate controlling party
China South Industries Group Corporation	Parent company	Wholly state-owned company	Beijing	Bin XU	National defense and military industry	1,264,521	71.13%	71.13%	State Council SASAC

2. Subsidiaries

Refer to Note "IV. Consolidation and consolidated financial statements".

3. Associates and joint venture

(1) Joint venture

Invested companies	Registered address	Business nature	Proportion of shareholding (%)	Proportion of voting right (%)
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Chongqing	Production and sale of motorcycle and its parts	50	50
Zhuzhou Jianshe Yamaha Motorcycle Co., Ltd.	Zhuzhou	Production and sale of motorcycle and its parts	50	50
Chongqing Pingshan Taikai Carburetor Co., Ltd.	Chongqing	Production and sale of carburetor	49	49

(2) Associates

Invested companies	Registered address	Business nature	Proportion of shareholding (%)	Proportion of voting right (%)
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	Chongqing	Production and sale of motorcycle and its parts	30	30
Chongqing Fuyeda Property Management Co., Ltd	Chongqing	Goods delivery and storage	20	20

4. Other related parties

Company names	Relationship with the company
Chongqing Jianshe Industrial Group LLC.	Controlled by same party
Southwest Weapon Industrial Company	Controlled by same party
Chongqing Jianshe Machinery LLC.	Controlled by same party
Finance LLC. in Weapon Outfit Group	Controlled by same party
Chongqing Jianxing Machinery Manufacturing LLC.	Joint venture of related parties

Company names	Relationship with the company
Chongqing Jianshe Industrial Trade LLC.	Controlled by same party
Chongqing Changan Auto Co., Ltd.	Controlled by same party
Chongqing Changan Suzuki Auto Co., Ltd.	Controlled by same party
Jiangxi Changhe Suzuki Auto Co., Ltd.	Controlled by same party
Hebei Changan Auto Co., Ltd.	Controlled by same party
Nanjing Changan Auto Co., Ltd.	Controlled by same party
China Jialing industrial Co., Ltd.	Controlled by same party
Jinan Qingqi Motorcycle Co., Ltd.	Controlled by same party
Luoyang North enterprise Group Co., Ltd.	Controlled by same party
Chongqing south Motorcycle Co.,Ltd.	Controlled by same party
Chongqing south Motorcycle technology development Co.,Ltd.	Controlled by same party

5. Related party transaction

(1) Goods purchased and service received from related parties

Related party names	transaction	Pricing policy	2011	
			Amount	Proportion of like-transaction (%)
Chongqing Jianshe Industrial Group LLC.	Purchase materials	Fair market price	9,367,366.44	0.47
Chongqing Jianxing Machinery Manufacturing LLC.	Purchase materials	Fair market price	41,201,661.01	2.01
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Purchase materials	Fair market price	333,879.45	0.02
Chongqing Pingshan Taikai Carburetor Co., Ltd.	Purchase materials	Fair market price	8,679,607.71	0.42
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	Purchase materials	Fair market price	30,554,732.69	1.49
Chongqing Jianshe Industrial Trade LLC.	Purchase materials	Fair market price	856,128.50	0.04
China Jialing industrial Co., Ltd.	Purchase Motorcycle	Fair market price	48,958,570.21	2.25
Jinan Qingqi Motorcycle Co., Ltd.	Purchase Motorcycle	Fair market price	16,420,394.87	0.75
Subtotal			156,372,340.88	
Chongqing Fuyeda Property Management Co., Ltd	Accept Service	Fair market price	2,366,107.61	0.12
Chongqing Jianshe Industrial Group LLC.	Purchase fuel	Fair market price	20,037,229.91	1.01
Subtotal			22,403,337.52	
Total			178,775,678.40	

Related party names	transaction	Pricing policy	2010	
			Amount	Proportion of like-transaction (%)
Chongqing Jianshe Industrial Group LLC.	Purchase materials	Fair market price	4,736,497.12	0.25
Chongqing Jianxing Machinery Manufacturing LLC.	Purchase materials	Fair market price	58,645,095.38	3.16
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Purchase materials	Fair market price	2,408,514.52	0.13
Chongqing Pingshan Taikai Carburetor Co., Ltd.	Purchase materials	Fair market price	20,311,384.50	1.09
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	Purchase materials	Fair market price	29,615,509.00	1.59
Chongqing Jianshe Industrial Trade LLC.	Purchase materials	Fair market price	960,595.50	0.05
Subtotal			116,677,596.02	
Chongqing Fuyeda Property Management Co., Ltd	Accept Service	Fair market price	941,635.85	0.05

Chongqing Jianshe Industrial Group LLC.	Purchase fuel	Fair market price	24,726,814.28	1.33
Subtotal			25,668,450.13	
Total			142,346,046.15	

(2) Goods sold and services rendered to related parties

Related party names	transaction	Pricing policy	2011	
			Amount	Proportion of like-transaction (%)
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Sell goods	Fair market price	238,120,491.75	9.63
Chongqing south Motorcycle Co.,Ltd.	Sell goods	Fair market price	87,768,802.38	3.55
China Jialing industrial Co., Ltd.	Sell goods	Fair market price	22,440,596.78	0.91
Jinan Qingqi Motorcycle Co., Ltd.	Sell goods	Fair market price	12,503,514.02	0.51
Chongqing Changan Auto Co., Ltd.	Sell goods	Fair market price	68,699,879.82	2.78
Chongqing Changan Suzuki Auto Co., Ltd.	Sell goods	Fair market price	130,612,934.04	5.28
Jiangxi Changhe Suzuki Auto Co., Ltd.	Sell goods	Fair market price	29,440,148.43	1.19
Hebei Changan Auto Co., Ltd.	Sell goods	Fair market price	6,709,083.78	0.27
Nanjing Changan Auto Co., Ltd.	Sell goods	Fair market price	7,342,240.19	0.30
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	Sell goods	Fair market price	9,974,137.99	0.40
Total			613,611,829.18	

Related party names	transaction	Pricing policy	2010	
			Amount	Proportion of like-transaction (%)
Chongqing Jianshe Industrial Group LLC.	Sell goods	Fair market price	792,175.64	0.03
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Sell goods	Fair market price	254,772,001.94	10.30
Chongqing Changan Auto Co., Ltd.	Sell goods	Fair market price	83,320,022.42	3.37
Chongqing Changan Suzuki Auto Co., Ltd.	Sell goods	Fair market price	91,410,481.11	3.69
Jiangxi Changhe Suzuki Auto Co., Ltd.	Sell goods	Fair market price	29,261,772.19	1.18
Hebei Changan Auto Co., Ltd.	Sell goods	Fair market price	12,459,843.71	0.50
Nanjing Changan Auto Co., Ltd.	Sell goods	Fair market price	6,227,247.98	0.25
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	Sell goods	Fair market price	8,219,471.64	0.33
Subtotal			486,463,016.63	-
Chongqing Jianshe Industrial Group LLC.	render services	Fair market price	1,203,705.54	0.05
Total			487,666,722.17	

(3) Lease

Leasors	Leasees	Leasing assets	Starting date	Ending date	Pricing policy	Leasing income of the year
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Warehouse	2008/05/31	2013/05/30	Agreement price	3,811,085.97

(4) Guarantee

Guarantee providers	Secured parties	Amount	Starting date	Ending date	Fulfilled or not	Notes
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Jianshe Vehicle-used Airconditioning LLC.	47,000,000.00	2009/12/28	2012/12/28	NO	Long-term loan due within 1 year
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Jianshe Vehicle-used Airconditioning LLC.	38,500,000.00	2010/08/30	2012/07/11	NO	Long-term loan due within 1 year

Guarantee providers	Secured parties	Amount	Starting date	Ending date	Fulfilled or not	Notes
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Jianshe Vehicle-used Airconditioning LLC.	9,000,000.00	2010/03/18	2012/03/16	NO	Long-term loan due within 1 year
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Jianshe Vehicle-used Airconditioning LLC.	1,000,000.00	2009/12/28	2012/06/21	NO	Long-term loan due within 1 year
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Jianshe Vehicle-used Airconditioning LLC.	500,000.00	2010/08/30	2012/03/12	NO	Long-term loan due within 1 year
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Jianshe Vehicle-used Airconditioning LLC.	50,000,000.00	2011/10/18	2012/07/03	NO	Short-term loan
Chongqing Jianshe Motorcycle Co., Ltd.	Chongqing Jianshe Vehicle-used Airconditioning LLC.	40,000,000.00	2011/12/09	2012/12/08	NO	Short-term loan
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	29,000,000.00	2010/01/05	2013/01/05	NO	Long-term loan
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	48,000,000.00	2010/02/23	2013/02/23	NO	Long-term loan
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	34,000,000.00	2011/03/10	2013/03/10	NO	Long-term loan
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	48,000,000.00	2011/04/01	2014/03/31	NO	Long-term loan
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	48,000,000.00	2011/04/14	2014/04/13	NO	Long-term loan
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	16,000,000.00	2011/06/03	2013/06/02	NO	Long-term loan
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	48,500,000.00	2011/06/03	2013/06/02	NO	Long-term loan
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	1,000,000.00	2010/01/05	2012/06/21	NO	Long-term loan due within 1 year
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	1,000,000.00	2010/02/23	2012/12/01	NO	Long-term loan due within 1 year
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	4,000,000.00	2011/03/10	2012/10/21	NO	Long-term loan due within 1 year
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	2,000,000.00	2011/04/01	2012/04/02	NO	Long-term loan due within 1 year
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	2,000,000.00	2011/04/14	2012/07/05	NO	Long-term loan due within 1 year
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	6,000,000.00	2011/05/17	2012/10/21	NO	Long-term loan due within 1 year
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	1,000,000.00	2011/06/03	2012/12/01	NO	Long-term loan due within 1 year
Southwest Weapon Industrial Company	Chongqing Jianshe Motorcycle Co., Ltd.	20,000,000.00	2011/04/15	2012/04/14	NO	Short-term loan
Chongqing Jianshe Vehicle-used Airconditioning LLC.	Chongqing Jianshe Motorcycle Co., Ltd.	17,220,000.00	2011/02/01	2012/02/01	NO	Short-term loan
Chongqing Jianshe Vehicle-used Airconditioning LLC.	Chongqing Jianshe Motorcycle Co., Ltd.	30,000,000.00	2011/05/25	2012/05/24	NO	Short-term loan
Chongqing Jianshe Marketing Co.,Ltd.	Chongqing Jianshe Motorcycle Co., Ltd.	48,500,000.00	2011/05/27	2012/05/26	NO	Short-term loan
Chongqing Jianshe Vehicle-used Airconditioning LLC.	Chongqing Jianshe Motorcycle Co., Ltd.	10,000,000.00	2011/06/28	2012/05/24	NO	Short-term loan

(5) Other transactions involved in related parties

a. Funds deposited

related party	31 December 2011		1 January 2011	
	Amount	Proportion of like-transaction (%)	Amount	Proportion of like-transaction (%)
Finance LLC. in Weapon Outfit Group	60,437,908.51	31.70	82,711,613.48	10.02

b. Joint investment

The Company invest in Chongqing south Motorcycle technology development Co.,Ltd. ("technology company") by cash together with the related parties, including China South Industries Group Corporation, China Jialing industrial Co., Ltd. ,Jinan Qingqi Motorcycle Co., Ltd., Luoyang North enterprise Group Co., Ltd., the registered capitals of technology company is RMB120 million. The Company prepare to invest RMB20 million to the new entity, proportion of shareholding is 16.67%.As of 31 December 2010, the Company invest RMB10 million actually.The joint investment transaction have been verified by the report 'zhongxincai guanghua(Yu)shenyanzi(2010)No.009'issued by Zhongxingcai Guanghua CPA firm. This year, the company

invested the rest RMB10 million in Technology company. This capital increase has not yet been verified.

c. Construction entrust

The Company entrusted Chongqing Jianshe Machinery Co., Ltd to build the project of motorcycle relocation technical amelioration and the relocation project of vehicle-used airconditioning compression, according to 'the Agreement on Land Takeover and House Construction' signed by both sides on 29 July, 2008. The source of funds for the relocation project is the self-owned funds and the compensation for relocation loss from Chongqing Jianshe Industrial LLC. The trustee, Chongqing Jianshe Machinery Co., Ltd., prepared and reported fund plan to the trustor for approval according to budgetary investment on each project, schedule control and construction plan of each project. The company appropriated funds to the trustee timely according to the annual schedule on fund approved, in order to ensure the relocation project go on smoothly. The company will entrust an agency to audit the final account when the project is completed. Both sides will deal with the project settlement on the basis of cost.

As of 31 Dec, 2011, the company had paid Chongqing Jianshe Machinery Co., Ltd. RMB556, 356 thousand Yuan for the project.

6. Balances of related party receivable and payable

(1) Related party receivable

Items	Related party names	31 December 2011		1 January 2011	
		Balance	Bad debt provision	Balance	Bad debt provision
Notes receivable					
	Chongqing Changan Auto Co., Ltd.	13,330,000.00		5,100,000.00	
	Hebei Changan Auto Co., Ltd.	2,453,570.00		3,453,570.00	
	Nanjing Changan Auto Co., Ltd.	846,430.00		346,430.00	
	Jiangxi Changhe Suzuki Auto Co., Ltd.	1,718,940.00		4,800,000.00	
Account receivables					
	Chongqing Changan Auto Co., Ltd.	6,179,437.62	308,971.88	15,183,875.06	759,193.75
	Hebei Changan Auto Co., Ltd.	259,217.40	12,960.87	45,006.00	2,250.30
	Nanjing Changan Auto Co., Ltd.	1,256,522.19	62,826.11	7,248,568.63	362,428.43
	Jiangxi Changhe Suzuki Auto Co., Ltd.	1,751,591.07	87,579.55	9,177,257.05	458,862.85
	Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	23,262,463.62	1,163,123.18		
	Chongqing Changan Suzuki Auto Co., Ltd.	1,532,172.37	76,608.62		
	Jinan Qingqi Motorcycle Co., Ltd.	787,400.41	39,370.02		
Prepayment					
	Chongqing Jianshe Machinery LLC.	1,818,083.40		24,802,583.74	
Other receivables					
	Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	3,069,077.45	153,453.87	5,408,802.25	270,440.11

(2) Related party payable

Items	Related party names	31 December 2011	1 January 2011
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Items	Related party names	31 December 2011	1 January 2011
Account payables			
	Chongqing Jianxing Machinery Manufacturing LLC.	9,526,802.89	3,446,839.14
	Chongqing Pingshan Taikai Carburetor Co., Ltd.	6,541,323.92	5,754,124.28
	China Jialing industrial Co., Ltd.	537,050.00	
	Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	2,264,293.27	1,887,486.51
	Chongqing Tongsheng Jianshe Industrial Co., Ltd.	4,854,081.30	2,685,537.39
Receivables in advance			
	Chongqing Changan Suzuki Auto Co., Ltd.		852,085.13
Other payables			
	Chongqing Jianxing Machinery Manufacturing LLC.		3,278,968.88
	Chongqing Fuyeda Property Management Co., Ltd	400,924.96	848,226.53
	Chongqing Jianshe Construction Company	45,143.99	37,775.26

VII. Contingent events

The Group and the Company did not have any significant contingent liabilities as at balance sheet date.

VIII. Commitments

The company did not have any significant commitments should be disclosed.

IX. Non-adjusting events after the balance sheet date.

X. Other important events

The company did not have any other significant matters should be disclosed.

XI. Notes to significant items of the parent company's financial statements

1. Account receivables

(1) Category of account receivables

Category	31 December 2011			
	Balance		Provision	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Individual significant account receivables and individual impairment test				
2. Account receivables impairment test on risk group	26,886,424.14	94.40	1,367,023.35	5.08
3. Account receivables that individual insignificant but individual impairment test	1,594,979.70	5.60	1,594,979.70	100.00
Total	28,481,403.84	100.00	2,962,003.05	10.40

Category	1 January 2011			
	Balance		Provision	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Individual significant account receivables and individual impairment test				
2. Account receivables impairment test on risk group	6,037,083.68	79.10	309,277.93	5.12
3. Account receivables that individual insignificant but individual impairment test	1,594,979.70	20.90	1,594,979.70	100.00
Total	7,632,063.38	100.00	1,904,257.63	24.95

Note: The company identifies the standard of account receivables with individual significant amount as 5,000,000 Yuan in accordance with operation scale and business nature. To account receivables with individual significant amount that are not impaired after individual impairment test, the company made provision for bad debt in accordance with account aging percentage.

Account receivables with individual insignificant amount but with large risk after combination by credit risk are the receivables over 3 years that are difficult to get back.

The risk group of Aging analysis

Account aging	31 December 2011			1 January 2011		
	Amount	Proportion (%)	Bad debt provision	Amount	Proportion (%)	Bad debt provision
Within 1 year	26,741,981.26	99.47	1,337,099.06	5,901,258.68	97.75	295,062.93
1-2 years	8,617.88	0.03	861.79	129,500.00	2.15	12,950.00
2-3 years	129,500.00	0.48	25,900.00	6,325.00	0.10	1,265.00
Over 3 years	6,325.00	0.02	3,162.50			
Total	26,886,424.14	100.00	1,367,023.35	6,037,083.68	100.00	309,277.93

At 31 December 2011, account receivables that individual insignificant but individual impairment test

Items	31 December 2011	Bad debt	Proportion of provision (%)	Provision reasons
Domestic sale receivables	1,594,979.70	1,594,979.70	100.00	Over 3 years, difficult to receive
Total	1,594,979.70	1,594,979.70	—	—

(2) Receivables due from shareholders with voting rights of 5% or above

At 31 December 2011, there were no other receivables due from shareholders with voting rights of 5% or above.

(3) Top 5 account receivables

Debtors	Relationship with the Group	Amount	Account aging	Proportion of other receivables (%)
1. Chongqing Jianshe Motorcycle Co., Ltd.	Joint venture	23,262,463.62	Within 1 year	81.68
2. Chongqing Jianteng manufacture Co., Ltd.	Third party	820,131.10	Within 1 year	2.88
3. Jinan Qingqi sales Co., Ltd.	Controlled by same party	787,400.41	Within 1 year	2.76
4. YAMAHA MOTOR CO.,LTD	Third party	582,818.14	Within 1 year	2.05
5. YAMAHA engine commercial (Shanghai) Co.,Ltd.	Third party	524,696.68	Within 1 year	1.84
Total	—	25,977,509.95	—	91.21

(4) Foreign currency account receivables

Foreign currency	31 December 2011			1 January 2011		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	105,146.91	6.3009	662,520.17	681,034.26	6.6227	4,510,285.59
JPY				9,802,605.25	0.0813	796,559.70
Total	—	—	662,520.17	—	—	5,306,845.29

2. Other receivables
(1) Category of other receivables

Category	31 December 2011			
	Balance		Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Individual significant account receivables and individual impairment test	203,176,515.97	94.36	3,013,664.00	1.49
2. Account receivables impairment test on risk group	9,232,265.94	4.29	461,613.30	5.00
3. Account receivables that individual insignificant but individual impairment test	2,889,743.65	1.35	1,204,370.74	100.00
Total	215,298,525.56	100.00	4,679,648.04	2.17

Category	1 January 2011			
	Balance		Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
1. Individual significant account receivables and individual impairment test	189,280,908.20	91.92	3,013,664.00	1.59
2. Account receivables impairment test on risk group	10,767,786.32	5.23	538,389.32	5.00
3. Account receivables that individual insignificant but individual impairment test	5,879,175.59	2.85	1,204,370.74	20.49
Total	205,927,870.11	100.00	4,756,424.06	2.31

Note: The company identifies the standard of account receivables with individual significant amount as 3,000,000 Yuan in accordance with operation scale and business nature. To receivables with individual significant amount that are not impaired after individual impairment test, the company made provision for bad debt in accordance with account aging percentage.

Account receivables with individual insignificant amount but with large risk after combination by credit risk are the receivables over 3 years that are difficult to get back.

The risk group of Aging analysis

Account aging	31 December 2011			1 January 2011		
	Amount	Proportion (%)	Bad debt provision	Amount	Proportion (%)	Bad debt provision
Within 1 year	9,232,265.94	100.00	461,613.30	10,767,786.32	100.00	538,389.32
1-2 years						
2-3 years						
Over 3 years						
Total	9,232,265.94	100.00	461,613.30	10,767,786.32	100.00	538,389.32

At 31 December 2011, account receivables that individual insignificant but individual impairment test

Items	Balance	Bad debt provision	Proportion of provision (%)	Provision reasons
Shanghai Jianshe Motorcycle Co., Ltd.	1,685,372.91			Subsidiary, small risks

Items	Balance	Bad debt provision	Proportion of provision (%)	Provision reasons
Others	1,204,370.74	1,204,370.74	100.00	Over 3 years, difficult to recovery
Total	2,889,743.65	1,204,370.74	—	—

(2) Top 5 other receivables

Debtors	Relationship with the Group	Amount	Account aging	Proportion of other receivables (%)
1. Chongqing Jianshe Marketing Co.,Ltd.	Subsidiary	178,327,973.54	Within 1 year	82.83
2. Chongqing Jianshe Vehicle-used Airconditioning LLC.	Subsidiary	21,784,878.43	Within 1 year	10.12
3. Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	Associate	3,069,077.45	Within 1 year	1.43
4. Shenzhen Jianshe Motorcycle Co.,Ltd.	Third party	3,013,664.00	Over 3 years	1.40
5. Spare cash	employees	5,565,283.22	Within 1 year	2.58
Total	—	211,760,876.64	—	98.36

3. Long-term equity investment

(1) Details of Long-term equity investment

Invested companies	Original Cost	1 January 2011	changes	31 December 2011	Proportion of shareholding (%)	Proportion of voting right (%)	provision	dividend
I .Cost method								
Chongqing Jianshe Motorcycle Consignment Co., Ltd.	225,000.00	225,000.00		225,000.00	45.00	100.00		
Chongqing Jianshe Marketing LLC.	12,000,000.00	12,000,000.00		12,000,000.00	100.00	100.00		
Chongqing Northern Jianshe Import and Export Trade LLC.	57,443,527.88	57,443,527.88		57,443,527.88	95.14	100.00		
Shanghai Jianshe Motorcycle LLC.	8,160,000.00	9,792,000.00	-408,000.00	9,384,000.00	51.00	51.00		
Chongqing Jianshe Vehicle-used Airconditioning LLC.	70,000,000.00	70,000,000.00		70,000,000.00	43.75	100.00		
Ningbo Jianshe Motorcycle Manufacturing LLC.	8,160,000.00	1,140,915.04		1,140,915.04	51.00	51.00	1,140,915.04	
Chongqing south Motorcycle technology development Co.,Ltd.	20,000,000.00	10,000,000.00	10,000,000.00	20,000,000.00	16.67	16.67		
Subtotal	175,988,527.88	160,601,442.92	9,592,000.00	170,193,442.92			1,140,915.04	
II .equity method								
Chongqing Pingshan Taikai Carburetor Co., Ltd.	67,316,539.87	74,931,165.04	3,138,783.68	78,069,948.72	49.00	49.00		
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	154,699,622.03	281,915,840.30	5,909,762.41	287,825,602.71	50.00	50.00		5,000,000.00
Zhuzhou Jianshe Yamaha Co., Ltd.	215,710,320.08	262,375,770.69	9,589,803.28	271,965,573.97	50.00	50.00		11,000,000.00
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	3,000,000.00	2,513,766.27	680,563.29	3,194,329.56	30.00	30.00		
Subtotal	440,726,481.98	621,736,542.30	19,318,912.66	641,055,454.96				
Total	616,715,009.86	782,337,985.22	28,910,912.66	811,248,897.88			1,140,915.04	16,000,000.00

4. Operating revenue and operating costs

(1) Operating revenue

Items	2011	2010
Main operating revenue	1,473,744,947.33	1,670,969,436.80
Others	362,211,879.19	1,044,556,589.90
Total	1,835,956,826.52	2,715,526,026.70

(2) operating costs

Items	2011	2010
Main operating costs	1,406,529,674.38	1,496,102,329.43
Others	322,040,468.61	973,187,118.72
Total	1,728,570,142.99	2,469,289,448.15

(3) Main operations displayed by category as followed

Category	2011		2010	
	Main operating revenue	Main operating costs	Main operating revenue	Main operating costs
Motorcycle and its parts	1,473,744,947.33	1,406,529,674.38	1,670,969,436.80	1,496,102,329.43

Note: The main operations of the parent company is the internal sale to the subsidiaries (Chongqing Jianshe Marketing LLC. and Chongqing Northern Jianshe Import and Export Trade LLC.).

5. Investment income
(1) Details of investment displayed as followed

Items	2011	2010
Long-term equity investment income measured by cost method		
Long-term equity investment income measured by equity method	35,917,722.32	33,132,107.23
Amortization of equity investment difference	-1,006,809.66	-1,006,809.66
Total	34,910,912.66	32,125,297.57

(2) Long-term equity investment income measured by cost method

Invested companies	2011	2010
Chongqing Pingshan Taikai Carburetor Co., Ltd.	3,737,593.34	3,422,795.88
Chongqing Jianshe Yamaha Motorcycle Co., Ltd.	10,909,762.41	16,993,540.54
Zhuzhou Jianshe Yamaha Co., Ltd.	20,589,803.28	12,378,329.22
Chongqing Tongsheng Jianshe Industrial Co., Ltd.	680,563.29	337,441.59
Total	35,917,722.32	33,132,107.23

(3) Statement of the investment income

As of 31 December 2011, there was no significant restriction on the remittance of investment income to the investor.

6. Supplementary materials of cash flows statement

Items	2011	2010
1、Net profit adjusted as cash flows from operating activities:		
Net profit	-155,952,133.85	49,692,902.71
Add: asset impairment provision	980,969.40	-441,252.81
Depreciation of fixed assets, consumption of petroleum and depreciation of productive biological assets	59,268,737.87	61,473,721.24
Amortization of intangible assets	5,556,931.37	3,835,717.75
Amortization of long-term prepaid expenses	3,982,885.52	819,615.14

Items	2011	2010
Loss on disposal of fixed assets, intangible assets and other long-term assets (Minus: gain)	14,880.32	-445,342.79
Loss on scrap of fixed assets (Minus: gain)		
Loss on fair value adjustment (Minus: gain)		
Finance expenses (Minus: income)	60,313,621.21	43,326,250.05
Loss on investments (Minus: gain)	-34,910,912.66	-32,125,297.57
Decrease in deferred tax assets (Minus: increase)	1,170,239.51	578,649.29
Increase in deferred tax liabilities (Minus: decrease)		
Decrease in inventories (Minus: increase)	-11,240,605.41	12,634,553.04
Decrease in operating receivables (Minus: increase)	-65,773,194.57	-94,147,320.35
Increase in operating liabilities (Minus: decrease)	-42,951,309.94	-34,524,713.50
Others		
Net amount of cash flows from operating activities	-179,539,891.23	10,677,482.20
2. Significant investments and raising funds not related to cash received or paid:		
Liabilities transferred to capitals		
Convertible bonds due within 1 year		
Finance lease of fixed assets		
3. Net change of cash and cash equivalents:		
Closing balance of cash	92,026,931.24	166,262,401.89
Less: opening balance of cash	166,262,401.89	330,985,587.79
Add: closing balance of cash equivalents		
less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-74,235,470.65	-164,723,185.90

XII. Supplementary materials

1. Details of non-recurring profit and loss

(1) According to CSRC Explanatory Announcement No.1 of Information Disclosure of IPO Company-non-recurring profit and loss (2008) (CSRC Announcement (2008) No. 43), non-recurring profit and loss are displayed as followed:

Items	Amount	Notes
1. Gain or loss on disposal of non-current assets, including offsetting parts that are made provision of asset impairment provision	-315,533.93	
2. Reviewed and approved beyond the power, or no formal approval document. or adventive refund of tax and tax relief		
3. Government grant recorded in gain or loss	3,890,061.69	
4. Fund occupation fees of non-financial company recorded in gain or loss		
5. Investment costs of subsidiary, associate and joint venture less than gains from fair value change of identifiable net assets in invested companies		
6. Gain or loss on exchange of non-monetary assets		
7. Gain or loss on investment consigned to others or assets managed by others		
8. Provision of asset impairment provision due to factors of beyond human control, such as natural		

Items	Amount	Notes
calamities		
9. Gain or loss on debt restructure		
10. Enterprise reshuffle expenses		
11. Gain or loss from the transaction of unfair trade price exceeding the fair value		
12. Net gain or loss on subsidiaries from consolidation date to acquisition date under common control		
13. Gain or loss on contingencies that are not related to the ordinary businesses of the company		
14. Except the effective hedging related to the ordinary businesses, investment income gained from Gain or loss on the change of the fair value of transactional financial assets and liabilities held, and investment income gained from disposal of transactional financial assets and liabilities and available-for-sale financial assets		
15. Recovery of write-down provision for individual account receivable taken write-down test		
16. Gain or loss obtained from entrusting loan		
17. Gain or loss on the change of investment property's fair value by using the mode of fair value for subsequent measurement		
18. Effect of the one-off adjustment for gain or loss in accordance with the law and regulation of taxation and accounting		
19. Consignment income		
20. Other non-operating income and expenses	-9,631,545.49	
21. Other gains or losses met with definition of extraordinary gain or loss		
22. Effect of minority interest equity	18,356.12	
23. Effect of minority interest equity	-778,948.79	
Total	-5,296,425.06	

2. Return rate of net assets and earnings per share

According to CSRC Rule No.9 of Information Disclosure of IPO Company-Computation and Disclosure of net asset return rate and earnings per share (modified in 2010)(CSRC Announcement (2010) No. 43No. 2) and CSRC Explanatory Announcement No.1 of Information Disclosure of IPO Company-extraordinary gain or loss (CSRC Announcement (2008) No. 43), the company is required to compute net asset return rate and earnings per share as followed :

(1) 2011

Profit of reporting period	Weighted average return on net assets (%)	earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	-49.50	-0.395	-0.395
Net profit attributable to shareholders of the Company deduct incidental profits	-48.11	-0.384	-0.384

(2) 2010

Profit of reporting period	Weighted average return on net assets (%)	earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	2.54	0.025	0.025
Net profit attributable to shareholders of the Company deduct incidental profits	0.32	0.003	0.003

XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company at 17 April, 2012.

Chongqing Jianshe Motorcycle Co., Ltd.

17 April, 2012

Financial statement notes from page 15 to79 should be signed by the following in-charge people :

Legal representative:	Accountant in charge:	Chief officer of accounting institution:
Signature: _____	Signature: _____	Signature: _____
Date: _____	Date: _____	Date: _____