



**CHANGCHAI COMPANY, LIMITED**

**THE 2015 ANNUAL REPORT**

**April 2016**

## **Section I Important Statements, Contents & Terms**

The Board of Directors, the Supervisory Committee as well as the directors, supervisors and senior management staff of Changchai Company, Limited (hereinafter referred to as the “Company”) warrant that this Report is factual, accurate and complete without any false information, misleading statements or material omissions. And they shall be jointly and severally liable for that.

Mr. Xue Guojun, company principal, Mr. He Jianguang, chief of the accounting work, and Mr. Jiang He, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report carried in this Report is factual, accurate and complete.

All directors attended the board meeting for the review of this Report.

The future plans and some other forward-looking statements carried in this Report shall not be considered as virtual promises of the Company to investors. And investors are kindly reminded to pay attention to possible risks.

The Company’s preliminary plan for profit distribution upon review and approval at the board meeting: Based on the total shares of 561,374,326, a cash dividend of RMB0.23 (tax included) will be distributed to all the shareholders for every 10 shares that they hold. No bonus shares will be granted and no capital reserves will be turned into share capital.

This Report is prepared in both Chinese and English. Should there be any understanding discrepancy between the two versions, the Chinese version shall prevail.

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## Terms

Term	Refers to	Specific meaning
Company, the Company, Changchai	Refers	Changchai Company, Limited
Changchai Benniu	Refers	Chuangzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.
Changchai Wanzhou	Refers	Changchai Wanzhou Diesel Engine Co., Ltd.
Housheng Investment	Refers	Changzhou Housheng Investment Co., Ltd.
Housheng Agricultural Equipment	Refers	Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.
Yuan, Ten thousand Yuan	Refers	RMB Yuan, RMB Ten thousand
Reporting period	Refers	1 Jan. 2015-31 Dec. 2015

## Section II Company Profile & Financial Highlights

### I. Basic information of the Company

Stock abbr.	Changchai A, Changchai B	Stock code	000570, 200570
Stock abbr. after change (if any)	No changes		
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	常柴股份有限公司		
Abbr. of Company name in Chinese	苏常柴		
Company name in English (if any)	CHANGCHAI COMPANY, LIMITED		
Abbr. of Company name in English (if any)	CHANGCHAI CO., LTD.		
Legal representative	Xue Guojun		
Registered address	123 Huaide Middle Road, Changzhou, Jiangsu, China		
Zip code	213002		
Office address	123 Huaide Middle Road, Changzhou, Jiangsu, China		
Zip code	213002		
Company website	<a href="http://www.changchai.com.cn">http://www.changchai.com.cn</a>		
Email address	cctqm@public.cz.js.cn		

### II. Contact information

	Company Secretary	Securities Affairs Representative
Name	Shi Jianchun	He Jianjiang
Contact address	123 Huaide Middle Road, Changzhou, Jiangsu, China	123 Huaide Middle Road, Changzhou, Jiangsu, China
Tel.	(86)519-86610041	(86)519-68683155
Fax	(86)519-86630954	(86)519-86630954
E-mail address	ccsjc@changchai.com	cchjj@changchai.com

### III. About information disclosure and where this Report is placed

Newspapers designated by the Company for information disclosure	Securities Times, Ta Kung Pao (HK)
Internet website designated by CSRC for disclosing this Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Where this Report is placed	Board Secretariat

### IV. Changes in the registered information

Organizational code	91320400134792410W
Changes in main business since listing (if any)	No changes
Changes of controlling shareholder (if any)	No changes

### V. Other information

The CPAs firm hired by the Company

Name	Jiangsu Gongzheng Tianye Certified Public Accountants LLP
Office address	10/F, Yingtong Commerce Building, Changzhou, Jiangsu, China
Signing accountants	Wang Wenkai, He Taifeng

Sponsor engaged by the Company to conduct consistent supervision during the reporting period

Applicable  Inapplicable

Financial consultant engaged by the Company to conduct consistent supervision during the reporting period

Applicable  Inapplicable

## VI. Accounting and financial highlights

Does the Company adjust retrospectively or restate the accounting data of previous years due to changes in the accounting policy or correction of accounting errors?

Yes  No

	2015	2014	Increase/decrease of current year over last year	2013
Operating revenues (RMB Yuan)	2,519,799,547.29	2,489,792,063.33	1.21%	2,927,593,052.78
Net profits attributable to shareholders of the Company (RMB Yuan)	71,102,792.49	64,202,144.29	10.75%	75,712,361.04
Net profits attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	61,588,462.29	58,685,034.57	4.95%	71,950,142.51
Net cash flows from operating activities (RMB Yuan)	127,926,882.95	-51,507,355.52	—	31,406,848.48
Basic EPS (RMB Yuan/share)	0.13	0.11	18.18%	0.13
Diluted EPS (RMB Yuan/share)	0.13	0.11	18.18%	0.13
Weighted average ROE (%)	3.53%	3.28%	0.25%	4.14%
	As at 31 Dec. 2015	As at 31 Dec. 2014	Increase/decrease of current year-end than last year-end	As at 31 Dec. 2013
Total assets (RMB Yuan)	3,232,406,102.20	3,166,783,758.18	2.07%	3,082,340,149.65
Net assets attributable to shareholders of the Company (RMB Yuan)	2,002,910,311.01	1,936,936,835.27	3.41%	1,809,577,062.45

## VII. Differences of the accounting data under the domestic and the overseas accounting standards

### 1. Differences of the net profits and the net assets disclosed in the financial reports prepared under the international and the Chinese accounting standards

Applicable  Inapplicable

No such differences for the reporting period.

### 2. Differences of the net profits and the net assets disclosed in the financial reports prepared under the overseas and the Chinese accounting standards

Applicable  Inapplicable

No such differences for the reporting period.

**VIII. Financial highlights by quarter**

Unit: RMB Yuan

	Q1	Q2	Q3	Q4
Operating revenues	650,305,530.50	709,590,370.19	815,273,308.97	344,630,337.63
Net profits attributable to shareholders of the Company	17,279,138.61	20,284,260.57	36,184,587.95	-2,645,194.64
Net profits attributable to shareholders of the Company after extraordinary gains and losses	15,137,500.97	20,573,118.31	35,546,486.10	-9,668,643.09
Net cash flows from operating activities	1,795,087.91	44,932,653.21	48,916,342.35	32,282,799.48

Any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports?

Yes  No

**IX. Extraordinary gains and losses**

Applicable  Inapplicable

Unit: RMB Yuan

Item	2015	2014	2013	Note
Gains/losses on disposal of non-current assets (including offset amount of asset impairment provisions)	211,929.61	118,901.99	568,054.78	
Governmental grants recorded into current gains and losses (excluding those closely related to business of the Company and granted at certain quotas or amounts according to government's standards)	11,903,636.62	10,344,073.62	2,022,736.01	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses	1,523,155.52	1,505,666.68	2,224,950.00	
Gains and losses on fair value changes of transactional financial assets and liabilities & investment gains on disposal of transactional financial assets and liabilities as well as financial assets available for sale, except for effective hedging related to normal business of the Company	1,793,021.58	572,812.70	439,841.66	
Impairment provision reversal for accounts receivable on which impairment test is carried out separately			1,879,038.74	
Non-operating income and expense other than above	-4,109,778.32	-6,029,012.72	-1,918,603.81	
Less: Income tax effects	1,747,894.80	995,341.14	1,236,496.89	
Minority interests effects (after tax)	59,740.01	-8.59	217,301.96	
Total	9,514,330.20	5,517,109.72	3,762,218.53	--

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

Applicable  Inapplicable

No such cases in the reporting period.

## Section III Business Profile

### I. Main business during the reporting period

As a manufacturer, we specialize in the manufacture and sale of diesel engines, diesel engine fittings and castings, gasoline engines, gasoline engine fittings, cereal harvesting machinery, rotovators, walking tractors, molds and jigs as well as the assembly and sale of diesel engine and gasoline engine supporting sets.

We mainly manufacture and sell small and medium-sized single-cylinder and multi-cylinder diesel engines under the brand of “Changchai”, which are often used in tractors, combine-harvesters, light commercial vehicles, agriculture equipment, small-sized engineering machinery, generator sets, ship machines, etc.

### II. Significant changes in the main assets

#### 1. Significant changes in the main assets

Main asset	Reason for any significant change
Notes receivable	Closing amount at RMB498,502,274.42, up 58.64% from opening amount, mainly because the Company enhanced payment collection and adopted notes more often for settlement with customers
Other receivables	Closing amount at RMB5,622,539.81, down 35.09% from opening amount, mainly because subsidiary Changchai Wanzhou recovered guarantee deposit of RMB2 million in current period
Other current assets	Net closing amount at RMB60,304,691.41, up 90.06% from opening amount, mainly because of bank financial products purchased by the Company in current period

#### 2. Main assets overseas

Applicable  Inapplicable

### III. Core competitiveness analysis

#### 1. Brand advantage

Incorporated in 1913, the Company has a history over 100 years, with its diesel engines well received both at home and abroad.

The trademark of “Changchai” was the first among the production goods in the country to be recognized as a “Famous Trademark of China”. In 2005, the single-cylinder diesel engines of the Company were among the first to be titled as “Brandname Products of China”. In 2013, reviewed and approved by AQSIQ, the Company produced for export had gained the qualification of exemption. In 2014, Changchai was awarded the honorary title of “Y2012-Y2013 State-level Enterprise of Observing Contracts and Keeping Promise” and had been awarded the title of “China Pacesetter Enterprise of Internal Combustion Engine and Accessories Manufacturing Industry” for five years in a row. In 2015, the Company was honorably ranked among “the Demonstration Chinese Enterprises in Export Quality and Safety”, was selected in “the Top One Hundred Chinese Enterprises in Engineering Industry”, won as the leading brand in agricultural machinery industry in “Jing Geng” competition, and the Company’s well-selling products, the 4G33TC, 3M78 and 4H11, respectively won the golden award among the annual products in Chinese engineering industry, the golden award among accessories in Chinese agricultural machinery, and the innovation award. For decades, the Company developed in a sound manner and cultivated the



“Changchai” brand, a famous small diesel engine brand of China with independent intellectual property rights

## 2. Product advantage

Currently, the Company is mainly engaged in small power single-cylinder and multi-cylinder diesel engines. It has a complete product range, a wide power level coverage, a high reputation and intellectual property rights for its main products. It owns a state-level technical center, a post doctoral scientific research station and Jiangsu Small-and Medium-Power Internal Combustion Engine Engineering Research Center. Quite a few of its multi-cylinder diesel engines have passed the European Union EC certification and the America EPA certification. Besides, it has the capability to develop and put into pass production products meeting the national emission standard IV.

## 3. Sales network advantage

The Company has built up a sales service network covering the whole country. With 11 marketing units, 31 sales service centers, over 400 service locations and 600 cooperation maintenance stations, the service network covering the major cities and the countryside, the Company is able to provide quality, efficient and timely services for its customers.

# Section IV Discussion & Analysis by the Management

## I. Summary

In 2015, in face of multiple unfavorable factors such as the slowing-down macro-economy, a continuous decrease in the gross output and sales volume in the diesel engine industry as well as the mounting pressure on production safety and environmental protection, we carefully analyzed the market situation, beefed up the adjustment to our product mix by various means, and seized opportunities in the domestic and overseas markets. We also kept improving our equipment capability, increased the quality of our employees, strictly controlled our product quality and enhanced management. As a result, we were able to deliver a good business performance, which has further solidified our position in the diesel engine industry.

In 2015, we sold 907,700 units of various engines and machine sets and achieved sales revenues of RMB2,519,799,500, almost the same with last year, of which 776,300 units of single-cylinder engines were sold, down 6.58% from last year; and 131,400 units of multi-cylinder engines were sold, up 5.04% from last year, maintaining a good development momentum. We exported 95,800 units of various engines and machine sets by ourselves, generating an income of USD36.48 million. We achieved net profits of RMB71,102,800 attributable to the shareholders of the Company, up 10.75% on a year-on-year basis.

In terms of single-cylinder engines, the Company launched multiple new products to meet the emission requirements and the market needs. It grasped the opportunity of product upgrade and de-stocking in the second half year, and accelerated market sales. It also transferred work focus, made market layout to the targeted direction, enhanced the sales force for big-bore single-cylinder engines, and firmed the market share.

Concerning multi-cylinder engines, the Company stepped up product innovation, benchmarking management and lean production. Making full use of its competitive products such as the 4G33 in the non-road field, it strengthened the promotion of its multi-cylinder engines for harvesters and wheel-tractors, and vigorously broke into new fields such as plant-protect machines and engineering machines, resulting in a year-on-year increase of non-road multi-cylinder engines. Meanwhile, a second assembly line for multi-cylinder engines was set up to meet the assembly requirements of various products.

As for overseas sales, the Company was under severe pressure from the overseas market. The Company stuck to relying on the support from factors as technology and brand, strengthened the maintenance and management for key markets and key clients, locked the target markets and target client, try hard efforts to improve the sales of advantaged traditional products, and accelerated the expansion of new markets.

As for market service, the Company laid emphasis on optimization and integration of web resources for

market service, planned diversified forms of training, continuously optimized management of market service, accessory reserve, and accessory launch, met the demand from key clients and for key products in time, constantly improved service satisfaction, and obtained obvious efforts in market service and management.

To sum up, in 2015, by stepping up product development and input to technical innovation, the Company improved the overall competitiveness of its products and kept its leading position in medium and small horsepower diesel engines. Meanwhile, the constantly low prices of raw and auxiliary materials contributed to the result of saving internal costs and expenses, which ensured the sustainable and stable development of the Company's efficiency.

## II. Main business analysis

### 1. Summary

See "I. Summary" in "Discussion & Analysis by the Management".

### 2. Revenues and costs

#### (1) Breakdown of operating revenues

Unit: RMB Yuan

	2015		2014		+/-%
	Amount	In total operating revenues	Amount	In total operating revenues	
Total of the operating income	2,519,799,547.29	100%	2,489,792,063.33	100%	1.21%
Classified by industries					
Internal combustion engine industry	2,495,248,411.83	99.03%	2,461,692,196.75	98.87%	1.36%
Other	24,551,135.46	0.97%	28,099,866.58	1.13%	-12.63%
Classified by products					
Diesel engines	2,495,248,411.83	99.03%	2,461,692,196.75	98.87%	1.36%
Other	24,551,135.46	0.97%	28,099,866.58	1.13%	-12.63%
Classified by regions					
Domestic	2,288,815,564.77	90.83%	2,208,186,564.77	88.69%	3.65%
Overseas	230,983,982.52	9.17%	281,605,498.56	11.31%	-17.98%

#### (2) Industries, products or areas contributing over 10% of operating revenues or profit

√ Applicable □ Inapplicable

Unit: RMB Yuan

	Operating revenue	Operating cost	Gross profit margin	Operating revenue: +/-% from last year	Operating cost: +/-% from last year	Gross profit margin: +/-% from last year
Classified by industries						
Internal combustion engine industry	2,495,248,411.83	2,094,368,998.80	16.07%	1.36%	0.22%	0.95%
Classified by products						
Diesel engines	2,495,248,411.83	2,094,368,998.80	16.07%	1.36%	0.22%	0.95%
Classified by regions						
Domestic	2,264,264,429.31	1,870,059,314.22	17.41%	3.86%	3.05%	0.65%
Overseas	230,983,982.52	224,309,684.58	2.89%	-17.98%	-18.44%	0.55%

Main business data of the previous year restated according to the changed statistical caliber for the reporting period

Applicable  Inapplicable

**(3) Are the Company's goods selling revenue higher than the service revenue?**

Yes  No

Classified by industries	Item	Unit	2015	2014	YoY +/-
Diesel engines	Sales volume	Piece	907,715	956,116	-5.06%
	Output	Piece	870,754	952,186	-8.55%
	Stock	Piece	63,514	100,475	-36.79%

**(4) List of the execution of the signed significant sales contracts of the Company up to the reporting period**

Applicable  Inapplicable

**(5) Operating cost form**

Category of the industries and products

Unit: RMB Yuan

Category of the industries	Item	2015		2014		YoY +/-
		Amount	Ratio to the operating cost	Amount	Ratio to the operating cost	
Internal combustion engine industry	Raw materials	1,771,572,695.44	83.95%	1,784,220,009.29	84.75%	-0.71%
Internal combustion engine industry	Wages	200,838,801.68	9.52%	178,684,278.79	8.49%	12.40%
Internal combustion engine industry	Depreciation	77,956,874.68	3.69%	72,536,387.35	3.45%	7.47%
Internal combustion engine industry	Energy	30,561,457.15	1.45%	34,919,192.51	1.66%	-12.48%

Unit: RMB Yuan

Classified by products	Item	2015		2014		YoY +/-
		Amount	Ratio to the operating cost	Amount	Ratio to the operating cost	
Diesel engines	Raw materials	1,771,572,695.44	83.95%	1,784,220,009.29	84.75%	-0.71%
Diesel engines	Wages	200,838,801.68	9.52%	178,684,278.79	8.49%	12.40%
Diesel engines	Depreciation	77,956,874.68	3.69%	72,536,387.35	3.45%	7.47%
Diesel engines	Energy	30,561,457.15	1.45%	34,919,192.51	1.66%	-12.48%

**(6) Whether there were changes of the consolidation scope during the reporting period**

Yes  No

**(7) List of the significant changes or adjustment of the industries, products or services of the Company during the reporting period**

Applicable  Inapplicable

**(8) List of the major trade debtors and major supplier**

List of the major trade debtors of the Company

Total sales to the top 5 customers (RMB Yuan)	975,317,914.69
Ratio of the total sales to the top 5 customers to the annual total sales	38.71%

## Information of the top 5 customers of the Company

No.	Name of customer	Sales amount (RMB Yuan)	Proportion in annual total sales
1	Customer 1	264,203,167.86	10.49%
2	Customer 2	262,183,617.40	10.40%
3	Customer 3	224,968,565.10	8.93%
4	Customer 4	122,012,118.47	4.84%
5	Customer 5	101,950,445.86	4.05%
Total	--	975,317,914.69	38.71%

Notes of the other situation of the major customers

 Applicable  Inapplicable

## List of the major suppliers of the Company

Total purchase to the top 5 suppliers (RMB Yuan)	288,333,190.50
Ratio of the total purchase to the top 5 suppliers to the annual total purchase	13.70%

## Information of the top 5 suppliers of the Company

No.	Name of supplier	Purchase amount (RMB Yuan)	Ratio to the annual purchase amount
1	Customer 1	94,366,043.98	4.48%
2	Customer 2	67,130,484.66	3.19%
3	Customer 3	45,873,883.69	2.18%
4	Customer 4	45,854,727.69	2.18%
5	Customer 5	35,108,050.50	1.67%
Total	--	288,333,190.50	13.70%

Notes of the other situation of the major suppliers

 Applicable  Inapplicable**3. Expenses**

Unit: RMB Yuan

	2015	2014	YoY +/-	Notes of the significant changes
Selling expenses	98,122,345.71	92,235,311.13	6.38%	Mainly due to the expansion of the service strength of the products market by the Company.
Management expenses	197,678,915.43	197,704,824.42	-0.01%	
Financial expenses	-15,723,785.00	-10,932,468.28	43.83%	Mainly due to the depreciation of the current Renminbi and the increase of the exchange earnings.

**4. R&D investment** Applicable  Inapplicable

The Company has been paying attention on the R&D of the new products and new technology and regards the market as the orientation to constantly promote the technology upgrade, to make great efforts to enhance the R&D ability of the Company's technology and the self-innovation ability as well as to improve the added value of the products for constantly strengthening the market competitiveness of the Company.

List of the R&amp;D investment of the Company

	2015	2014	Varied ratio
Number of the R&D personnel (person)	363	325	11.69%
Ratio to the R&D personnel	10.76%	10.59%	0.17%
Investment amount of the R&D (RMB10,000')	77,961,271.34	90,058,586.14	-13.43%
Ratio of the R&D investment to the operating income	3.09%	3.62%	-0.53%
Amount of the capitalized R&D investment (RMB Yuan)	0.00	0.00	0.00%
Ratio of the capitalized R&D investment to the R&D investment	0.00%	0.00%	0.00%

Reason of remarkable changes over the last year of the ratio of the total R&D investment amount to the operating income

Applicable  Inapplicable

Reason of the greatly change of the ratio of the R&D investment capitalization and its reasonable explanation

Applicable  Inapplicable

### 5. Cash flow

Unit: RMB Yuan

Item	2015	2014	YoY +/-
Subtotal of cash inflows from operating activities	2,686,973,788.27	2,736,050,730.30	-1.79%
Subtotal of cash outflows from operating activities	2,559,046,905.32	2,787,558,085.82	-8.20%
Net cash flows from operating activities	127,926,882.95	-51,507,355.52	——
Subtotal of cash inflows from investing activities	17,469,925.84	11,488,203.39	52.07%
Subtotal of cash outflows from investing activities	68,003,567.09	85,211,666.98	-20.19%
Net cash flows from investing activities	-50,533,641.25	-73,723,463.59	-31.46%
Subtotal of cash inflows from financing activities	17,000,000.00	20,280,600.00	-16.18%
Subtotal of cash outflows from financing activities	32,438,823.99	41,194,562.05	-21.25%
Net cash flows from financing activities	-15,438,823.99	-20,913,962.05	-26.18%
Net increase in cash and cash equivalents	61,954,417.71	-146,120,395.68	——

Notes of the major effects on the YoY significant changes occurred of the data above

Applicable  Inapplicable

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2015 of the Company during the reporting period

Applicable  Inapplicable

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

Applicable  Inapplicable

Unit: RMB Yuan

	Amount	Ratio to the total profits amount	Notes of the causes	Whether was sustainability
Investment profits	9,120,105.94	10.23%	Mainly due to the received dividends from the reporting period of the available-for-sale financial assets held by the Company.	Could not be judged
Variable profit and loss of fair value	-109,642.19	-0.12%		No
Assets impairment losses	47,252,175.34	52.99%	Mainly due to the inventory falling price reserves withdrawn by the Company of the reporting period.	No

Non-operating revenues	14,048,268.56	15.75%	Mainly due to each governmental subsidies received by the Company during the reporting period.	No
Non-operating costs	8,510,877.99	9.54%	Mainly due to the losses of disposing the current assets and the expenditures of the flood control security fund of the Company during the reporting period.	No

#### IV. List of the assets and liabilities

##### 1. List of the significant changes of the assets form

Unit: RMB Yuan

	As at 31 Dec. 2015		As at 31 Dec. 2014		Proportion change	Explain any major change
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	601,312,715.62	18.60%	531,969,747.91	16.80%	1.80%	
Accounts receivable	308,596,920.50	9.55%	374,335,355.22	11.82%	-2.27%	
Inventories	397,290,012.36	12.29%	497,588,717.86	15.71%	-3.42%	
Investing real estate	57,281,030.03	1.77%	59,489,370.83	1.88%	-0.11%	
Long-term equity investment	20,769,304.76	0.64%	20,459,975.99	0.65%	-0.01%	
Fixed assets	554,601,893.23	17.16%	572,785,946.61	18.09%	-0.93%	
Construction in progress	108,198,455.01	3.35%	134,948,317.87	4.26%	-0.91%	
Short-term loans	17,000,000.00	0.53%	20,000,000.00	0.63%	-0.10%	

##### 2. Assets and liabilities measured at fair value

√ Applicable □ Inapplicable

Unit: RMB Yuan

Item	Opening amount	Gain/loss on fair value change in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Purchased amount in the reporting period	Sold amount in the reporting period	Closing amount
Financial assets							
Financial assets measured at fair value and whose changes are recorded into current gains and losses (excluding derivative financial assets)	2,109,642.19	-109,642.19				2,000,000.00	0.00
Available-for-sale financial assets	452,650,000.00	5,130,000.00	353,519,675.00				457,780,000.00
Subtotal of financial assets	454,759,642.19	5,020,357.81	353,519,675.00			2,000,000.00	457,780,000.00
Total of the above	454,759,642.19	5,020,357.81	353,519,675.00			2,000,000.00	457,780,000.00
Financial liabilities	0.00						0.00

Did any significant change occur to the attribute of the Company's main asset measurement during the reporting period?

Yes  No

## V. List of the investment

### 1. Overall condition

Applicable  Inapplicable

Investment amount of the reporting period (RMB Yuan)	Investment amount of the same period of last year (RMB Yuan)	Variation amount
0.00	27,550,000.00	—

### 2. List of the significant equity investment acquired from the reporting period

Applicable  Inapplicable

### 3. List of the significant non-equity investment has been executing during the reporting period

Applicable  Inapplicable

### 4. Investment on the financial assets

#### (1) List of the securities investment

Applicable  Inapplicable

No such situation of the Company during the reporting period.

#### (2) List of the derivative investment

Applicable  Inapplicable

No such situation of the Company during the reporting period.

### 5. Use of raised funds

Applicable  Inapplicable

No such situation of the Company during the reporting period.

## VI. Selling of the significant assets and the equities

### 1. List of the selling of the significant assets

Applicable  Inapplicable

No such situation of the Company during the reporting period.

### 2. List of the selling of the significant equities

Applicable  Inapplicable

## VII. Analysis of the major controlling and stock-participating companies

Applicable  Inapplicable

List of the stock-participating companies with more than 10% influences on the net profits of the major subsidiaries and the Company

Unit: RMB Yuan

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Changchai Benniu	Subsidiary	Production of diesel engine fittings	55,063,000.00	162,583,829.00	97,366,218.64	132,031,738.21	-6,037,438.58	-4,775,723.46
Changchai Wanzhou	Subsidiary	Assembling of diesel engine fittings	85,000,000.00	70,402,783.63	43,312,833.11	99,618,978.42	4,302,652.05	3,763,210.92

Housheng Investment	Subsidiary	External investment and consulting service	30,000,000.00	35,125,825.23	34,409,899.89	1,523,155.52	1,811,302.76	1,508,235.97
Housheng Agricultural Equipment	Subsidiary	Agricultural machinery product of rice transplanter etc.	10,000,000.00	17,059,693.21	5,306,404.38	5,594,781.07	-2,472,022.99	-2,474,819.32
Fuji Robin	Joint stock company	Assembling of gasoline engines	USD4,500,000.00	81,683,756.04	62,937,287.79	139,148,868.35	2,857,665.35	2,138,273.61

Subsidiaries acquired or disposed during the reporting period

Applicable  Inapplicable

### VIII. List of the structured main bodies controlled by the Company

Applicable  Inapplicable

### IX. Outlook of the Company's future development

#### 1. Industry competition structure and development tendency

Influenced by the multiple factors such as the national macro economy descending, stricter and stricter products laws and regulations, the growth rate of the farm machinery industry slowed down and the growth power had transferred with the industrial competition had upgraded. Although the growth rate of the industry slowed down, the national agricultural mechanization degree was still in the mid-term development phase with the market demand of the high quality and high efficient farm machinery products was rather strong that the policy bonus which regarded the purchase subsidy policy of the farm machinery as the main policy will continue to release with the renew demand of the market inventory was more and more prosperous. Commercial vehicle market had declined with the construction machinery market was depressed. Thus the competition of the diesel engine market was fierce with the industry concentration ratio had improved and the product structure demand would have rather big change as well as the environmental protection and efficient diesel engine products would become the mainstream of the market development.

#### 2. Company development strategies:

To base on the farm machinery, do stronger in the power, develop the fields and develop scientifically.

The current products market structure of the Company mainly distributed in fields and export market such as the farm equipments such as the walking, small four-wheeler, big small and medium-sized wheeled tractors, gardening tractors and combine harvesters; agricultural small construction machinery, three rounds and low-speed vehicles; light trucks, pickups automobile industry; generator and water pump, small ship auxiliary machinery. The Company would take the market and users' demands as the orientation to seize the main line of the products and to improve the quality and increase the efficiency as well as to do better in the power and to constantly enhance the market competitiveness.

As for the matched power of the wheeled tractors, the Company maintains the advantages of the power section about 50 horsepower. As for the mating field of the combine-harvester, the Company will form a stable brand. As for the terminal end, the Company realizes the production cut-over of the rice transplanters and will soon step into the mass production. And the phenomenon "lack of heavy-duty and light-duty trucks" had been improved. The multi-cylinder machine products series under 30 horsepower needs to be improved in the future and to develop the over-80-horsepower roller tractors and diesel engines for engineering and non-road vehicles with small-lot production into the market. The Company will further innovate the new management mechanism



and to create marketing mode as well as to reduce the cost expenses that to promote the sustainable and stable and healthy development of the Company.

### 3. Operation Plan for the Year 2016:

To achieve a sales income of RMB2.6 million and the earnings of the foreign exchange through exports of USD40 million.

The above operation plan not represent the profit forecast of Y2016 by the listed companies and whether could be realized was depend on various factors on the changes of the market conditions and the effort level of the running team which with great uncertainty that the investors should pay special attention.

### 4. Possible risks and countermeasures:

#### (1) Market risk:

With fierce competition, over-capacity of some products and the total available market of the single cylinder engine were in a decline tendency as well as the demand from the industry was insufficient. And the profitability of the enterprises faced with rather great pressure.

#### Countermeasures:

Firstly is to strengthen the production and sales management, to determine the production by the sales and to reasonably control the inventories.

Secondly is to make use of the leading position and brand advantages of the Company in the single-cylinder diesel engine market and expand the sales of air-cooled single-cylinder diesel engines and the high-power diesel engines.

Thirdly is to improve the R&D level of the Company, lean to medium-and high-class multi-cylinder diesel engines in product development and vigorously develop high-power diesel engines with high added value for non-road vehicles.

Fourthly is to strengthen the quality management, constantly enhance the customers' satisfaction and the brand value as well as to enhance the products quality.

Fifthly is to update the service and management ideas, optimize the resources and to further enhance the after-sales service ability.

#### (2) Policy risk:

The macro-economic environment is complex and changeable, economic growth is slowing down and the policy on the diesel engine emissions is becoming stricter and stricter, which increased the operating difficulties and the pressure. As such, the market demands for some products of the Company will be affected to some extent.

Countermeasures: The Company will pay close attention to the government's economic macro-control policies and market developments. To promote the work such as "promote the products upgrade and quality enhancing", to embrace the upgrading of the engine emission standards, to accelerate the forging of the new "Standard V" platform, and to execute the necessary products resources reserves in advance.

## X. List of the received researches, visits and interviews

### 1. Particulars about researches, visits and interviews received in this reporting period

Applicable  Inapplicable

Time of reception	Way of reception	Visitor type	Index of the researches basic information
28 Dec. 2015	Other	Individual	Shareholding increase or decrease plan of the major shareholders
24 Dec. 2015	Other	Individual	Sales of the Company
24 Dec. 2015	Other	Individual	Products of the Company
24 Dec. 2015	Other	Individual	List of the industrial park construction
23 Dec. 2015	Other	Individual	List of the cooperation of the Company and other business

			units
7 Dec. 2015	Other	Individual	List of the industrial park construction
4 Dec. 2015	Other	Individual	List of the market share of the Company's products
4 Dec. 2015	Other	Individual	List of the operation of the Housheng Agricultural Equipment
3 Dec. 2015	Other	Individual	List of the Company's shareholders
30 Nov. 2015	Other	Individual	List of the market share of the Company's products and the competitors
17 Nov. 2015	Other	Individual	List of the Company's future plan
7 Nov. 2015	Other	Individual	List of the equities of Jiangsu Bank held by the Company
2 Nov. 2015	Other	Individual	List of the production equipments of the Company
8 Oct. 2015	Other	Individual	List of the products development
20 Sep. 2015	Other	Individual	Development orientation of the future technology products of the Company
9 Sep. 2015	Other	Individual	List of the progress of the state-owned enterprise reform of the Company
19 Aug. 2015	Other	Individual	Relevant situation of the assets finance of the Company
26 Jul. 2015	Other	Individual	Suggestion for the future development of the Company
7 Jul. 2015	Other	Individual	List of the refinancing business participated by the Company
6 Jul. 2015	Other	Individual	Sales of the Company's multi-cylinder diesel engine
1 Jul. 2015	Other	Individual	Future development strategies of the Company
25 Jun. 2015	Other	Individual	List of the execution progress of the national significant special projects of the Company
23 Jun. 2015	Other	Individual	List of the planning of the power industrial park of the Company
15 Jun. 2015	Other	Individual	List of the shareholders' number
16 Jun. 2015	Other	Individual	List of the shares of Jiangsu Bank held by the Company
3 Jun. 2015	Other	Individual	List of the planning of the power industrial park of the Company
26 May 2015	Other	Individual	Planning of the future development of the Company
25 May 2015	Other	Individual	List of the shareholders' number
24 May 2015	Other	Individual	List of the Company's products
19 May 2015	Other	Individual	List of the shareholders' number
9 May 2015	Other	Individual	List of the Tsinghua Industrial Company participated by the Company
5 May 2015	Other	Individual	Planning of the future development of the Company
4 May 2015	Other	Individual	Planning of the future development of the Company
29 Apr. 2015	Other	Individual	Whether the Company has the organization intention
28 Apr. 2015	Other	Individual	Planning of the future development of the Company
28 Apr. 2015	Other	Individual	List of the aspects such as the state-owned enterprise reform and the employees' shareholding
28 Apr. 2015	Other	Individual	Sales of the multi-cylinder diesel engine
16 Apr. 2015	Other	Individual	List of the planning of the power industrial park of the Company
15 Apr. 2015	Other	Individual	List of the planning of the power industrial park of the

			Company
15 Apr. 2015	Other	Individual	List of the shareholders' number
15 Apr. 2015	Other	Individual	Planning of the future development of the Company
26 Mar. 2015	Other	Individual	List of the future development of the Company
23 Mar. 2015	Other	Individual	List of the future development of the Company
22 Mar. 2015	Other	Individual	List of the future development of the Company
16 Mar. 2015	Other	Individual	List of the share price of the Company
15 Mar. 2015	Other	Individual	List of the internet influences of the Company
12 Mar. 2015	Other	Individual	List of the future development of the Company
12 Mar. 2015	Other	Individual	List of the future development of the Company
12 Mar. 2015	Other	Individual	List of the newly serving Independent Directors of the Company
8 Mar. 2015	Other	Individual	List of the mixed ownership reform of the Company
1 Mar. 2015	Other	Individual	List of the agricultural informatization
27 Feb. 2015	Other	Individual	List of the external cooperation of the Company
27 Feb. 2015	Other	Individual	List of the external cooperation of the Company
25 Feb. 2015	Other	Individual	List of the mixed ownership reform of the Company
16 Feb. 2015	Other	Individual	Relevant situation of the Company's products
9 Feb. 2015	Other	Individual	List of the shareholders' number
21 Jan. 2015	Other	Individual	List of the state-owned enterprise reform
19 Jan. 2015	Other	Individual	List of the agricultural modernization
14 Jan. 2015	Other	Individual	List of the stock price trend of the Company
13 Jan. 2015	Other	Individual	List of the Company's shareholders
12 Jan. 2015	Other	Individual	List of the Company's shareholders
1 Jan. 2015	Other	Individual	List of the Company's shareholders
Reception times			62
Number of reception institutions			0
Number of reception person			62
Number of receipting other targets			0
Whether disclose, reveal or let out unpublished significant information			No

## Section V. Significant Events

### I. List of the profits distribution of the common shares and turning capital reserve into share capital of the Company

List of the formulation, execution or adjustment of the profits distribution policies of the common shares, especially the cash dividend policies

√ Applicable □ Inapplicable

In Articles of Association, which had confirmed the specific profits distribution and cleared out the conditions, standards and proportion of the cash bonus, stipulated the decision-making progress of the formulation and alternation of the profits distribution policies and the chapters as well as the regulations fully ensure the opportunities for the medium and small shareholders to exert the functions and to provide advices as well as appeals. The cash bonus of recent 3 years of the Company met with the regulations of the Articles of Association and during the decision-making process of the profits distribution proposal, the Independent Directors stated the independent advices and fully respected the advices from the medium and small shareholders. The profits distribution preplan and the turning capital reserve into share capital preplan of the Company were both met with the relevant regulations of the Articles of Association and so no.

Special explanation of cash dividend policy	
Whether conformed with the regulations of the Articles of association or the requirements of the resolutions of the shareholders' meeting:	Yes
Whether the dividend standard and the proportion were definite and clear:	Yes
Whether the relevant decision-making process and the system were complete:	Yes
Whether the independent director acted dutifully and exerted the proper function:	Yes
Whether the medium and small shareholders had the chances to fully express their suggestions and appeals, of which their legal interest had gained fully protection:	Yes
Whether the conditions and the process met the regulations and was transparent of the adjustment or altered of the cash dividend policy:	Yes

List of the dividend distribution proposal (preplan) of the common shares and the proposal (preplan) of turning capital reserve into share capital of the Company of the recent 3 years

Dividend year	Profits distribution proposal	Turning capital reserve into share capital proposal	Execution
2015	Distributed RMB0.23 of every 10 shares (taxes including)	No	Still needed to submit to the Annual General Meeting
2014	Distributed RMB0.20 of every 10 shares (taxes including)	No	Finished the execution
2013	Distributed RMB0.15 of every 10 shares (taxes including)	No	Finished the execution

Cash dividend distribution of the common shares of the Company of the recent 3 years (including the reporting period)

Unit: RMB Yuan

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods	Ratio of the cash dividend by other methods
2015	12,911,609.50	71,102,792.49	18.16%	0.00	0.00%
2014	11,227,486.52	64,202,144.29	17.49%	0.00	0.00%
2013	8,420,614.89	75,712,361.04	11.12%	0.00	0.00%

The Company (including its subsidiaries) made profit in the reporting period and the profits distribution of the common shares held by the shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution of the common shares:

Applicable  Inapplicable

## II. Pre-plan for profit allocation and turning capital reserve into share capital for the reporting period

Applicable  Inapplicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB Yuan) (tax included)	0.23
Turning capital reserve into share capital for every 10 shares (share)	0
Total shares as the basis for the allocation preplan (share)	561374326
Total cash dividends (RMB Yuan) (tax included)	12,911,609.50
Distributable profit (RMB Yuan)	561,189,656.87
Percentage of the cash bonus of the total profits dividends	100.00%
Cash dividend situation	
Other	
Details about the profit allocation or turning capital reserve into share capital	
The preplan of the profits distribution reviewed and approved by the Board of Directors of the Company was: based on the total share capital of the Company on 31 Dec. 2015, the Company distributed the cash bonus of RMB0.23 (tax included) of every 10 shares for the whole shareholders. There was no bonus share and no turn from capital reserve to share capital of 2015.	

## III. Performance of commitments

**1. Commitments completed by the Company, the shareholders, the actual controllers, the purchasers, the Directors, the Supervisors and the Senior Executives or the other related parties during the reporting period and those hadn't been completed execution up to the period-end**

Applicable  Inapplicable

Commitment	Commitment maker	Type of commitment	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes						
Commitments made upon the assets reorganization						
Commitments made upon IPO or refinancing						
Equity incentive commitments						

Other commitments made to minority shareholders	State-owned Assets Supervision and Administration Commission of Changzhou Municipal Government	Shareholding increase commitment	1. Committed not to decrease its holding of "Changchai A" within 6 months since 10 Jul. 2015. 2. Committed to invest RMB20 million for increasing its holding of "Changchai A" in a proper timing within 6 months since 10 Jul. 2015.	10 Jul. 2015	Within 6 months since 10 Jul. 2015	The Changzhou SASAC invested RMB20 million to increase its shareholding in the Company by 2,347,500 shares (a stake of 0.42% in the Company's total shares) through the centralized quotation trading system of the Shenzhen Stock Exchange during the period from 16 Jul. 2015 to 26 Aug. 2015. As such, this shareholding increase commitment has been fulfilled.
	Changchai Company, Limited	Dividend commitment	Planning for Returns for Shareholders in the Coming Three Years (2014-2016): Where the distributable profits (after-tax profits after making up for loss and withdrawing capital reserves) achieved by the Company for a year or the first half of a year are positive, and its cash flows are sufficient that cash dividend payout will not affect its going concern ability, the profits distributed in cash shall not be less than 10% of the distributable profits achieved by the Company for the year or the first half of the year, and the profits accumulatively distributed in cash shall not be less than 30% of the annual average distributable profits for any three consecutive accounting years.	14 May 2014	Y2014-Y2016	In normal execution
Executed on time	Yes					

**2. Assets or projects existing profit forecast, which were still in the profit forecast period, the Company made note and explain to the assets or project arrived at original profit forecast**

Applicable  Inapplicable

**IV. Occupation of the Company's capital by the controlling shareholder or its related parties for non-operating purposes**

Applicable  Inapplicable

No such situation of the Company during the reporting period.

**V. Explanation by the Board of Directors and the Supervisory Committee about the "non-standard audit report" issued by the CPAs firm for the reporting period**

Applicable  Inapplicable

**VI. Explanation of the changes of the accounting policy, the accounting estimates and the accounting methods compared to the last financial report**

Applicable  Inapplicable

No such cases in the reporting period.

**VII. Explain retrospective restatement due to correction of significant accounting errors in the reporting period**

Applicable  Inapplicable

No such cases in the reporting period.

**VIII. Explain change of the consolidation scope as compared with the financial reporting of last year**

Applicable  Inapplicable

No such cases in the reporting period.

**IX. Particulars about engagement and disengagement of CPAs firm**

CPAs firm engaged at present

Name of domestic CPAs firm	Jiangsu Gongzheng Tianye Certified Public Accountants LLP
Remuneration for domestic CPAs firm for the reporting period (ten thousand Yuan)	70
Consecutive years of the audit services provided by domestic CPAs firm	14
Name of domestic CPAs firm	Wang Wenkai, He Taifeng

Reengage the CPAs firm at current period or not?

Yes  No

Particulars on engaging the audit firm for the internal control, financial adviser or sponsor

Applicable  Inapplicable

During reporting period, the Company hired Jiangsu Gongzheng Tianye Certified Public Accountants LLP as the internal control institution of the Company, the cost of audit was RMB150000.

**X. Particulars about trading suspension and termination faced after the disclosure of annual report**

Applicable  Inapplicable

**XI. Bankruptcy and reorganization**

Applicable  Inapplicable

No such cases in the reporting period.

**XII. Significant lawsuit or arbitrations**

Applicable  Inapplicable

Basic situation of the litigation (arbitration)	Amount involved in the litigation (arbitration) (RMB 0'000)	Forming the estimated liabilities or not?	Progress of the litigation (arbitration)	Trial result and influence of the litigation (arbitration)	Execution situation on the judgment of the litigation (arbitration)	Disclosure date	Index to the disclosed
About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB 14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April, 2002. Currently, the defendant has started the bankruptcy procedure.	1,436	No	Judged for the second trial		Under the compulsory execution by the court and in the process of liquidation and bankruptcy		
About the lawsuit case of Beijing Baic Changsheng Automobile Co., Ltd., the accused company owed accumulatively RMB 8.0636 million to the Company. According to the paper of civil mediation issued by the people's court of Beijing Shunyi on 31 Oct. 2013, the Company will amortize the arrears of RMB8.0636 million. If Baic Changsheng failed to execute the reconciliation agreement on time, the Company should applied for the compulsory execution of the whole unpaid accounts at one time and the Baic Changsheng should pay for the otherwise liquidated damages of RMB40,000 and the interests of the overdue payment.	806.36	No	Had mediated. Up the end of the reporting period, Baic Changsheng had paid RMB4.2 million to the Company. Under compulsory execution			30 Aug. 2013 6 Nov. 2013	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> . Announcement No.: 2013-015, 019

### XIII. Punishment and rectification

Applicable  Inapplicable

No such cases in the reporting period.

### XIV. The honesty situations of the Company and its controlling shareholders and actual controller

Applicable  Inapplicable

### XV. The actual implementation of the stock incentive plan, ESOP, or other Staff incentives

Applicable  Inapplicable

No such cases in the reporting period.



**XVI. Significant related-party transactions****1. Related-party transactions relevant to routine operation**

Applicable  Inapplicable

No such cases in reporting period.

**2. Related-party transactions incurred by assets or equity purchase**

Applicable  Inapplicable

No such cases in the reporting period.

**3. Related-party transactions common external investment**

Applicable  Inapplicable

No such cases in the reporting period.

**4. Credits and liabilities with related parties**

Applicable  Inapplicable

No such cases in the reporting period.

**5. Other significant related-party transactions**

Applicable  Inapplicable

No such cases in the reporting period.

**XVII. Significant contracts and their execution****1. Trusteeship, contracting and leasing****(1) Trusteeship**

Applicable  Inapplicable

No such cases in the reporting period.

**(2) Contract**

Applicable  Inapplicable

No such cases in the reporting period.

**(3) Lease**

Applicable  Inapplicable

No such cases in the reporting period.

**2. Significant guarantees**

Applicable  Inapplicable

**(1) Guarantees provided by the Company**

Unit: RMB Ten Thousand Yuan

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announce	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or

	ment							not
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	4 Dec. 2015	1,000	4 Dec. 2015	1,000	General guarantee	1 year	No	No
Total guarantee line approved for the subsidiaries during the reporting period (B1)		1,000		Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)		1,000		
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)		1,000		Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)		1,000		
Guarantees provided by the subsidiaries of the Company for subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the reporting period (A1+B1+C1)		1,000		Total actual occurred amount of guarantee during the reporting period (A2+B2+C2)		1,000		
Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)		1,000		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		1,000		
Proportion of total actual guarantee amount (A4+B4+C4) in the net assets of the Company				0.50%				
Of which:								
Guarantee amount provided for shareholders, actual controllers and its related parties(D)						0		
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)						0		
Part of the amount of the total guarantee over 50% of net assets (F)						0		
Total amount of the above three guarantees (D+E+F)						0		
Explanation on possibility to bear joint liability due to undue guarantees (if any)						Inapplicable		
Explanation on the external guarantees in violation of stipulated procedures (if any)						Inapplicable		

**(2) Illegal external guarantee**

Applicable  Inapplicable

No such case during reporting period

**3. Cash assets management entrustment****(1) Wealth management entrustment**

Applicable  Inapplicable

Unit: RMB Ten Thousand Yuan

Name of the trustee	Related transaction or not	Type	Amount	Initial date	Ended Date	Remuneration determination method	Principal amount actually received in reporting period	Withdrawn impairment provision (if any)	Estimate profit	Amount of actual profits or losses in reporting period	Actual withdrawal of profits or losses in reporting period
Ping An Bank	No	Break-even floating proceeds financial products	1,000	29 Jan. 2015	28 Jul. 2015	One-time confirmation when expired	1,000	0	23.92	23.92	23.92
Bank of Jiangshu	No	Break-even floating proceeds financial products	1,000	22 Apr. 2015	21 Oct. 2015	One-time confirmation when expired	1,000	0	22.94	22.94	22.94
Bank of Jiangshu	No	Break-even floating proceeds financial products	1,000	26 Aug. 2015	24 Feb. 2016	One-time confirmation when expired	0	0	17.95	0	0
Bank of Jiangshu	No	Break-even floating proceeds financial products	1,000	3 Nov. 2015	4 May 2016	One-time confirmation when expired	0	0	18.45	0	0
Total			4,000	--	--	--	2,000	0	83.26	46.86	--
Capital resources							Self-owned raising funds				
Cumulative amount of principal and earnings maturity that fail to recover							0				
Self-own idle fund							Inapplicable				
Disclosure date of announcement on wealth management entrustment reviewed and approved by the Board of Directors							13 Jan. 2015				
Disclosure date of announcement on wealth management entrustment reviewed and approved by the Board of Shareholders							Inapplicable				
Whether there is wealth management entrustment plan in future or not?							Yes				

**(2) Entrustment loans**

Applicable  Inapplicable

No such cases in the reporting period.

**4. Other significant contracts**

Applicable  Inapplicable

No such cases in the reporting period.

**XVIII. Other significant events**

Applicable  Inapplicable

No such cases in the reporting period.

**XIX. Significant events of subsidiaries**

Applicable  Inapplicable

**XX. Social responsibilities**

Applicable  Inapplicable

**XXI. Corporation bonds**

Whether existing corporation bonds public issued and listed in Stock Exchange and maturity or maturity but not fully paid on the approval report date of annual report

No

## Section VI. Change in Shares & Shareholders

### I. Changes in shares

#### I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
I. Restricted shares	0	0.00%						0	0.00%
1. Shares held by the state	0	0.00%						0	0.00%
2. Shares held by state-own Legal-person	0	0.00%						0	0.00%
3. Shares held by other domestic investors	0	0.00%						0	0.00%
Among which: shares held by domestic legal person	0	0.00%						0	0.00%
Shares held by domestic natural person	0	0.00%						0	0.00%
4. Oversea shareholdings	0	0.00%						0	0.00%
Among which: shares held by oversea legal person	0	0.00%						0	0.00%
Shares held by oversea natural person	0	0.00%						0	0.00%
II. Shares not subject to trading moratorium	561,374,326	100.00%						561,374,326	100.00%
1. RMB ordinary shares	411,374,326	73.28%						411,374,326	73.28%
2. Domestically listed foreign shares	150,000,000	26.72%						150,000,000	26.72%
3. Oversea listed foreign shares	0	0.00%						0	0.00%
4. Other	0	0.00%						0	0.00%
III. Total shares	561,374,326	100.00%						561,374,326	100.00%

Reason for the change in shares

 Applicable  Inapplicable

Approval of the change in shares

 Applicable  Inapplicable

Reason for the change in shares

 Applicable  Inapplicable

Effects of the change in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and last period

 Applicable  Inapplicable

Other contents that the Company considered necessary or were required by the securities regulatory authorities to disclose

 Applicable  Inapplicable

**2. Changes in restricted shares**

Applicable  Inapplicable

**II. Issuance and listing of securities****1. Issuance of securities (excluding preferred stock) in reporting period**

Applicable  Inapplicable

**2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities**

Applicable  Inapplicable

**3. Existent shares held by internal staffs of the Company**

Applicable  Inapplicable

**III. Particulars about the shareholders and actual controller****1. Total number of shareholders and their shareholding**

Unit: share

Total number of shareholders at the reporting period	57,048	Total number of shareholders on the 30 <sup>th</sup> trading day before the disclosure date of the annual report	54,693	Total number of preferred stockholder with vote right restored( if any)	0	Total number of preferred stockholder with vote right restored on the 30 <sup>th</sup> trading day before the disclosure date of the annual report( note 8)	0	
Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the reporting period	Increase and decrease of shares during reporting period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	On behalf of the State	30.43%	170,845,236			170,845,236		
Huang Lihou	Domestic individual	1.02%	5,705,000			5,705,000		
KGI Asia Limited	Overseas corporation	0.57%	3,224,845			3,224,845		
BNP Paribas Wealth Management Hong Kong Branch	Overseas corporation	0.55%	3,099,873			3,099,873		
Southwest Securities-ICBC-Southwest Securities Shuangxi Huixin ICBC No. 2 Collected Asset Management Plan	Other	0.36%	2,000,000			2,000,000		
Li Min	Domestic individual	0.34%	1,918,950			1,918,950		
China Securities Finance Corp.	Other	0.33%	1,826,700			1,826,700		
Southwest Securities-ICBC-Southwest Securities Shuangxi Huixin ICBC No. 1 Collected Asset Management Plan	Other	0.31%	1,750,000			1,750,000		
Bank of Communications Co.,	Other	0.30%	1,661,600			1,661,600		

Ltd.-Changxin Quantified Core Pioneer Mixed Investment Fund								
Vanguard Total International Stock Index Fund	Overseas corporation	0.29%	1,626,592			1,626,592		
Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any) (note 3)	Naught							
Explanation on associated relationship or/and persons	It is unknown whether there was any associated relationship among the top ten tradable shareholders and among the top ten shareholders not subject to trading moratorium, or whether they are persons acting in concert as described by Measures for the Administrative of Disclosure of Shareholder Equity Changes.							
Particulars about shares held by top 10 shareholders not subject to trading moratorium								
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share						
		Type of share	Amount					
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	170,845,236	RMB ordinary shares	170,845,236					
Huang Lihou	5,705,000	RMB ordinary shares	5,705,000					
KGI Asia Limited	3,224,845	Domestically listed foreign shares	3,224,845					
BNP Paribas Wealth Management Hong Kong Branch	3,099,873	Domestically listed foreign shares	3,099,873					
Southwest Securities- ICBC-Southwest Securities Shuangxi Huixin ICBC No. 2 Collected Asset Management Plan	2,000,000	RMB ordinary shares	2,000,000					
Li Min	1,918,950	RMB ordinary shares	1,918,950					
China Securities Finance Corp.	1,826,700	RMB ordinary shares	1,826,700					
Southwest Securities- ICBC-Southwest Securities Shuangxi Huixin ICBC No. 1 Collected Asset Management Plan	1,750,000	RMB ordinary shares	1,750,000					
Bank of Communications Co., Ltd.-Changxin Quantified Core Pioneer Mixed Investment Fund	1,661,600	RMB ordinary shares	1,661,600					
Vanguard Total International Stock Index Fund	1,626,592	Domestically listed foreign shares	1,626,592					
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	It is unknown whether there was any associated relationship among the top ten tradable shareholders and among the top ten shareholders not subject to trading moratorium, or whether they are persons acting in concert as described by Measures for the Administrative of Disclosure of Shareholder Equity Changes.							
Particular about shareholder participate in the securities lending and borrowing business ( if any)	Shareholder Huang Lihou held a total of 5,705,000 shares in the Company, representing a stake of 1.02%, through a common securities account and a client account of collateral securities for margin trading. Conducting margin trading in the reporting period, he held 5,600,000 shares (a stake of 1.00% in the Company) through a client account of collateral securities for margin trading in Guotai Junan Securities Co., Ltd. Shareholder Li Lin held 1,918,950 shares in the Company (a stake of 0.34%) through a client account of collateral securities for margin trading in Guosen Securities Co., Ltd.							

Did any of the Company's top 10 common shareholders or top 10 non-restricted common shareholders conduct any agreed buy-back in the reporting period?

Yes  No

There was no shareholder of a company conduct the transaction of repurchase under the agreement during the reporting period.

**2. Particulars about the controlling shareholder**

Nature of controlling shareholder: Local state-controlled

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	Lu Qiang		01411025-1	
Shares held by the controlling shareholder in other listed companies by holding or shareholding during the reporting period	Inapplicable			

Change of the controlling shareholder during the reporting period

 Applicable  Inapplicable

The controlling shareholder did not change during the reporting period

**3. Particulars about actual controller**

Nature of actual controllers: Local state-owned assets management institutions

Type of actual controller: legal person

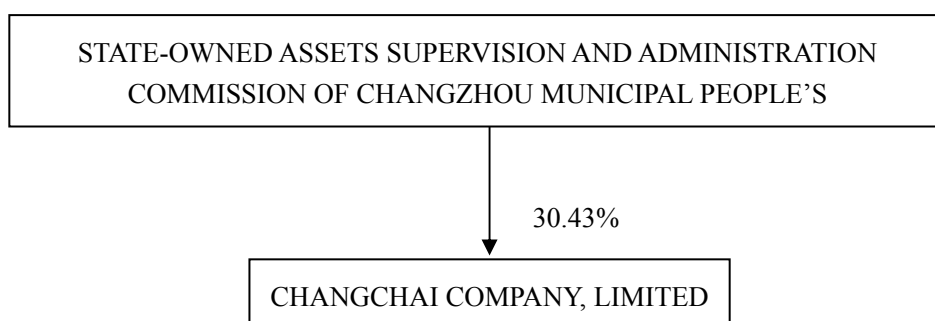
Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	Lu Qiang		01411025-1	
Equity of shareholding and participating shares of actual controllers in other domestic and foreign listed company during the reporting period	Inapplicable			

Change of the actual controller during the reporting period

 Applicable  Inapplicable

The actual controller did not change during the reporting period

The ownership and controlling relationship between the actual controller of the Company and the Company is detailed as follows:



The actual controller controls the Company via trust or other ways of asset management

 Applicable  Inapplicable**4. Particulars about other corporate shareholders with shareholding proportion over 10%** Applicable  Inapplicable**5. Particulars about restriction of reducing holding-shares of controlling shareholders, actual controller, restructuring parties and other commitment entities** Applicable  Inapplicable

## Section VII. Preference Shares

Applicable  Inapplicable

There was no preferred stock during reporting period.

## Section VIII. Directors, Supervisors, Senior Management Staff & Employees

### I. Changes in shareholding of directors, supervisors and senior management staff

Name	Position	Current/former	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Number of shares held at period-end (share)
Xue Guojun	Chairman of the Board	Current	Male	53	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Jiang Huaping	Director	Former	Male	53	26 Jun. 2013	31 Mar. 2015	0	0	0	0	0
He Jianguang	Director, General Manager, Chief Engineer	Current	Male	52	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Shi Jianchun	Director, Deputy General Manager, Secretary of the Board	Current	Male	54	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Xu Zhenping	Director	Current	Male	59	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Zhuang Rongfa	Director	Current	Male	72	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Xu Qian	Director	Current	Female	53	1 Apr. 2015	25 Jun. 2016	0	0	0	0	0
Shen Ningwu	Independent director	Current	Male	74	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Zhu Jianming	Independent director	Former	Male	60	26 Jun. 2013	31 Mar. 2015	0	0	0	0	0
Cao Huiming	Independent director	Former	Male	67	26 Jun. 2013	31 Mar. 2015	0	0	0	0	0
Li Minghui	Independent director	Current	Male	42	1 Apr. 2015	25 Jun. 2016	0	0	0	0	0
Jia Bin	Independent director	Current	Male	38	1 Apr. 2015	25 Jun. 2016	0	0	0	0	0
Yin Lihou	Vice GM	Current	Male	52	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Xu Yi	Vice GM	Current	Male	52	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Liu Xiaoyun	Vice GM	Current	Male	54	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Wei Jinxiang	Vice GM	Current	Male	53	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Zhang Xin	Vice GM	Current	Male	50	22 Apr. 2015	25 Jun. 2016	0	0	0	0	0
Ni Mingliang	Chairman of the Supervisor	Current	Male	49	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Zhong Lei	Supervisor	Current	Male	47	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Lu Zhonggui	Supervisor	Current	Male	49	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Xie Guozhong	Supervisor	Current	Male	47	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0
Liu Yi	Supervisor	Current	Male	47	26 Jun. 2013	25 Jun. 2016	0	0	0	0	0



## II. Particulars about changes of Directors, Supervisors and Senior Executives

Name	Position	Type	Date	Reason
Jiang Huaping	Director	Former	31 Mar. 2015	Job changes
Zhu Jianming	Independent director	Former	31 Mar. 2015	Left the post
Cao Huiming	Independent director	Former	31 Mar. 2015	Left the post

## III. Resumes of important personnel

Main working experience of current directors, supervisors and senior management staff

Xue Guojun: Now he acts as Chairman of the Board, Deputy Secretary of Party Committee of the Company.

He Jianguang: Now he acts as Director, General Manager, and Chief Engineer of the Company.

Shi Jianchun: Now he acts as Party Secretary, Director, Deputy General Manager and Secretary of the Board of the Company, and Chairman of the Board of Changzhou Housheng Investment Co., Ltd.

Xu Qian: She successively worked as Clerk of Commerce of Changzhou Bureau of Finance, section member of Commercial Office, Deputy Principal Staff Member, Deputy Principal Staff Member, Deputy Section Chief of State-owned office of Changzhou Bureau of Finance and Section Chief of Changzhou SASAC Property Rights and Profits Management. Now, she is Deputy researcher of Changzhou SASAC.

Xu Zhenping: He successively held the posts of Director and Deputy General Manager of the Company. Now he acts as Director and Senior of the Company as well as Chairman of The Board of Housheng Agricultural Equipment Co., Ltd.

Zhuang Rongfa: He successively took the posts of Deputy Director, Deputy Secretary of CPC in Changzhou Municipal Economic Committee. Now he acts as the director of the Company.

Shen Ningwu: Now he acts the consultant in China Association of Automobile Manufacturers, the Independent Director in Chongqing Jinguan Automobile Manufacture Co., Ltd., Hangzhou Zhaofeng Autoparts Manufacturing Co., Ltd., and the Company.

Li Minghui: He acted as Lecturer and Associate Professor of School of Accounting in Xiamen University, Associate Professor and Professor of School of Accounting in Nanjing University Business School, now he is the Doctoral Supervisor of School of Accounting in Nanjing University Business School, independent director of Jiangsu DayBright Intelligent Electric Co., Ltd. and Baosheng Science & Technology Innovation Co., Ltd.

Jia Bin: he successively acted as the Deputy Director of No.1 Research office in Tianjin Research Institute of Internal Combustion Engine, now he acts as the Director of No.1 Research office in Tianjin Research Institute of Internal Combustion Engine and Secretary-general of CICEIA Small Gasoline Engine Branch.

Yin Lihou: Now he acts as Deputy General Manager of the Company, and the Chairman of the Board of Directors of Changchai Wanzhou Diesel Engine Co., Ltd. Now he acts as Deputy General Manager of the Company.

Liu Xiaoyun: Now he acts as Deputy General Manager of the Company.

Wei Jinxiang: He successively held the posts of Department Director of Quality Assurance Department, General Manager Assistant of the Company. Now he acts as Deputy General Manager of the Company.

Zhang Xin: He successively held the posts of GM of Sales Company, General Manager Assistant of the Company. Now he acts as Deputy General Manager of the Company.

Ni Mingliang: Now he acts as Deputy Secretary, Vice Chairman of Labor Union and Chairman of the Supervisory. Now he acts as Section Chief of the General Office of State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government.

Lu Zhonggui: Now he acts as Special Discipline Inspector of Discipline Inspection Committee and Secretary of Organ Party General Branch as well as supervisor of the Company.

Xie Guozhong: Now he acts as Secretary of Party General Branch of the sales company, Deputy General Manager and Supervisor of the Company and Supervisor of Housheng Agriculture Equipment.

Liu Yi: He successively took the posts of Assistant Minister of Enterprise Management Department. Now he acts as Deputy Director of Finance Department and Supervisor of the Company and Supervisor of Changwan Company.

Post-holding in shareholder units

Applicable  Inapplicable

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Zhong Lei	State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	Section Chief of the General Office	1 Aug. 2009	25 Jun. 2016	Yes
Xu Qian	State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	Deputy Researcher	1 Apr. 2015	25 Jun. 2016	Yes

Post-holding in other units

Applicable  Inapplicable

Particulars about the Company's current directors, supervisors and senior executives 'punishments from Securities Regulatory Institution of recent three years in reporting period

Applicable  Inapplicable

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

Decision-making procedure, determining basis and actual payment for the remuneration of directors, supervisors and senior management

In 2015, the monthly salaries of directors, supervisors and senior executives in the Company were in line with the stipulations of relevant salary management and grade standards, and the benefits of the Company and assessment results. The Director Xu Qian, Supervisor Zhong Lei obtained salaries in shareholders' entities.

Remuneration of the directors, supervisors and senior management of the Company during the reporting period is as follows:

Unit: RMB Ten Thousand Yuan

Name	Position	Gender	Age	Current/former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Xue Guojun	Chairman of the Board	Male	53	Current	80.93	No
Jiang Huaping	Director	Male	53	Former	0	No
He Jianguang	Director, General Manager, Chief Engineer	Male	52	Current	80.98	No
Shi Jianchun	Director, Deputy General Manager, Secretary of the Board	Male	54	Current	80.53	No
Xu Zhenping	Director	Male	59	Current	50.09	No
Zhuang Rongfa	Director	Male	72	Current	0	No
Xu Qian	Director	Female	53	Current	0	Yes
Shen Ningwu	Independent director	Male	74	Current	5	No
Zhu Jianming	Independent director	Male	60	Former	0	No
Cao Huiming	Independent director	Male	67	Former	0	No
Li Minghui	Independent director	Male	42	Current	5	No
Jia Bin	Independent director	Male	38	Current	5	No
Yin Lihou	Vice GM	Male	52	Current	59.9	No
Xu Yi	Vice GM	Male	52	Current	66.14	No
Liu Xiaoyun	Vice GM	Male	54	Current	62.79	No
Wei Jinxiang	Vice GM	Male	53	Current	57.59	No
Zhang Xin	Vice GM	Male	50	Current	61.7	No
Ni Mingliang	Chairman of the Supervisor	Male	49	Current	53.07	No

Zhong Lei	Supervisor	Male	47	Current	0	Yes
Lu Zhonggui	Supervisor	Male	49	Current	13.96	No
Xie Guozhong	Supervisor	Male	47	Current	27.09	No
Liu Yi	Supervisor	Male	47	Current	13.23	No
Total	--	--	--	--	723	--

Situations of equity incentives awarded to the directors, supervisors and senior management of the Company during the reporting period

Applicable  Inapplicable

## V. About employees

### 1. Number, structure and education of employees

Number of on-job employees in parent company(person)	2,956
Number of on-job employees in main subsidiaries(person)	630
Total number of on-job employees (person)	3,586
Total number of employees obtaining salaries (person)	3586
Total number of retired employees the Company or the subsidiaries should bare the retirement fee (person)	0
Professional structure	
Category	Number (person)
Production personnel	2,504
Sale personnel	220
Technicians	363
Financial personnel	41
Administrative personnel	325
Others	133
Total	3,586
Education	
Category	Number (person)
Junior high school or lower	1,633
Senior high school	1,119
College and technical secondary school	525
Bachelor degree	288
Master degree	21
Total	3,586

### 2. Employee's remuneration policy

The Company always adhered to the principle of tilting the remuneration incentive mechanism towards excellent talents, so as to display the roles of various professional technicians, management staffs and skilled backbones. Besides, it adhered to the principle of increasing the employee's income integrated with increasing labor production efficiency and production & operation efficiency, so as to perfect the salary structure and further increase employees' income steadily.

### 3. Employee's training plan

The Company established the Management Rules on the Education & Training for Employees, aiming to enhance employees' quality and try its best to cultivate a team of faithful and highly professional talents. Besides, it innovated the training mechanism, optimized the training environment, and reinforced to encourage employees to attend various training, so as to inspire the employees' potential to the maximum extent and further promote the sustainable development of the Company.

### 4. Outsourcing situation

Applicable  Inapplicable

## Section IX. Corporate Governance

### I. Basic details of corporate governance

In the reporting period, the Company was strictly in line with laws, statutes such as Company Law, Securities Laws, Code of Corporate Governance of Listed Companies, Guide Opinion on Establishment of Independent Director System by Listed Companies and Guidelines on Internal Controls of Listed Companies and so on, continuously perfected corporate governance, established and accomplished internal management and control system, consistently and deeply put forward corporate governance activities, so as to further normalized operation of the Company, raising corporate governance level, laying a guard for steady and healthy development of the Company, protect legal rights and interests of the Company and all shareholders.

The Company promulgated or revised a series of internal control system through all aspects of normal operation and management activities in accordance with each national laws and regulations, characteristics of the industry, operation and self-managing business, and improved it continuously, and finally formed a normative management system. And formulated a series of management system, process and standard covered each operation link and level of the financial assets control, human resources management, quality environment management and internal audit supervisor etc., which ensured all the work had rules to follow.

Whether it exists any difference between the corporate governance and the Company Law and relevant rules of CSRC or not?

Yes  No

There is no difference between the corporate governance and the Company Law and relevant rules of CSRC.

### II. Particulars about the Company's separation from the controlling shareholder in respect of business, personnel, assets, organization and financial affairs

The Company was totally independent from the controlling shareholder State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government in terms of assets, business, personnel, organization and financing, with independent & complete business and capability to operate independently.

### III. Horizontal competition

Applicable  Inapplicable

### IV. Particulars about the annual shareholders' general meeting and special shareholders' general meetings held during the reporting period

#### 1. Particulars about the shareholders' general meeting in reporting period

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
The Annual Shareholders' General Meeting of 2014	The Shareholders' Annual General Meeting	0.04%	19 May 2015	20 May. 2015	2015-016
The First Special Shareholders' General Meeting for 2015	Special Shareholders' General Meeting	0.03%	31 Mar. 2015	1 Apr. 2015	2015-006

#### 2. Special Shareholders' General Meeting applied by the preferred stockholder with restitution of voting right

Applicable  Inapplicable

## V. Performance of the Independent Directors

### 1. Particulars about the independent directors attending the board sessions and the shareholders' general meetings

1. Particulars about the independent directors attending the board sessions						
Independent director	Sessions required to attend during the reporting period	Attendance in person	Attendance by way of telecommunication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times
Shen Ningwu	8	3	5	0	0	No
Cao Huiming	2	0	2	0	0	No
Zhu Jianming	2	0	2	0	0	No
Li Minghui	6	3	2	1	0	No
Jia Bin	6	3	3	0	0	No
General meetings sat in on by independent directors				2		

### 2. Particulars about independent directors proposing objection on relevant events

Whether independent directors propose objection on relevant events or not?

Yes  No

During the reporting period, no independent directors proposed any objection on relevant events of the Company.

### 3. Other explanations about the duty performance of independent directors

Whether advices to the Company from independent directors were adopted or not

Yes  No

Explanation on the advices of independent directors for the Company being adopted or not adopted

The independent directors of the Company in line with the law, rules, normative documents and obligations given by the Company of the Company law, Article of Associations and Independent Directors Work Rules, comprehensively focused on the development and operation of the Company, actively attended the general meeting of shareholder and meeting of board of directors, and given independent opinions for the significant events of the Company, and effectively maintained the profits of the Company and all the shareholders. The Company actively listened to the suggestions from the independent directors upon the significant events and adopted them,

## VI. Performance of the Special Committees under the Board during the reporting period

### 1. Summary Report on Responsibility Performance of the Audit Committee under the Board of Directors:

During the reporting period, the Audit Committee under the Board of Directors performed its duty according to the diligent and responsible principle, based on relevant regulations such as the Company Law, the Guidelines for Corporate Governance of Listed Companies, the Articles of Association as well as provisions in the Enforcement Regulation of the Audit Committee under the Board of Director of the Company.

(1) Major work of Audit Committee in reporting period:

- 1) Periodically examined the working plan and execution of inner control of the Company;
- 2) Communicated fully with the CPAs firm on plan and content of audit;
- 3) Urged the CPAs firm to submit report as scheduled;
- 4) The Audit Committee reviewed the financial statements of the Company before the audit and after the issuance of preliminary opinion by the CPAs firm. After it communicated with the CPAs firm on some important items as well as major accounting estimation items, audit adjustment items and important accounting policies which were likely to have potential influence on the financial statements, it considered that the financial statements reflected the overall situation of the Company authentically, accurately and completely.
- 5) Submitted the summary report on annual audit of the Company conducted by the CPAs firm to the Board of

Directors;

6) Advised to continue the appointment of Jiangsu Gongzheng Certified Public Accountants Co., Ltd as the audit institution of the Company in 2015.

(2) Written opinions on financial statements of the Company issued by the Audit Committee

1) On 1 Apr. 2016, the Audit Committee examined the financial statements of the Company after the certified public accountants had issued the preliminary opinion on the statements, and issued a written opinion as follows: The financial statements of the Company were prepared in accordance with the New Accounting Standards for Enterprises and relevant financial rules of the Company, and faithfully reflected the financial position of the Company as at 31 Dec. 2015, as well as the business results and cash flows in 2015 in all material aspects.

2) With regard to the audited financial statements 2015, on 12 Apr. 2016, the Audit Committee made the following resolution: the Audit Committee reviewed the financial statements 2015 audited by auditors, and believed that the said financial statements faithfully reflected the financial position of the Company as at 31 Dec. 2015, as well as the business results and cash flows in 2015 in all material aspects. It agreed to submit the statements to the Board of Directors for examination and approval.

(3) Summary report on the audit work conducted by the CPAs firm in 2015:

According to the annual audit plan jointly formulated by the Audit Committee and Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, auditors communicated fully with the management personnel of the Company and members of the Audit Committee on the consolidation of financial statements, accounting adjustment, accounting policy and other accounting work needed to be improved, which helped both parties acquire a deeper understanding about the operation, financial process and implementation of the New Accounting Standards for Business Enterprises in the Company. With such understanding, the annual audit accountants would make more mature judgment to issue a fair audit conclusion.

The Audit Committee held that the CPAs firm conducted the audit strictly in accordance with provisions stipulated in the Independent Auditing Standards for CPAs of the PRC. The time of audit was sufficient, and the auditors with excellent ability to practice were deployed reasonably. The issued auditor's report fully reflected the financial position of the Company as at 31 Dec. 2015, as well as the business results and cash flows in 2015, and the audit conclusion was in line with the actual situation of the Company.

(4) Resolution letter on renewing the employment of the CPAs firm:

The Audit Committee convened a meeting on 12 Apr. 2016 to review the matter concerning the employment of a CPAs firm for the audit in 2016, and the review opinion was as follows:

Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd had accomplished the audit of the Company 2015, and the auditor's report reflected the actual financial status of the Company in 2015 objectively and fairly.

The Audit Committee was satisfied with the audit conducted by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd and decided to continue to engage it as the audit institution of the Company in 2016.

The said proposal was agreed to be submitted to the 16<sup>th</sup> Session of the 7<sup>th</sup> Board of Directors for review.

2. Summary Report on Responsibility Performance of Remuneration & Appraisal Committee under the Board of Directors:

The Remuneration & Appraisal Committee under the Board of Directors was composed of three Directors, including 2 Independent Directors and 1 Inner Director. And one of the Independent Directors assumed the position of Chairman of the Committee.

In the reporting period, the Remuneration & Appraisal Committee raised the proposal on implementing the appraisal of senior executives in 2015, based on the fulfillment of the main financial indicators and operation targets in 2015, which were determined in the Contract for Appraisal of Senior Executives in 2015.

In the reporting period, based on relevant regulations and rules, the Remuneration & Appraisal Committee examined the remuneration of the Company's senior executives in 2015 and issued opinions as follows:

The Remuneration & Appraisal Committee held that, the remuneration of the Company's senior executives in 2015 was in accordance with provisions in the Contract for Appraisal of Senior Executives in 2015, as well as the laws, regulations and rules of the Company.

## VII. Performance of the Supervisory Committee

During the reporting period, the Supervisory Committee found whether there was risk in the Company in the supervisory activity

Yes  No

The Supervisory Committee has no objection on the supervised events during the reporting period.

## VIII. Performance Evaluation and Incentive Mechanism for Senior Management Staff

The Company has established a fair and objective performance appraisal and incentive restraint mechanism for senior management staffs. The annual remuneration of senior management staffs consisted of the basic annual salary and performance appraisal bonus, and the basic annual salary was distributed monthly with a certain proportion, while the performance appraisal bonus was distributed after being appraised according to the appraisal scheme for senior management staffs signed between the Board of Directors and the managers for each year.

## IX. Internal Control

### 1. Particulars about significant defects found in the internal control during reporting period

Yes  No

### 2. Self-appraisal report on internal control

Disclosure date of the Self-appraisal Report on Internal Control	14Apr. 2016	
Disclosure index of the Self-appraisal Report on Internal Control	2016-004	
The proportion of total assets included in evaluation scope entities in the Company's total assets of the consolidated financial statements	100.00%	
The proportion of operation revenue included in evaluation scope entities in the Company's operation revenue of the consolidated financial statements	100.00%	
Defect judging standards		
Category	Section XI. Financial Report	Non-Financial Report
Qualitative criteria	<p>The Company classified the defects as great defect, significant defect and general defect according to the influence degree from the internal control:</p> <p>(1) Great defect: refers to one or multiple groups with control defect which may lead the enterprise seriously deviates the control target;</p> <p>(2) Significant defect: refers to one or multiple groups with control defect with the severity and the economic results lower than the great defect but may still lead the enterprise seriously deviates the control target;</p> <p>(3) General defect: refers to other defect except for the great defect and significant defect.</p> <p>Qualitative criteria: defects with the following random characteristics should be recognized as great defect:</p> <p>1) the defect involves with the malpractice of the Directors, Supervisors and Senior Executives;</p> <p>2) revised the disclosed financial report;</p> <p>3) CPAs discovered the great misstatement among the current financial statement while which could not be found during the operating process of the internal control;</p>	<p>Defects with the following random characteristics should be recognized as great defect:</p> <p>1) Seriously violated the national laws and administrative regulations and the normative documents;</p> <p>2) “three significant one great” event had not been through the collective decision-making process;</p> <p>3) the significant events involved with the production and operation of the Company lacked of systematic control or the institutional system was invalid;</p> <p>4) the internal control of the information disclosure was invalid, which led the Company be open condemned by the supervision department;</p> <p>5) the great defect from the assessment results of the internal control had not been revised.</p>

	4) the supervision from the Audit Committee and the internal audit institution of the enterprise was invalid.	
Quantitative criteria	Quantitative criteria: the quantitative criteria of recognizing the significant degree of the misstatement (including the false negatives) of the consolidated financial report of the listed companies based on the data from the 2015 consolidated statements was as: Great defect: misstatement $\geq 5\%$ of the annual profits Significant defect: $2.5\%$ of the annual profits $\leq$ misstatement $< 5\%$ of the annual profits General defect $< 2.5\%$ of the annual profits	Refer to the quantitative criteria of the internal control defect of the financial report, to recognize the quantitative criteria of the significant degree of the internal control defect of the non-financial report of the listed companies as: Great defect: possibly caused directly losses $\geq 0.1\%$ of the net assets Significant defect: $0.05\%$ of the net assets $\leq$ possibly caused directly losses $< 0.1\%$ of the net assets General defect: possibly caused directly losses $< 0.05\%$ of the net assets
Number of significant defects of financial report (Piece)		0
Number of significant defects of non- financial report (Piece)		0
Number of important defects of financial report (Piece)		0
Number of important defects of non-financial report (Piece)		0

## X. Audit report on internal control

Applicable  Inapplicable

Audit opinion paragraphs in the Audit Report on Internal Control	
We considered that, the Changchai Shares maintained effective internal control of the financial report in significant aspects according to the Basic Norms of Internal Control and relevant regulations on 31 Dec. 2015.	
Particulars about Audit Report on Internal Control	Disclosure
Disclosure index of the Audit Report on Internal Control	14Apr. 2016
Type of Audit Report on Internal Control	Unqualified auditor's report
Whether there is significant defect in non-financial report	No

Whether the CPAs firm issues an Audit Report on Internal Control with non-standard opinion or not?

Yes  No

Whether the Audit Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

Yes  No



## Section X. Financial Report

### I. Auditor's Report

Type of audit opinion	Standard unqualified opinion
Date of signing the auditor's report	12 Apr. 2016
Name of the audit firm	Jiangsu Gongzheng Tianye Certified Public Accountants Company Limited (LLP)
Reference number of the auditor's report	SGW [2016] No. A457
Name of the CPA	Wang Wenkai, He Taifeng

### Text of the Auditor's Report

#### All shareholders of Changchai Co., Ltd.:

We have audited the attached financial statements of Changchai Co., Ltd. (hereinafter referred to as "the Company"), including the consolidated and the Company's financial statements as at 31 Dec. 2015, the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement, and the consolidated and the Company's statement of changes in equity for the year then ended, as well as the notes to the financial statements.

#### I. Responsibility of the management on the financial statements

It is the responsibility of the Company's management to prepare the financial statements according to the enterprise accounting standards, which includes: (1) designing, implementing and maintaining the internal control related to the financial statement preparation, so as to avoid significant errors in the financial statements caused by malpractices or mistakes; (2) choosing and adopting proper accounting policies; and (3) making rational accounting estimates.

#### II. Responsibility of the certified public accountants

Our responsibility is to express our auditing opinion based on our audit. And we have conducted the audit according to the Auditing Standards for Chinese Registered Accountants, which requires us to conform to ethical standards, plan and carry out the audit, so as to reasonably ensure that there exist no significant errors in the financial statements.

The audit work involves implementing the auditing procedure so as to acquire audit evidences for the data carried in the financial statements. The choice of auditing procedures depends on the judgment of the registered accountants, including the risk assessment of significant financial statement errors caused by malpractices or mistakes. When conducting the risk assessment, we will consider the internal control related to financial statement preparation so as to design a proper auditing procedure, with no purpose to express opinions on the effectiveness of the internal control. Our audit work also involves evaluating the rationality of the accounting policy chosen and the accounting estimates made by the management, as well as the general presentation of the financial statements.

We believe that the auditing evidences we obtained are sufficient and proper, which provides a foundation for us to express our auditing opinion.

#### III. Audit opinion

We believe that the financial statements of the Company have been prepared in accordance with the requirements of the Enterprises Accounting Standards, and presented fairly, in all material respects, the financial position of the Company as at 31 Dec. 2015, and the results of its operations and its cash flows for the year then ended.

Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. (LLP)  
Wuxi • China

CPA of China: Wang Wenkai  
CPA of China: He Taifeng

12 Apr. 2016

**II. Financial statements**

Monetary unit of notes to financial statements: RMB Yuan

**1. Consolidated balance sheet**

Prepared by Changchai Company, Limited

31 Dec. 2015

Unit: RMB Yuan

Item	31 Dec. 2015	31 Dec. 2014
Current Assets:		
Monetary funds	601,312,715.62	531,969,747.91
Settlement reserves		
Intra-group lendings		
Financial assets measured at fair value of which changes are recorded in current profits and losses		2,109,642.19
Derivative financial assets		
Notes receivable	498,502,274.42	314,236,128.92
Accounts receivable	308,596,920.50	374,335,355.22
Accounts paid in advance	12,882,271.70	15,092,855.36
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable		
Dividend receivable		
Other accounts receivable	5,622,539.81	8,662,701.30
Financial assets purchased under agreements to resell		
Inventories	397,290,012.36	497,588,717.86
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	60,304,691.41	31,729,042.18
Total current assets	1,884,511,425.82	1,775,724,190.94
Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	502,980,000.00	497,850,000.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	20,769,304.76	20,459,975.99
Investing real estate	57,281,030.03	59,489,370.83
Fixed assets	554,601,893.23	572,785,946.61
Construction in progress	108,198,455.01	134,948,317.87

Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	103,101,462.47	104,441,092.62
R&D expense		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	962,530.88	1,084,863.32
Other non-current assets		
Total of non-current assets	1,347,894,676.38	1,391,059,567.24
Total assets	3,232,406,102.20	3,166,783,758.18
Current liabilities:		
Short-term borrowings	17,000,000.00	20,000,000.00
Borrowings from Central Bank		
Customer bank deposits and due to banks and other financial institutions		
Intra-group borrowings		
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		
Derivative financial liabilities		
Notes payable	238,200,000.00	218,351,400.00
Accounts payable	535,978,470.07	550,858,517.60
Accounts received in advance	26,665,671.38	29,364,756.16
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	60,309,349.29	61,303,762.60
Tax payable	10,798,062.93	14,511,976.27
Interest payable		
Dividend payable	3,891,433.83	3,891,433.83
Other accounts payable	201,151,632.46	196,560,865.32
Reinsurance premiums payable		
Insurance contract reserves		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within 1 year		

Other current liabilities	2,403,287.06	2,992,996.74
Total current liabilities	1,096,397,907.02	1,097,835,708.52
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	53,121,605.70	54,185,979.32
Deferred income tax liabilities	62,385,825.00	61,616,325.00
Other non-current liabilities		
Total non-current liabilities	115,507,430.70	115,802,304.32
Total liabilities	1,211,905,337.72	1,213,638,012.84
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	164,328,665.43	164,328,665.43
Less: Treasury stock		
Other comprehensive income	353,519,675.00	349,159,175.00
Specific reserves	10,069,746.98	8,332,077.21
Surplus reserves	305,758,285.91	298,151,696.96
Provisions for general risks		
Retained profits	607,859,611.69	555,590,894.67
Total equity attributable to owners of the Company	2,002,910,311.01	1,936,936,835.27
Minority interests	17,590,453.47	16,208,910.07
Total owners' equity	2,020,500,764.48	1,953,145,745.34
Total liabilities and owners' equity	3,232,406,102.20	3,166,783,758.18

Legal representative: Xue Guojun

Person-in-charge of the accounting work: He Jianguang

Chief of the accounting division: Jiang He

**2. Balance sheet of the Company**

Unit: RMB Yuan

Item	31 Dec. 2015	31 Dec. 2014
<b>Current Assets:</b>		
Monetary funds	572,530,396.20	494,366,603.39
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	490,777,874.42	312,466,128.92
Accounts receivable	263,878,166.23	331,239,446.99
Accounts paid in advance	6,512,574.55	10,139,747.15
Interest receivable		
Dividend receivable		
Other accounts receivable	4,885,363.01	5,712,047.44
Inventories	348,179,430.41	426,235,429.74
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	41,403,182.61	20,637,141.03
<b>Total current assets</b>	<b>1,728,166,987.43</b>	<b>1,600,796,544.66</b>
<b>Non-current assets:</b>		
Available-for-sale financial assets	495,780,000.00	490,650,000.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	205,235,804.76	204,926,475.99
Investing real estate	57,281,030.03	59,489,370.83
Fixed assets	445,343,167.61	454,717,057.95
Construction in progress	108,198,455.01	134,948,317.87
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	81,159,855.82	81,914,372.57
R&D expense		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	962,530.88	1,084,863.32
Other non-current assets		

Total of non-current assets	1,393,960,844.11	1,427,730,458.53
Total assets	3,122,127,831.54	3,028,527,003.19
Current liabilities:		
Short-term borrowings		
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		
Derivative financial liabilities		
Notes payable	218,200,000.00	206,351,400.00
Accounts payable	527,416,373.82	501,904,239.41
Accounts received in advance	24,537,940.90	37,247,846.51
Payroll payable	55,068,743.12	56,426,935.61
Tax payable	8,521,233.87	12,438,714.42
Interest payable		
Dividend payable	3,243,179.97	3,243,179.97
Other accounts payable	194,650,090.70	191,066,117.22
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	1,031,637,562.38	1,008,678,433.14
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	53,121,605.70	54,185,979.32
Deferred income tax liabilities	62,385,825.00	61,616,325.00
Other non-current liabilities		
Total non-current liabilities	115,507,430.70	115,802,304.32
Total liabilities	1,147,144,993.08	1,124,480,737.46
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Of which: preferred shares		

Perpetual bonds		
Capital reserves	183,071,147.70	183,071,147.70
Less: Treasury stock		
Other comprehensive income	353,519,675.00	349,159,175.00
Specific reserves	10,069,746.98	8,332,077.21
Surplus reserves	305,758,285.91	298,151,696.96
Retained profits	561,189,656.87	503,957,842.86
Total owners' equity	1,974,982,838.46	1,904,046,265.73
Total liabilities and owners' equity	3,122,127,831.54	3,028,527,003.19

**3. Consolidated income statement**

Unit: RMB Yuan

Item	2015	2014
I. Total operating revenues	2,519,799,547.29	2,489,792,063.33
Including: Sales income	2,519,799,547.29	2,489,792,063.33
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating costs	2,445,178,600.59	2,418,623,839.64
Including: Cost of sales	2,110,216,135.62	2,105,359,867.94
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	7,632,813.49	749,136.23
Selling and distribution expenses	98,122,345.71	92,235,311.13
Administrative expenses	197,678,915.43	197,704,824.42
Financial expenses	-15,723,785.00	-10,932,468.28
Asset impairment loss	47,252,175.34	33,507,168.20
Add: Gain/(loss) from change in fair value (“-” means loss)	-109,642.19	109,642.19
Gain/(loss) from investment (“-” means loss)	9,120,105.94	12,014,333.27
Including: share of profits in associates and joint ventures	670,328.77	1,366,650.26
Foreign exchange gains (“-” means loss)		
III. Business profit (“-” means loss)	83,631,410.45	83,292,199.15
Add: non-operating income	14,048,268.56	12,619,459.28
Including: Gains on disposal of non-current assets	298,236.45	437,606.94
Less: non-operating expense	8,510,877.99	10,654,493.23
Including: Losses on disposal of non-current assets	86,306.84	318,704.95
IV. Total profit (“-” means loss)	89,168,801.02	85,257,165.20
Less: Income tax expense	16,684,465.13	19,587,550.64
V. Net profit (“-” means loss)	72,484,335.89	65,669,614.56
Net profit attributable to owners of the Company	71,102,792.49	64,202,144.29
Minority shareholders’ income	1,381,543.40	1,467,470.27
VI. After-tax net amount of other comprehensive incomes	4,360,500.00	71,378,330.67



After-tax net amount of other comprehensive incomes attributable to owners of the Company	4,360,500.00	71,378,330.67
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	4,360,500.00	71,378,330.67
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	4,360,500.00	71,311,600.00
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		66,730.67
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders		
VII. Total comprehensive incomes	76,844,835.89	137,047,945.23
Attributable to owners of the Company	75,463,292.49	135,580,474.96
Attributable to minority shareholders	1,381,543.40	1,467,470.27
VIII. Earnings per share		
(I) Basic earnings per share	0.13	0.11
(II) Diluted earnings per share	0.13	0.11

Legal representative: Xue Guojun

Person-in-charge of the accounting work: He Jianguang

Chief of the accounting division: Jiang He

## 4. Income statement of the Company

Unit: RMB Yuan

Item	2015	2014
I. Total sales	2,516,865,611.28	2,494,339,556.14
Less: cost of sales	2,129,587,480.88	2,134,763,196.27
Business taxes and surcharges	7,167,609.31	
Distribution expenses	92,215,078.66	87,132,202.53
Administrative expenses	182,609,958.75	181,276,503.47
Financial costs	-17,089,993.07	-13,220,902.08
Impairment loss	42,554,499.55	15,048,198.38
Add: gain/(loss) from change in fair value (“-” means loss)		
Gain/(loss) from investment (“-” means loss)	7,808,397.71	13,682,952.59
Including: income from investment on associates and joint ventures	670,328.77	1,366,650.26
II. Business profit (“-” means loss)	87,629,374.91	103,023,310.16
Add: non-operating income	12,294,626.92	11,180,798.60
Including: Gains on disposal of non-current assets	82,621.37	257,729.86
Less: non-operating expense	8,218,111.06	10,476,546.75
Including: Losses on disposal of non-current assets	53,999.76	318,266.72
III. Total profit (“-” means loss)	91,705,890.77	103,727,562.01
Less: Income tax expense	15,640,001.29	18,506,336.32
IV. Net profit (“-” means loss)	76,065,889.48	85,221,225.69
V. After-tax net amount of other comprehensive incomes	4,360,500.00	71,311,600.00
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	4,360,500.00	71,311,600.00
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	4,360,500.00	71,311,600.00

3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
VI. Total comprehensive incomes	80,426,389.48	156,532,825.69
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated cash flow statement

Unit: RMB Yuan

Item	2015	2014
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	2,636,363,557.61	2,688,286,109.60
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of disposal of financial assets measured at fair value of which changes are recorded into current gains and losses		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received	28,895,174.42	33,639,405.87
Other cash received relating to operating activities	21,715,056.24	14,125,214.83
Subtotal of cash inflows from operating activities	2,686,973,788.27	2,736,050,730.30
Cash paid for goods and services	2,072,255,235.99	2,375,158,372.15
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	311,707,299.43	286,745,413.05
Various taxes paid	86,777,245.36	40,280,909.48
Other cash payment relating to operating activities	88,307,124.54	85,373,391.14
Subtotal of cash outflows from operating activities	2,559,046,905.32	2,787,558,085.82
Net cash flows from operating activities	127,926,882.95	-51,507,355.52
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	2,000,000.00	
Cash received from return on investments	8,810,777.17	11,151,322.56

Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,659,148.67	336,880.83
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	17,469,925.84	11,488,203.39
Cash paid to acquire fixed assets, intangible assets and other long-term assets	36,003,567.09	60,611,666.98
Cash paid for investment	32,000,000.00	2,000,000.00
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		22,600,000.00
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	68,003,567.09	85,211,666.98
Net cash flows from investing activities	-50,533,641.25	-73,723,463.59
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		280,600.00
Including: Cash received from minority shareholder investments by subsidiaries		280,600.00
Cash received from borrowings	17,000,000.00	20,000,000.00
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	17,000,000.00	20,280,600.00
Repayment of borrowings	20,000,000.00	30,000,000.00
Cash paid for interest expenses and distribution of dividends or profit	12,410,748.99	10,794,562.05
Including: dividends or profit paid by subsidiaries to minority shareholders		430,680.00
Other cash payments relating to financing activities	28,075.00	400,000.00
Sub-total of cash outflows from financing activities	32,438,823.99	41,194,562.05
Net cash flows from financing activities	-15,438,823.99	-20,913,962.05
IV. Effect of foreign exchange rate changes on cash and cash equivalents		24,385.48
V. Net increase in cash and cash equivalents	61,954,417.71	-146,120,395.68
Add: Opening balance of cash and cash equivalents	464,761,820.50	610,882,216.18
VI. Closing balance of cash and cash equivalents	526,716,238.21	464,761,820.50

## 6. Cash flow statement of the Company

Unit: RMB Yuan

Item	2015	2014
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of commodities and rendering of service	2,709,527,428.26	2,699,873,240.85
Tax refunds received	28,895,174.42	33,639,405.87
Other cash received relating to operating activities	18,196,561.87	11,580,677.83
Subtotal of cash inflows from operating activities	2,756,619,164.55	2,745,093,324.55
Cash paid for goods and services	2,197,759,847.18	2,426,842,672.28
Cash paid to and for employees	276,172,157.36	252,341,688.21
Various taxes paid	79,691,910.58	29,401,425.57
Other cash payment relating to operating activities	80,587,740.62	77,786,287.60
Subtotal of cash outflows from operating activities	2,634,211,655.74	2,786,372,073.66
Net cash flows from operating activities	122,407,508.81	-41,278,749.11
<b>II. Cash flows from investing activities:</b>		
Cash received from retraction of investments		
Cash received from return on investments	7,499,068.94	13,022,100.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,440,518.67	838,078.00
Net cash received from disposal of subsidiaries or other business units		1,027,642.33
Other cash received relating to investing activities	4,000,000.00	
Subtotal of cash inflows from investing activities	17,939,587.61	14,887,820.33
Cash paid to acquire fixed assets, intangible assets and other long-term assets	31,944,367.09	54,243,469.12
Cash paid for investment	20,000,000.00	33,500,000.00
Net cash paid to acquire subsidiaries and other business units		21,126,700.00
Other cash payments relating to investing activities	4,000,000.00	
Subtotal of cash outflows from investing activities	55,944,367.09	108,870,169.12
Net cash flows from investing activities	-38,004,779.48	-93,982,348.79
<b>III. Cash Flows from Financing Activities:</b>		
Cash received from capital contributions		
Cash received from borrowings		
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities		

Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit	11,227,486.52	8,420,614.89
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	11,227,486.52	8,420,614.89
Net cash flows from financing activities	-11,227,486.52	-8,420,614.89
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	73,175,242.81	-143,681,712.79
Add: Opening balance of cash and cash equivalents	430,758,675.98	574,440,388.77
VI. Closing balance of cash and cash equivalents	503,933,918.79	430,758,675.98

## 7. Consolidated statement of changes in owners' equity

2015

Unit: RMB Yuan

Item	2015												
	Equity attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve			Retained profit
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	561,374,326.00				164,328,665.43		349,159,175.00	8,332,077.21	298,151,696.96		555,590,894.67	16,208,910.07	1,953,145,745.34
Add: change of accounting policy													
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	561,374,326.00				164,328,665.43		349,159,175.00	8,332,077.21	298,151,696.96		555,590,894.67	16,208,910.07	1,953,145,745.34
III. Increase/ decrease in the period ("-" means decrease)							4,360,500.00	1,737,669.77	7,606,588.95		52,268,717.02	1,381,543.40	67,355,019.14
(I) Total comprehensive incomes							4,360,500.00				71,102,792.49	1,381,543.40	76,844,835.89
(II) Capital increased and reduced by owners													
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													



3. Amounts of share-based payments recognized in owners' equity													
4. Other													
(III) Profit distribution								7,606,588.95		-18,834,075.47		-11,227,486.52	
1. Appropriations to surplus reserves								7,606,588.95		-7,606,588.95			
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)										-11,227,486.52		-11,227,486.52	
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve								1,737,669.77					1,737,669.77
1. Withdrawn for the period								4,394,339.56					4,394,339.56
2. Used in the period								2,656,669.79					2,656,669.79
(VI) Other													
IV. Closing balance	561,374,326.00				164,328,665.43		353,519,675.00	10,069,746.98	305,758,285.91		607,859,611.69	17,590,453.47	2,020,500,764.48

2014

Unit: RMB Yuan

Item	2014												
	Equity attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve			Retained profit
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	561,374,326.00				171,016,154.25		277,780,844.33	6,996,256.56	289,629,574.39		502,779,906.92	16,482,094.15	1,826,059,156.60
Add: change of accounting policy													
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	561,374,326.00				171,016,154.25		277,780,844.33	6,996,256.56	289,629,574.39		502,779,906.92	16,482,094.15	1,826,059,156.60
III. Increase/ decrease in the period ("-" means decrease)					-6,687,488.82		71,378,330.67	1,335,820.65	8,522,122.57		52,810,987.75	-273,184.08	127,086,588.74
(I) Total comprehensive incomes							71,378,330.67				64,202,144.29	1,467,470.27	137,047,945.23
(II) Capital increased and reduced by owners					-6,714,326.57							4,210,926.57	-2,503,400.00
1. Common shares increased by shareholders												20,250,000.00	20,250,000.00
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													

4. Other					-6,714,326.57							-16,039,073.43	-22,753,400.00
(III) Profit distribution									8,522,122.57		-16,942,737.46	-400,000.00	-8,820,614.89
1. Appropriations to surplus reserves									8,522,122.57		-8,522,122.57		
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-8,420,614.89	-400,000.00	-8,820,614.89
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve									1,335,820.65				1,335,820.65
1. Withdrawn for the period									4,841,316.33				4,841,316.33
2. Used in the period									3,505,495.68				3,505,495.68
(VI) Other					26,837.75						5,551,580.92	-5,551,580.92	26,837.75
IV. Closing balance	561,374,326.00				164,328,665.43	349,159,175.00	8,332,077.21	298,151,696.96			555,590,894.67	16,208,910.07	1,953,145,745.34

**8. Statement of changes in owners' equity of the Company**

2015

Unit: RMB Yuan

Item	2015										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
I. Balance at the end of the previous year	561,374,326.00				183,071,147.70		349,159,175.00	8,332,077.21	298,151,696.96	503,957,842.86	1,904,046,265.73
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the beginning of the year	561,374,326.00				183,071,147.70		349,159,175.00	8,332,077.21	298,151,696.96	503,957,842.86	1,904,046,265.73
III. Increase/ decrease in the period ("-" means decrease)							4,360,500.00	1,737,669.77	7,606,588.95	57,231,814.01	70,936,572.73
(I) Total comprehensive incomes							4,360,500.00			76,065,889.48	80,426,389.48
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											

(III) Profit distribution									7,606,588.95	-18,834,075.47	-11,227,486.52
1. Appropriations to surplus reserves									7,606,588.95	-7,606,588.95	
2. Appropriations to owners (or shareholders)										-11,227,486.52	-11,227,486.52
3. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve									1,737,669.77		1,737,669.77
1. Withdrawn for the period									4,394,339.56		4,394,339.56
2. Used in the period									2,656,669.79		2,656,669.79
(VI) Other											
IV. Closing balance	561,374,326.00				183,071,147.70		353,519,675.00	10,069,746.98	305,758,285.91	561,189,656.87	1,974,982,838.46

2014

Unit: RMB Yuan

Item	2014										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
I. Balance at the end of the previous year	561,374,326.00				183,044,309.95		277,847,575.00	6,996,256.56	289,629,574.39	435,679,354.63	1,754,571,396.53
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the beginning of the year	561,374,326.00				183,044,309.95		277,847,575.00	6,996,256.56	289,629,574.39	435,679,354.63	1,754,571,396.53
III. Increase/ decrease in the period (“-” means decrease)					26,837.75		71,311,600.00	1,335,820.65	8,522,122.57	68,278,488.23	149,474,869.20
(I) Total comprehensive incomes							71,311,600.00			85,221,225.69	156,532,825.69
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											

(III) Profit distribution									8,522,122.57	-16,942,737.46	-8,420,614.89
1. Appropriations to surplus reserves									8,522,122.57	-8,522,122.57	
2. Appropriations to owners (or shareholders)										-8,420,614.89	-8,420,614.89
3. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve								1,335,820.65			1,335,820.65
1. Withdrawn for the period								4,841,316.33			4,841,316.33
2. Used in the period								3,505,495.68			3,505,495.68
(VI) Other					26,837.75						26,837.75
IV. Closing balance	561,374,326.00				183,071,147.70		349,159,175.00	8,332,077.21	298,151,696.96	503,957,842.86	1,904,046,265.73

### III. Company Profile

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

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

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

As examined and approved at the 2009 2nd Extraordinary Shareholders’ General Meeting in Sep. 2009, based on the total share capital of 374,249,551 shares as at 30 Jun. 2009, the Company implemented the profit distribution plan, i.e. to distribute 5 bonus shares and cash of RMB0.8 for every 10 shares, with registered capital increased by RMB187,124,775.00, as well as registered capital of RMB561,374,326.00 after change. As at 31 Dec. 2015, the total share capital of the Company is 561,374,326 shares, as well as registered capital of RMB561,374,326.00, which verified by Jiangsu Gongzheng Tianye Certified Public Accountants Company Limited with issuing Capital Verification Report SGC [2010] No. B002. And the unified social credit code of the enterprise business license of the Company is 91320400134792410W.

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

The Company belongs to manufacturing with business scope including manufacturing and sale of diesel engine, diesel engines part and casting, grain harvesting machine, rotary cultivators, walking tractor, mould and fixtures, assembling and sale of diesel generating set and pumping unit. The Company mainly engaged in the production and sales of small and medium-sized single cylinders and multi-cylinder diesel engine with the label of Changchai Brand. The diesel engine produced and sold by the Company were mainly used in tractors, combine harvest models, light commercial vehicle, farm equipment, small-sized construction machinery, generating sets and shipborne machinery and equipment, etc. The Company’s main business remained unchanged in the reporting period.

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

**The financial report has been approved to be issued by the Board of Directors on 12 Apr. 2016.**

The consolidated scope of the Company of the reporting period including the parent company and 4 subsidiaries, which of no change when compared with the last period. For the details of the consolidated scope of the reporting period and the changes situation, please refer to the changes of the consolidated scope of the notes to the financial report and the notes to the equities among other entities.

### IV. Basis for preparation of the financial report

#### 1. Basis for preparation

With the going-concern assumption as the basis and based on transactions and other events that actually



occurred, the Group prepared financial statements in accordance with <The Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 41 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 Feb. 2006 onwards (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In accordance with relevant provisions of the Accounting Standards for Business Enterprises, the Group adopted the accrual basis in accounting. Except for some financial instruments, where impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

## **2. Continuation**

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

## **V. Important accounting policies and estimations**

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

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

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

### **2. Fiscal period**

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

### **3. Operating cycle**

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

### **4. Currency used in bookkeeping**

Renminbi is functional currency of the Company.

### **5. Accounting methods for business combinations under the same control and business combinations not under the same control**

(1) Business combinations under the same control:

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

For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity

investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

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

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

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

#### (2) Business combinations not under the same control

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

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

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

## 6. Methods for preparing consolidated financial statements

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

The consolidated financial statement of the Company is compiled according to the regulations of No. 33 of ASBE-Consolidated Financial Statement and the relevant regulations and as for the whole significant come-and-go balance, investment, transaction and the unrealized profits should be written off when compiling the consolidated financial statement. The portion of a subsidiary's shareholders' equity and the portion of a

subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

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

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

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

Where the Group losses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment and the other owners' equities changes except for the net gains and losses, other comprehensive income and profits distribution in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No.2 Accounting Standard for Business Enterprises-Long-term Equity Investments or the No.22 Accounting Standard for Business Enterprises-Recognition and Measurement of Financial Instruments.

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

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

## **7. Classification of joint arrangements and accounting treatment of joint operations**

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

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

- (1) Recognizes the assets that it holds and bears in the joint operation and recognizes the jointly-held assets according to the Group's stake in the joint operation;
- (2) Recognizes the liabilities that it holds and bears in the joint operation and recognizes the jointly-held liabilities according to the Group's stake in the joint operation;
- (3) Recognizes the income from sale of the Group's share in the output of the joint operation
- (4) Recognizes the income from sale of the joint operation's outputs according to the Group's stake in it
- (5) Recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

#### **8. Recognition standard for cash and cash equivalents**

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

#### **9. Foreign currency businesses and translation of foreign currency financial statements**

##### **(1) Foreign currency business**

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

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

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

##### **(2) Translation of foreign currency**

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

#### **10. Financial instruments**

##### **(1) Category of financial instruments**

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

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

(2) Recognition basis and measurement methods of financial instruments

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

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

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

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

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

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

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

(4) De-recognition conditions of financial liabilities

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

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

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

Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques, including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature etc.

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

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

The expression "objective evidence proving that the financial asset has been impaired" refers to the actually

incurred events which, after the financial asset is initially recognized, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the enterprise.

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

A serious financial difficulty occurs to the issuer or debtor;

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

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

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

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

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

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

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

Other objective evidences showing the impairment of the financial asset.

Where a financial asset measured on the basis of post-amortization costs is impaired, the carrying amount of the said financial asset shall be calculated by the difference between the book value and the current value of the predicted future cash flow of the impairment losses.

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

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

## **11. Receivables**

(1) Accounts receivable with significant single amount for which the bad debt provision is made individually

Recognition criteria of accounts receivable with individual and significant amount: significant single amounts refers to the accounts receivable of the single amount more than RMB 1 million (RMB 1 million include) (including accounts receivable and other accounts receivable)

Withdrawal method of the bad debt provision of the accounts receivable with significant single amounts: The Company makes an independent impairment test on the accounts receivable with significant single amount, and provision for bad debts shall withdrawn on the basis of the balance between the current values of the predicted

future cash flow lower than book value. Upon independent impairment test, the accounts receivable with significant single amounts has not been impaired, it shall be withdrawn bad debt provision based on ending balance by adopting aging analysis method.

(2) Method of recognizing the group basis and bad debt provision according to the accounts receivable which withdrew the bad debt provision by group:

The Company divided the groups by taking the age of the accounts receivable as the credit risk portfolio and withdrew the bad debt provision by adopting aging analysis method.

(3) Receivables with insignificant amount but being individually withdrawn the provision for bad debts

Recognition criteria of accounts receivable with individual but insignificant amount: insignificant single amounts refers to the accounts receivable of the single amount lower than RMB 1 million (RMB 1 million include) (including accounts receivable and other accounts receivable).

The reason and the withdrawal method of the bad debt provision of the accounts receivable with insignificant single amounts: As for an account receivable with an insignificant single amount and which can not show its risk feature when withdrawing a bad-bet provision for it on the group basis, the bad-debt provision for the account receivable shall be withdrawn based on the difference of the expected present value of the future cash flows of the account receivable that less than its carrying amount. The Company shall withdraw the bad-debt provision for such an account receivable by combining the aging method and individual judgment based on the debtor entity's actual financial position, cash flows and other relevant information.

(4) Proportion of the withdrawal of bad debts provision of accounts receivable by adopting aging analysis method:

Aging	Withdrawal proportion of accounts receivable (%)	Withdrawal proportion of other accounts receivable (%)
Within 1 year	2	2
1 to 2 years	5	5
2 to 3 years	15	15
3 to 4 years	30	30
4 to 5 years	60	60
Over 5 years	100	100

Withdrawal policy of bad debts provision of the related parties: According to the 4<sup>th</sup> Session of the 9<sup>th</sup> Board of Directors, as for the accounts receivable of the related parties of the Company which owned the sustainable operation ability, the bad debts provision should not exceed 60% at best.

## 12. Inventory

(1) Category of Inventory

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

(2) Pricing method

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

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

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. When all the inventories are checked roundly, for those which were destroyed, outdated in all or in part, sold at a loss, etc, the Company shall estimate the irrecoverable part of its cost and withdrawal the inventory falling price reserve at the year-end. Where the cost of the single inventory item is higher than the net realizable value, the inventory falling price reserve shall be withdrawn and recorded into profits and losses of the current period. Of which: in the normal production and operating process, as for the commodities inventory directly for sales such as the finished

products, commodities and the materials for sales, should recognize the net realizable value according to the amount of the estimated selling price of the inventory minus the estimated selling expenses and the relevant taxes; as for the materials inventory needs to be processed in the normal production and operating process, should recognize its net realizable value according to the amount of the estimated selling price of the finished products minus the cost predicts to be occur when the production completes and the estimated selling expenses as well as the relevant taxes; on the balance sheet date, for the same inventory with one part agreed by the contract price and other parts not by the contract price, should be respectively recognized the net realizable value. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis; for large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories.

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

(5) Amortization method of low-value consumption goods and packages

Is one time amortization method of low-value consumption goods and packages when consuming.

### 13. Divided as assets held for sale

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

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

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

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

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

### 14. Long-term equity investments

(1) Judgment standard of joint control and significant influences

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

(2) Recognition for initial investment cost

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

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

② As for long-term equity investment acquired through the merger of enterprises not under the same control, its initial investment cost shall regard as the combination cost calculated by the fair value of the assets, equity instrument issued and liabilities incurred or undertaken on the purchase date adding the direct cost related with the acquisition. The identifiable assets of the combined party and the liabilities (including contingent liability)



undertaken on the combining date shall be measured at the fair value without considering the amount of minority interest. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The acquirer shall record the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the consolidated income statement directly. The agent expense and other relevant management expenses such as the audit, legal service and evaluation consultation occurs from the enterprise merger, should be included in the current gains and losses when occur; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

③ Long-term equity investment obtained by other means

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

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

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

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

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

(3) Subsequent measurement and recognition of profits and losses

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

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

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

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

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

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

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

For the transaction happened between the Company and associated enterprises as well as joint ventures, if the

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

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

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

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

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

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

For those the Company lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Group acquired the control of the investees, should execute the accounting disposal by adopting the same basis of

the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

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

### 15. Investment real estates

Measurement mode of investment real estates:

Measurement of cost method

Depreciation or amortization method:

The investment real estate shall be measured at its cost. Of which, the cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expense directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The investment real estates invested by investors shall be recorded at the value stipulated in the investment contracts or agreements, but the unfair value appointed in the contract or agreement shall be entered into the account book at the fair value.

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

### 16. Fixed assets

#### (1) Conditions for recognition

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

#### (2) Depreciation method of various fixed assets

Category of fixed assets	Method	Useful life (Year)	Annual depreciation (%)
Houses and buildings	Average method of useful life	20-40	2.50-5
Machine equipment	Average method of useful life	6-15	6.67-16.67
Transportation equipment	Average method of useful life	5-10	10-20
Other equipment	Average method of useful life	5-10	10-20

#### (3) Recognition basis, pricing and depreciation method of fixed assets by finance lease

The Company recognizes those meet with the following one or certain standards as the fixed assets by finance lease:

- ① The leasing contract had agreed that (or made the reasonable judgment according to the relevant conditions on the lease starting date) when the lease term expires, the ownership of leasing the fixed assets could be transferred to the Company;
- ② The Company owns the choosing right for purchasing and leasing the fixed assets, with the set purchase price which is estimated far lower than the fair value of the fixed assets by finance lease when executing the choosing right, so the Company could execute the choosing right reasonably on the lease starting date;
- ③ Even if the ownership of the fixed assets not be transferred, the lease period is of 75% or above of the useful life of the lease fixed assets;
- ④ The current value of the minimum lease payment on the lease starting date of the Company is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date; the current value of the minimum lease receipts on the lease starting date of the leaser is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date;
- ⑤ The nature of the lease assets is special that only the Company could use it if not execute large transformation.

The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term.

The fixed assets by finance lease shall adopt the same depreciation policy for self-owned fixed assets. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life

## **17. Construction in process**

### **(1) Valuation of the progress in construction**

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

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

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

## **18. Borrowing costs**

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

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

incurred; (2) The borrowing costs have already incurred; and (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) The period of capitalization of borrowing costs

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

(3) Measurement method of capitalization amount of borrowing costs

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

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

## 19. Intangible assets

(1) Pricing method of intangible assets

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

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

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

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

(2) Amortization method and term of intangible assets

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

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

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

(3) Accounting polices of internal R & D expenses

The internal research and development projects of an enterprise shall be classified into research phase and development phase: the term “research” refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge; the term “development” refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

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

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

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

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

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

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

## **21. Amortization method of long-term deferred expenses**

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

## **22. Payroll**

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

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the

Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

(2) Accounting treatment of the welfare after demission

The Company classifies the welfare plans after demission into defined contribution plans and defined benefit plans. Welfare plans after demission refers to the agreement on the welfare after demission reaches between the Company and the employees, or the regulations or methods formulated by the Company for providing the welfare after demission for the employees. Of which, defined contribution plans refers to the welfare plans after demission that the Company no more undertake the further payment obligations after the payment of the fixed expenses for the independent funds; defined benefit plans, refers to the welfare plans after demission except for the defined contribution plans.

Defined contribution plans

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

(3) Accounting treatment of the demission welfare

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

### 23. Estimated liabilities

(1) Criteria of estimated liabilities

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

- ① That obligation is a current obligation of the Company;
- ② It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- ③ The amount of the obligation can be measured in a reliable way.

(2) Measurement of estimated liabilities

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

The Company shall check the book value of the estimated debts on the Balance Sheet Date. If there is any conclusive evidence proving that the said book value can't truly reflect the current best estimate, the Company shall, subject to change, make adjustment to carrying value to reflect the current best estimate.

### 24. Revenue

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

(2) Recognition of revenue from providing labor services: When the total revenue and costs from providing labor can be measured in a reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be measured in a reliable way, the revenue from providing labor shall be recognized. If the Company can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the

percentage-of-completion method on the date of the balance sheet, otherwise the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred and expected to be compensated. The Company recognized the completion process of the transaction concerning the labor services according to the proportion of the occurred cost of the estimated total cost. The total amount of the revenue from providing services should be recognized according to the contract price received or receivable from the accepting of the labor services or the agreement price except for those unfair prices.

(3) Recognition of the revenue from transferring use rights of assets: When the relevant economic benefits are likely to flow into the enterprises and the amount of revenues can be measured in a reliable way, the revenue from abalienating the right to use assets shall be recognized. The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate; the amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement; as for the rental revenue: the amount of the rental revenue from the operation lease should be recognized according to the straight-line method during each period of the lease term or accrued into the current gains and losses if rental actual occurred.

## **25. Government subsidies**

### **(1) Category**

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

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

### **(2) Recognition of the government subsidies**

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

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

### **(3) Accounting treatments**

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

## **26. Deferred income tax assets and liabilities**

### **(1) Basis of recognizing the deferred income tax assets**

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

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

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



when it's probable that sufficient taxable profit will be available

(2) Basis of recognizing the deferred income tax liabilities

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

**27. Lease**

(1) Accounting treatment of operating lease

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

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

(2) Accounting treatments of financial lease

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

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

**28. Other significant accounting policies and estimates**

(1) Operation termination

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

- ① The compose part represents an individual main business or a main operation area;
- ② The compose part is a part intends to dispose and plan an individual main business or a main operation area;
- ③ The compose part is a subsidiary which be acquired only for resold.

(2) Hedging accounting

The term "hedging" refers to one or more hedging instruments which are designated by an enterprise for avoiding the risks of foreign exchange, interest rate, commodity price, stock price, credit and etc., and which is expected to make the changes in fair value or cash flow of hedging instrument(s) to offset all or part of the changes in the fair value or cash flow of the hedged item.

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

The "hedged item" shall refer to the following items which make an enterprise faced to changes in fair value or

cash flow and are designated as the hedged objectives.

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

- ① At the commencement of the hedging, the enterprise shall specify the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging.
- ② The hedging expectation is highly efficient and meets the risk management strategy, which is confirmed for the hedging relationship by enterprise at the very beginning.
- ③ For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall make the enterprise faced to the risk of changes in cash flow, which will ultimately affect the profits and losses.
- ④ The effectiveness of hedging can be reliably measured.
- ⑤ The hedging is highly effective in accounting period in which the hedging relationship is specified.

## **29. Changes in main accounting policies and estimates**

### **(1) Change of main accounting policies**

There was no change of the main accounting policy during the reporting period.

### **(2) Change of main accounting estimates**

There was no change of the main accounting estimate during the reporting period.

## **30. Critical accounting judgments and estimates**

Due to the inside uncertainty of operating activity, the Group needed to make judgments, estimates and assumption on the book value of the accounts without accurate measurement during the employment of accounting policies. And these judgments, estimates and assumption were made basing on the prior experience of the senior executives of the Group, as well as in consideration of other factors. These judgments, estimates and assumption would also affect the report amount of income, costs, assets and liabilities, as well as the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of these estimates was likely to cause significant adjustment on the book value of the affected assets and liabilities.

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

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

### **(1) Provision for bad debts**

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

### **(2) Provision for falling price of inventories**

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

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

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

### (4) Held-to-maturity investment impairment

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

### (5) The impairment of financial assets available for sale

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

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

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

When the book value of the assets or assets portfolio was more than the recoverable amount, which was the higher one between the net amount of fair value after deducting the disposal expenses and the discounted amount of the estimated future cash flow, it means impairment incurred.

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

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

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

### (7) Depreciation and amortization

For the investment real estate, fixed assets and intangible assets, the Group withdrew the depreciation and amortization by adopting the straight-line method during the service life after full consideration of the salvage

value. The Group checked the service life periodically so as to decide the amount of depreciation and amortization at each reporting period. The service life was fixed by the Group in accordance with the previous experience of the similar assets and the expected technical update. If there was any significant change on the previous estimates, the depreciation and amortization expenses should be adjusted.

#### (8) Income tax

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

## VI. Taxation

### 1. Main taxes and tax rate of the reporting period

Type of tax	Taxation basis	Tax rates
VAT	Payable to sales revenue	13%, 17%
Business tax	Taxable operating revenue	5%
Urban maintenance and construction tax	Taxable turnover amount	Tax paid in accordance with the tax regulations of tax units location
Education surcharge	Taxable turnover amount	5%
Corporate income tax	Taxable income	25% or 15%

### 2. Tax preference

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

## VII. Notes on major items in consolidated financial statements of the Company (The unit was RMB, if there was no special illustration)

### 1. Monetary funds

Item	Unit: RMB Yuan	
	Closing balance	Opening balance
Cash on hand	252,373.65	557,508.42
Bank deposits	526,463,864.56	464,204,312.08
Other monetary funds	74,596,477.41	67,207,927.41
Total	601,312,715.62	531,969,747.91
Of which: total amount deposited abroad		

At the period-end, the restricted monetary fund was of RMB74,596,477.41 in total, of which the bank acceptance deposit was of RMB74,596,477.41.

### 2. Financial assets measured by fair value and the changes be included in the current gains and losses

Item	Unit: RMB Yuan	
	Closing balance	Opening balance
Tradable financial assets		2,109,642.19
Total		2,109,642.19

**3. Notes receivable****(1) Notes receivable listed by category**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Bank acceptance bill	498,502,274.42	314,236,128.92
Total	498,502,274.42	314,236,128.92

**(2) Notes receivable pledged by the Company at the period-end**

N/A

**(3) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end**

Unit: RMB Yuan

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	358,686,637.51	
Total	358,686,637.51	

**(4) There was no notes transferred to accounts receivable because drawer of the notes fails to executed the contract or agreement.**

**(5) 58.64% increase at the period-end when compared to the period-begin, mainly due to the Company intensified the reflow of corporate sales income and adopted the bill settlement method more with the customers.**

**4. Accounts receivable****(1) Accounts receivable disclosed by category**

Unit: RMB Yuan

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	32,966,572.81	6.03	28,743,568.09	87.19	4,223,004.72
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	511,838,003.05	93.66	207,464,087.27	40.53	304,373,915.78
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,686,716.39	0.31	1,686,716.39	100.00	
Total	546,491,292.25	100.00	237,894,371.75	43.53	308,596,920.50

Unit: RMB Yuan

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	28,819,671.25	4.75	23,459,404.33	81.40	5,360,266.92
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	576,527,035.06	94.96	207,915,091.26	36.06	368,611,943.80
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,776,159.00	0.29	1,413,014.50	79.55	363,144.50
Total	607,122,865.31	100.00	232,787,510.09	38.34	374,335,355.22

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

Unit: RMB Yuan

Account receivable	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Customer 1	3,863,600.00	1,931,800.00	50.00	Estimated difficult to recover
Customer 2	1,902,326.58	1,902,326.58	100.00	Difficult to recovered
Customer 3	6,215,662.64	6,193,248.32	99.64	Difficult to recovered
Customer 4	4,486,746.29	2,217,955.89	49.43	Estimated difficult to recover
Customer 5	3,279,100.00	3,279,100.00	100.00	Estimated difficult to recover
Customer 6	2,742,177.01	2,742,177.01	100.00	Estimated difficult to recover
Customer 7	5,359,381.00	5,359,381.00	100.00	Difficult to recovered
Customer 8	2,584,805.83	2,584,805.83	100.00	Difficult to recovered
Customer 9	1,038,651.32	1,038,651.32	100.00	Difficult to recovered
Customer 10	1,494,122.14	1,494,122.14	100.00	Difficult to recovered
Total	32,966,572.81	28,743,568.09		

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

Unit: RMB Yuan

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	302,059,097.60	6,041,182.50	2.00
1 to 2 years	3,343,346.16	167,167.33	5.00
2 to 3 years	742,175.95	111,326.42	15.00
3 to 4 years	6,075,129.63	1,822,538.88	30.00
4 to 5 years	740,953.96	444,572.39	60.00
Over 5 years	198,877,299.75	198,877,299.75	100.00
Total	511,838,003.05	207,464,087.27	

**(2) Accounts receivable withdraw, reversed or collected during the reporting period**

The withdrawal amount of the bad debt provision during the reporting period was of RMB12,321,726.771; the amount of the reversed or collected part during the reporting period was of RMB7,214,865.11.

**(3) The actual write-off accounts receivable**

N/A

**(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party**

At the period-end, the total amount of top 5 of the closing balance of the accounts receivable collected according to the arrears party was RMB108,318,934.68, 19.82% of the closing balance of the accounts receivable and the relevant closing balance of bad debt provision was RMB21,417,408.33.

**5. Prepayment****(1) List by aging analysis:**

Unit: RMB Yuan

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	11,891,116.78	92.30	14,026,514.13	92.93
1 to 2 years	7,418.00	0.06	127,345.30	0.84
2 to 3 years	114,790.79	0.89	70,049.80	0.46
3 to 4 years				
4 to 5 years				
Over 5 years	868,946.13	6.75	868,946.13	5.77
Total	12,882,271.70	100.00	15,092,855.36	100.00

**(2) Top 5 of the closing balance of the prepayment collected according to the prepayment target**

At the period-end, the total amount of top 5 of the closing balance of the prepayment collected according to the prepayment target was RMB8,983,298.32, 69.73% of the closing balance of the accounts receivable.

**6. Other accounts receivable****(1) Other accounts receivable disclosed by category**

Unit: RMB Yuan

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	2,853,188.02	7.66	2,853,188.02	100.00	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	32,431,210.57	87.10	26,808,670.76	82.66	5,622,539.81
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,952,628.15	5.24	1,952,628.15	100.00	
Total	37,237,026.74	100.00	31,614,486.93	84.90	5,622,539.81

Unit: RMB Yuan

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	2,853,188.02	7.24	2,853,188.02	100.00	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	34,618,397.46	87.90	25,955,696.16	74.98	8,662,701.30
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,910,737.23	4.86	1,910,737.23	100.00	
Total	39,382,322.71	100.00	30,719,621.41	78.00	8,662,701.30

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

Unit: RMB Yuan

Other account receivable	Book balance	Bad provision	Withdrawal proportion (%)	Withdrawal reason
Changchai Group Import & Export Company	2,853,188.02	2,853,188.02	100	Difficult to recover
Total	2,853,188.02	2,853,188.02		

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

Unit: RMB Yuan

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	4,002,446.71	80,048.94	2.00
1 to 2 years	209,258.48	10,462.92	5.00
2 to 3 years	721,433.99	108,215.10	15.00
3 to 4 years	419,414.38	125,824.31	30.00
4 to 5 years	1,486,343.82	891,806.29	60.00
Over 5 years	25,592,313.19	25,592,313.19	100.00
Total	32,431,210.57	26,808,670.76	

**(2) Accounts receivable withdraw, reversed or collected during the reporting period**

The withdrawal amount of the bad debt provision during the reporting period was of RMB897,805.92; the amount of the reversed or collected part during the reporting period was of RMB2,940.40.

**(3) The actual write-off other accounts receivable**

N/A



**(4) Other accounts receivable classified by the nature of accounts**

Unit: RMB Yuan

Nature	Closing book balance	Opening book balance
Margin and cash pledge	4,200.00	2,004,200.00
Unit current amount	20,433,624.06	20,035,808.86
Employee loan	2,011,484.92	2,584,081.29
Other	14,787,717.76	14,758,232.56
Total	37,237,026.74	39,382,322.71

**(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party**

Unit: RMB Yuan

Name of units	Nature	Closing balance	Aging	Proportion of the total year end balance of the accounts receivable (%)	Closing balance of bad debt provision
Changzhou Compressor Co., Ltd.	Current	2,940,000.00	Over 5 years	7.90	2,940,000.00
Import and Export Company of Changchai Group	Current	2,853,188.02	Over 5 years	7.66	2,853,188.02
Changzhou New District Accounting Center	Current	1,626,483.25	Over 5 years	4.37	1,626,483.25
OEM Group Settlement Center	Current	1,140,722.16	Over 5 years	3.06	1,140,722.16
Changzhou Xingsheng Property Management Co., Ltd.	Current	664,451.84	Over 5 years	1.78	13,289.04
Total		9,224,845.27	--	24.77	8,573,682.47

**(6) 35.09% decreased at the period-end when compared with the period-begin, mainly due to the subsidiary of the Company-Changwan had received the guarantee money of RMB2 million.**

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

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw material	111,288,103.55	2,587,305.60	108,700,797.95	121,329,364.38	2,739,224.97	118,590,139.41
Materials processed on commission	12,310,710.53		12,310,710.53	12,478,276.04		12,478,276.04
Goods in process	110,165,018.34	23,144,279.29	87,020,739.05	134,613,551.41	19,830,684.94	114,782,866.47
Finished product	208,519,567.29	20,277,368.92	188,242,198.37	269,416,214.26	19,634,150.34	249,782,063.92
Low price and easily worn articles	2,316,353.80	1,300,787.34	1,015,566.46	1,955,372.02		1,955,372.02
Total	444,599,753.51	47,309,741.15	397,290,012.36	539,792,778.11	42,204,060.25	497,588,717.86

**(2) Falling price reserves of inventory**

Unit: RMB Yuan

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	2,739,224.97	64,092.47		216,011.84		2,587,305.60
Goods in process	19,634,150.34	16,741,289.06		16,098,070.48		20,277,368.92
Inventory goods	19,830,684.94	23,144,279.29		19,830,684.94		23,144,279.29
Low price and easily worn articles		1,300,787.34				1,300,787.34
Total	42,204,060.25	41,250,448.16		36,144,767.26		47,309,741.15

**8. Other current assets**

Unit: RMB Yuan

Item	Closing balance	Opening balance
The VAT tax credits	28,304,691.41	28,131,657.32
Bank financing	20,000,000.00	
Securities financing	12,000,000.00	
Export drawback receivable		3,597,384.86
Total	60,304,691.41	31,729,042.18

90.06% increase at the period-end when compared with the period-begin, which mainly due to the purchase of the bank financing.

**9. Available-for-sale financial assets****(1) List of available-for-sale financial assets**

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments:						
Measured by fair value	457,780,000.00		457,780,000.00	452,650,000.00		452,650,000.00
Measured by cost method	46,410,000.00	1,210,000.00	45,200,000.00	46,410,000.00	1,210,000.00	45,200,000.00
Total	504,190,000.00	1,210,000.00	502,980,000.00	499,060,000.00	1,210,000.00	497,850,000.00

**(2) Available-for-sale financial assets measured by fair value at the period-end**

Unit: RMB Yuan

Category	Available-for-sale equity instruments	Total
Cost of equity instruments	41,874,500.00	41,874,500.00
Fair value	457,780,000.00	457,780,000.00
Changes of fair value accumulated recorded into other comprehensive income	353,519,675.00	353,519,675.00
Amount withdrawn bad debt provision		

**(3) Available-for-sale financial assets measured by cost at the period-end**

Unit: RMB Yuan

Investee	Book balance			Impairment provision				Shareholding proportion among the investees (%)	Cash bonus of the reporting period	
	Period -begin	Increase	Decrease	Period -end	Period -begin	Increase	Decrease			Period -end
Jiangsu Bank	38,000,000.00			38,000,000.00					0.42	3,040,000.00
Qidong Liantong Dynamometer Co., Ltd.	7,200,000.00			7,200,000.00					3.2	717,273.40
Others	1,210,000.00			1,210,000.00	1,210,000.00			1,210,000.00		
<b>Total</b>	<b>46,410,000.00</b>			<b>46,410,000.00</b>	<b>1,210,000.00</b>			<b>1,210,000.00</b>		<b>3,757,273.40</b>

Other: RMB510,000 in Chengdu Changwan Diesel Engine Marketing Corp., and RMB2,900,000 in Wanzhou Changwan Diesel Engine Fitting Corp. and RMB20,000 in Changzhou Economic and Technological Development Co., Ltd., RMB100,000 in Changzhou Tractors Co., Ltd., RMB200,000 in the Industrial Financing Mutual Benefit Association of Changzhou Economic and Information Technology Commission and RMB90,000 in Beijing Engineering and Agricultural Machinery Co., Ltd.. Due to difficulty in recovery, full-amount impairment provisions were made for the aforesaid accounts.

**(4) Changes of the impairment of the available-for-sale financial assets during the reporting period**

Unit: RMB Yuan

Category	Available for sale equity instruments	Total
Balance of the withdrawn impairment at the period-begin	1,210,000.00	1,210,000.00
Balance of the withdrawn impairment at the period-begin		
Decrease in reporting period		
Balance of the withdrawn impairment at the period-end	1,210,000.00	1,210,000.00

**10. Long-term equity investment**

Unit: RMB Yuan

Investees	Opening balance	Increase/decrease			
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income
Associated enterprises					
Changzhou Fuji Changchai Gasoline Engine Co., Ltd.	20,459,975.99			670,328.77	
Beijing Tsinghua Industrial Investment Management Co., Ltd.					
<b>Total</b>	<b>20,459,975.99</b>			<b>670,328.77</b>	

(Continued)

Unit: RMB Yuan

Investees	Increase/decrease				Closing balance	Closing balance of impairment provision
	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
Associated enterprises						
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.		361,000.00			20,769,304.76	
Beijing Tsinghua Industrial Investment Management Co., Ltd.						44,182.50
Total		361,000.00			20,769,304.76	44,182.50

**11. Investment property****(1) Investment property adopted the cost measurement mode**

Unit: RMB Yuan

Item	Houses and buildings	Land use right	construction in progress	Total
I. Original book value				
1. Opening balance	87,632,571.14			87,632,571.14
2. Increased amount of the period				
(1) Outsourcing				
(2) Transfer of inventory\fixed assets\project under construction				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	87,632,571.14			87,632,571.14
II. The accumulative depreciation and accumulative amortization				
1. Opening balance	28,143,200.31			28,143,200.31
2. Increased amount of the period	2,208,340.80			2,208,340.80
(1) The depreciation or amortization	2,208,340.80			2,208,340.80
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	30,351,541.11			30,351,541.11
III. Impairment provision				
1. Opening balance				
2. Increased amount of the period				
(1) Disposal				
3. Decreased amount of the period				
(1) Disposal				

(2) Other transfer				
4.Closing balance				
IV. Book value				
1.Closing book value	57,281,030.03			57,281,030.03
2.Opening book value	59,489,370.83			59,489,370.83

## 12. Fixed assets

### (1) List of fixed assets

Unit: RMB Yuan

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other
I. Original book value					
1. Opening balance	396,824,164.27	770,295,559.04	24,972,308.30	34,203,362.24	1,226,295,393.85
2. Increased amount of the period	22,585,759.98	37,610,694.57	1,301,254.02	3,574,578.22	65,072,286.79
(1) Purchase		1,438,875.68		1,014,003.12	2,452,878.80
(2) Construction project transfer	22,585,759.98	36,171,818.89	1,301,254.02	2,560,575.10	62,619,407.99
3. Decreased amount of the period		5,117,077.23	2,726,146.34	2,806,366.26	10,649,589.83
(1) Disposal or Scrap		5,117,077.23	2,726,146.34	2,806,366.26	10,649,589.83
4. Closing balance	419,409,924.25	802,789,176.38	23,547,415.98	34,971,574.20	1,280,718,090.81
II. The accumulative depreciation					
1. Opening balance	193,417,610.61	414,049,314.25	15,860,361.40	26,148,708.39	649,475,994.65
2. Increased amount of the period	18,674,263.23	58,839,660.03	1,991,957.50	3,487,059.44	82,992,940.20
(1) Withdrawal	18,674,263.23	58,839,660.03	1,991,957.50	3,487,059.44	82,992,940.20
(2) Enterprise combination and increase					
3. Decreased amount of the period		4,696,725.45	2,484,106.81	2,790,174.04	9,971,006.30
(1) Disposal or Scrap		4,696,725.45	2,484,106.81	2,790,174.04	9,971,006.30
4. Closing balance	212,091,873.84	468,192,248.83	15,368,212.09	26,845,593.79	722,497,928.55
III. Impairment provision					
1. Opening balance		4,033,452.59			4,033,452.59
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		415,183.56			415,183.56
(1) Disposal or Scrap		415,183.56			415,183.56
4. Closing balance		3,618,269.03			3,618,269.03
IV. Book value					
1.Closing book value	207,318,050.41	330,978,658.52	8,179,203.89	8,125,980.41	554,601,893.23
2.Opening book value	203,406,553.66	352,212,792.20	9,111,946.90	8,054,653.85	572,785,946.61

The accumulative depreciation in reporting period was RMB82,992,940.20; the original value of construction in progress transfer into fix assets was RMB62,619,407.99.

**13. Construction in progress****(1) List of construction in progress**

Unit: RMB Yuan

Item	Closing amount			Opening amount		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Trial production workshop project technology center	22,960,533.29		22,960,533.29	27,883,095.92		27,883,095.92
Casting renovation project	396,000.00		396,000.00	741,568.90		741,568.90
Expansion capacity of multi-cylinder (The 2 <sup>nd</sup> Period)	40,050,712.95		40,050,712.95	27,757,667.58		27,757,667.58
Base of land in Hehai Road	33,550.53		33,550.53	748,806.82		748,806.82
Diesel Engine Cylinder Body Flexible Manufacturing Line	1,851,752.13		1,851,752.13	10,913,075.99		10,913,075.99
Equipment to be installed and payment for projects	42,905,906.11		42,905,906.11	66,904,102.66		66,904,102.66
Total	108,198,455.01		108,198,455.01	134,948,317.87		134,948,317.87

**(2) Changes of significant construction in progress**

Unit: RMB Yuan

Name of item	Opening balance	Increased amount of the period	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Closing balance	Capitalization rate of the interests of the period	Capital resources
Trial production workshop project technology center	27,883,095.92	1,032,651.06	5,955,213.69		22,960,533.29		Self-raised
Casting renovation project	741,568.90	277,006.95	622,575.85		396,000.00		Self-raised
Expansion capacity of multi-cylinder (The 2 <sup>nd</sup> Period)	27,757,667.58	12,322,105.20	29,059.83		40,050,712.95		Self-raised
Base of land in Hehai Road	748,806.82	422,350.53	1,137,606.82		33,550.53		Self-raised
Diesel Engine Cylinder Body Flexible Manufacturing Line	10,913,075.99		8,776,323.86	285,000.00	1,851,752.13		Self-raised
Total	68,044,215.21	14,054,113.74	16,520,780.05	285,000.00	65,292,548.90		

**14. Intangible assets**

Unit: RMB Yuan

Item	Land use right	Software	Other	Total
I. Original book value				
1. Opening balance	137,782,945.30	2,994,758.97		140,777,704.27
2. Increased amount of the period		2,876,932.45		2,876,932.45
(1) Purchase		2,876,932.45		2,876,932.45
(2) Equity investment				
3. Decreased amount of the period				
(1) Withdrawal				
4. Closing balance	137,782,945.30	5,871,691.42		143,654,636.72
II. Accumulated amortization				
1. Opening balance	35,719,255.75	617,355.90		36,336,611.65
2. Increased amount of the period	2,792,049.12	1,424,513.48		4,216,562.60
(1) Withdrawal	2,792,049.12	1,424,513.48		4,216,562.60
3. Decreased amount of the period				
(1) Disposal				
4. Closing balance	38,511,304.87	2,041,869.38		40,553,174.25
III. Impairment provision				
1. Opening balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
4. Closing balance				
IV. Book value				
1. Closing book value	99,271,640.43	3,829,822.04		103,101,462.47
2. Opening book value	102,063,689.55	2,377,403.07		104,441,092.62

**15. Deferred income tax assets/deferred income tax liabilities****(1) Deferred income tax assets had not been off-set**

Unit: RMB Yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	6,416,872.53	962,530.88	7,232,422.11	1,084,863.32
Total	6,416,872.53	962,530.88	7,232,422.11	1,084,863.32

**(2) Deferred income tax liabilities had not been off-set**

Unit: RMB Yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Change in fair value of available financial assets	415,905,500.00	62,385,825.00	410,775,500.00	61,616,325.00
Total	415,905,500.00	62,385,825.00	410,775,500.00	61,616,325.00

**(3) List of unrecognized deferred income tax assets**

Unit: RMB Yuan

Item	Closing amount	Opening amount
Bad debt provision	263,091,986.15	256,274,709.39
Inventory falling price reserves	47,309,741.15	42,204,060.25
Total	310,401,727.30	298,478,769.64

**16. Other non-current assets**

Unit: RMB Yuan

Item	Closing balance	Closing impairment provision	Opening balance	Opening impairment provision
Entrust loans	14,000,000.00	14,000,000.00	14,000,000.00	14,000,000.00
Total	14,000,000.00	14,000,000.00	14,000,000.00	14,000,000.00

**17. Short-term loans****(1) Category of short-term loans**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Guaranteed loan	5,000,000.00	20,000,000.00
Mortgage loan	12,000,000.00	
Total	17,000,000.00	20,000,000.00

**(2) List of the short-term loans overdue but not return****18. Notes payable**

Unit: RMB Yuan

Category	Closing balance	Opening balance
Bank acceptance bill	238,200,000.00	218,351,400.00
Total	238,200,000.00	218,351,400.00

There was no due but not pay notes payable at the period-end.

**19. Accounts payable****(1) List of accounts payable**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Payment for goods	535,978,470.07	550,858,517.60
Total	535,978,470.07	550,858,517.60

**(2) Notes of the accounts payable aging over one year**



**20. Advance from customers****(1) List of advance from customers**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Payment for goods	26,665,671.38	29,364,756.16
Total	26,665,671.38	29,364,756.16

**(2) Significant advance from customers aging over one year****21. Payroll payable****(1) List of Payroll payable**

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	61,303,762.60	271,932,067.68	272,926,480.99	60,309,349.29
II. welfare after departure-defined contribution plan		38,586,479.44	38,586,479.44	
III. Termination benefits		194,339.00	194,339.00	
Total	61,303,762.60	310,712,886.12	311,707,299.43	60,309,349.29

**(2) List of Short-term salary**

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	55,397,399.62	226,108,364.89	227,700,714.71	53,805,049.80
2. Employee welfare		6,293,687.77	6,293,687.77	
3. Social insurance		18,399,643.19	18,399,643.19	
Including: 1. Medical insurance premiums		14,328,125.50	14,328,125.50	
Work-related injury insurance		3,176,160.86	3,176,160.86	
Maternity insurance		895,356.83	895,356.83	
4. Housing fund		16,733,840.00	16,733,840.00	
5. Labor union budget and employee education budget	5,906,362.98	4,396,531.83	3,798,595.32	6,504,299.49
6. Other short-term compensation				
Total	61,303,762.60	271,932,067.68	272,926,480.99	60,309,349.29

**(3) List of drawing scheme**

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic endowment insurance		35,910,749.13	35,910,749.13	
2. Unemployment insurance expense		2,675,730.31	2,675,730.31	
Total		38,586,479.44	38,586,479.44	

**22. Taxes payable**

Unit: RMB Yuan

Item	Closing balance	Opening balance
VAT	467,010.50	2,537.79
Business tax	2,900.00	
Urban maintenance and construction tax	1,996,316.42	830,449.50
Corporate income tax	5,923,463.67	11,517,844.35
Property tax	143,204.50	343,204.46
Personal income tax	49,924.16	211,204.93
Education Surcharge	840,517.28	136.60
The comprehensive fee	1,374,726.40	1,606,598.64
Total	10,798,062.93	14,511,976.27

**23. Dividends payable**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Common stock dividends	3,243,179.97	3,243,179.97
Minority shareholder dividends	648,253.86	648,253.86
Total	3,891,433.83	3,891,433.83

Reason of unpaid dividends payable over one year: the shareholder has not get.

**24. Other accounts payable****(1) Other accounts payable listed by nature of the account**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Margin and cash pledge	3,149,353.59	3,260,188.79
Unit current amount	15,550,754.25	10,133,775.91
Personal amount payable	955,910.51	965,413.51
Sales discount and three guarantees	146,392,031.63	141,620,797.47
Other	35,103,582.48	40,580,689.64
Total	201,151,632.46	196,560,865.32

**(2) Other significant accounts payable with aging over one year**

Other significant accounts payable with aging over one year mainly was temporarily closed and owe payment unsettled.

**25. Other current-liabilities**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Sewage charge	200,000.00	200,000.00
Electric charge	1,795,289.06	2,214,092.24
Other	407,998.00	578,904.50
Total	2,403,287.06	2,992,996.74

**26. Deferred income**

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Government subsidies	54,185,979.32		1,064,373.62	53,121,605.70	Government allocations
Total	54,185,979.32		1,064,373.62	53,121,605.70	

Items involved in government subsidies:

Unit: RMB Yuan

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Electric control of diesel engine research and development and industrialization allocations	2,240,400.00		398,400.00		1,842,000.00	Related to the assets
National major project special allocations	28,770,000.00				28,770,000.00	Related to the assets
Remove compensation	23,175,579.32		665,973.62		22,509,605.70	Related to the assets
Total	54,185,979.32		1,064,373.62		53,121,605.70	

**27. Share capital**

Unit: RMB Yuan

	Opening balance	Increase/decrease (+/-)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	561,374,326.00						561,374,326.00

**28. Capital reserves**

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	143,990,690.24			143,990,690.24
Other capital reserves	20,337,975.19			20,337,975.19
Total	164,328,665.43			164,328,665.43

**29. Other comprehensive income**

Unit: RMB Yuan

Item	Opening balance	Reporting period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	

			period that recognized into other comprehensive income in prior period				
I. Other comprehensive income can not reclassify into profits and losses in future							
Of which: changes of net assets and liabilities of defined benefit plans recalculated							
Share in other comprehensive income can not be reclassified into profits or losses in investment entity under the equity method							
II. Other comprehensive reclassified into profits or losses							
Of which: Share in other comprehensive income reclassify into profits or losses in investment entity under the equity method in future							
Profits or losses of change in fair value of available-for-sale financial assets	349,159,175.00	5,130,000.00		769,500.00	4,360,500.00		353,519,675.00
Converted difference of the foreign currency financial statement							
Total	349,159,175.00	5,130,000.00		769,500.00	4,360,500.00		353,519,675.00

**30. Special reserves**

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
Safety production cost	8,332,077.21	4,394,339.56	2,656,669.79	10,069,746.98
Total	8,332,077.21	4,394,339.56	2,656,669.79	10,069,746.98

**31. Surplus reserves**

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	284,994,839.06	7,606,588.95		292,601,428.01
Discretionary surplus reserves	13,156,857.90			13,156,857.90
Total	298,151,696.96	7,606,588.95		305,758,285.91

**32. Retained profits**

Unit: RMB Yuan

Item	2015	2014
Opening balance of retained profits before adjustments	555,590,894.67	502,779,906.92
Total opening balance of retained profits before adjustments (Increase+, decrease-)		
Opening balance of retained profits after adjustments	555,590,894.67	502,779,906.92
Add: Net profit attributable to owners of the Company	71,102,792.49	64,202,144.29
Less: Withdrawal of statutory surplus reserves	7,606,588.95	8,522,122.57
Withdrawal of discretionary surplus reserves		
Dividend of common stock payable	11,227,486.52	8,420,614.89
Dividend of common stock transfer into share capital		
Other transfer (Minority shareholders accumulated excess losses born by the parent Company)		5,551,580.92
Closing retained profits	607,859,611.69	555,590,894.67

**33. Revenues and operating costs**

Unit: RMB Yuan

Item	Reporting period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	2,495,248,411.83	2,094,368,998.80	2,461,692,196.75	2,089,712,748.30
Other operations	24,551,135.46	15,847,136.82	28,099,866.58	15,647,119.64
Total	2,519,799,547.29	2,110,216,135.62	2,489,792,063.33	2,105,359,867.94

**34. Business tax and surcharges**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Business tax	22,650.00	9,950.00
Urban maintenance and construction tax	4,424,215.49	369,692.62
Education Surcharge	3,185,948.00	369,493.61
Total	7,632,813.49	749,136.23

A YOY increase of 918.88% mainly was the increase of VAT and the relevant tax and surcharge increased.

**35. Sales expenses**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Office expenses	21,201,667.69	26,726,523.60
Employee's remuneration	28,684,358.57	28,030,498.73
Sales promotional expense	9,218,580.00	9,108,769.40
Three guarantees	30,238,223.49	19,044,277.38
Transport fees	8,414,005.85	9,026,772.82
Other	365,510.11	298,469.20
Total	98,122,345.71	92,235,311.13

**36. Administrative expenses**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Office expenses	19,693,941.37	18,191,537.02
Employee's remuneration	89,702,808.14	84,212,353.01
Depreciation and amortization	20,448,433.20	14,832,161.62
Research and development expense	37,769,695.87	48,958,053.63
Transport fees	2,948,275.12	2,663,610.42
Repair charge	5,269,797.93	4,713,258.37
Taxes	8,605,279.72	8,691,401.52
Safety expenses	1,737,669.77	3,157,253.68
Other	11,503,014.31	12,285,195.15
Total	197,678,915.43	197,704,824.42

**37. Financial expenses**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Interest expenses	1,183,262.47	2,185,973.83
Less: Interest income	7,372,960.51	6,996,180.56
Exchange net profit or loss	-6,135,135.67	-350,929.60
Other	-3,398,951.29	-5,771,331.95
Total	-15,723,785.00	-10,932,468.28

A YOY decrease of 43.83% mainly was the RMB devaluation, and the exchange profits increased.

**38. Asset impairment loss**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
I. Bad debt loss	6,001,727.18	6,832,502.57
Inventory falling price loss	41,250,448.16	25,371,265.32
Fixed assets impairment losses		1,303,400.31
Total	47,252,175.34	33,507,168.20

A YOY increase of 41.02% mainly was the increase of the inventory impairment.

**39. Gains on the changes in the fair value**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Financial assets measured by fair value and the changes be included in the current profits and losses	-109,642.19	109,642.19
Total	-109,642.19	109,642.19

**40. Investment income**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by equity method	670,328.77	1,366,650.26
Investment income from the disposal of long-term equity investment		-48,639.55
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses during holding period	594,434.83	463,170.51
Investment income received from holding of available-for-sale financial assets	6,547,113.40	10,120,500.00
Investment income from disposal of bank financial products	468,547.94	112,652.05
Financing security gains	839,681.00	
Total	9,120,105.94	12,014,333.27

**41. Non-operating gains****1. Non-operating gains**

Unit: RMB Yuan

Item	Reporting period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	298,236.45	437,606.94	298,236.45
Including: Gains from disposal of fixed assets	298,236.45	437,606.94	298,236.45
Gains from disposal of fixed assets			
Insurance compensation	1,133,046.55	640,183.28	1,133,046.55
Penalty income	163,851.65	107,879.30	163,851.65
Government subsidies	11,903,636.62	10,344,073.62	11,903,636.62
Income from disposal of current assets	539,523.00	480,726.00	539,523.00
Account payable no need to pay		233,293.74	
Other	9,974.29	375,696.40	9,974.29
Total	14,048,268.56	12,619,459.28	14,048,268.56

**(2) Lists of government subsidies**

Unit: RMB Yuan

Item	Reporting period	Same period of last year	Related to the assets/ income
The central budget investment plans	3,000,000.00	1,000,000.00	Related to the income
Ultra-low emissions of non-road diesel engine new clean combustion key technology		800,000.00	Related to the income
Special fund for Promoting the transformation of industrial economy steady growth	6,510,000.00	30,000.00	Related to the income
The mayor award	500,000.00	100,000.00	Related to the income
Energy conservation and circular economy development special funds		260,000.00	Related to the income
Science and Technology Progress Award	30,000.00		Related to the income
Talent development funds	184,000.00	10,000.00	Related to the income
Other science and technology project allocations	130,000.00	310,000.00	Related to the income
Other incentives and subsidies	485,263.00	126,000.00	Related to the income
Compensation for demolition	665,973.62	665,973.62	Related to the assets
The special national high technology research and development plan		2,720,000.00	Related to the income
R & D and industrialization of electric non-road diesel engine	398,400.00	4,322,100.00	Related to the assets
Total	11,903,636.62	10,344,073.62	

**42. Non-operating expenses**

Unit: RMB Yuan

Item	Reporting period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Loss on disposal of non-current assets	86,306.84	318,704.95	86,306.84
Including: Loss on disposal of fixed assets	86,306.84	318,704.95	86,306.84
Loss on disposal of intangible assets			
Donation	260,000.00	320,000.00	260,000.00
The flood control security fund	2,468,397.34	2,468,996.84	
Loss on disposal of current assets	4,489,449.93	7,130,347.68	4,489,449.93
Other	1,206,723.88	416,443.76	1,206,723.88
Total	8,510,877.99	10,654,493.23	6,042,480.65



**43. Income tax expense****(1) Lists of income tax expense**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Current income tax expense accounted by tax and relevant regulations	16,562,132.69	19,476,423.70
Deferred income taxes	122,332.44	111,126.94
Total	16,684,465.13	19,587,550.64

**(2) Adjustment process of accounting profit and income tax expense**

Unit: RMB Yuan

Item	Reporting period
Total profits	89,168,801.02
Current income tax expense accounted by tax and relevant regulations	13,375,320.15
Influence of different tax rate suitable to subsidiary	-541,299.00
Influence of income tax before adjustment	26,250.00
Influence of non taxable income	-1,053,794.35
Influence of not deductible costs, expenses and losses	3,750,517.88
Influence of deductible losses of deferred income tax assets derecognized used in previous period	
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	3,130,234.13
Tax preference incurred from qualified expense	-2,002,763.68
Income tax expense	16,684,465.13

**44. Supplementary information to cash flow statement****(1) Other cash received relevant to operating activities**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Subsidies and grants	10,839,263.00	2,636,000.00
Cash received from other current account	3,502,832.73	4,493,034.27
Interest income	7,372,960.51	6,996,180.56
Total	21,715,056.24	14,125,214.83

**(2) Other cash paid relevant to operating activities**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Sale expense paid into cash	46,608,291.02	48,804,990.49
Management expense paid into cash	39,027,007.46	35,320,350.77
Commission Expenses	701,704.94	533,714.59
Other	1,970,121.12	714,335.29
Total	88,307,124.54	85,373,391.14

**45. Supplementary information to cash flow statement****(1) Information of net profit to net cash flows generated from operating activities**

Unit: RMB Yuan

Supplementary materials	Reporting period	Last period
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	72,484,335.89	65,669,614.56
Add: Provision for impairment of assets	47,252,175.34	33,507,168.20
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	85,201,281.00	78,043,530.91
Amortization of intangible assets	4,216,562.60	2,824,125.39
Long-term unamortized expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets	-211,929.61	-118,901.99
Losses on retirement of fixed assets		
Losses from variation of fair value	109,642.19	-109,642.19
Financial expenses	1,211,337.47	2,185,973.83
Investment losses	-9,120,105.94	-12,014,333.27
Decrease in deferred income tax assets	122,332.44	111,126.94
Increase of deferred income tax liabilities		
Decrease in inventory	59,048,257.34	-49,721,106.89
Decrease in accounts receivable from operating activities	-142,246,349.15	-76,391,851.77
Increase in payables from operating activities	16,574,597.23	-99,328,131.98
Other	-6,715,253.85	3,835,072.74
Net cash flows generated from operating activities	127,926,882.95	-51,507,355.52
2. Investing and financing activities that do not involving cash receipts and payment:		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3. Net increase in cash and cash equivalents		
Closing balance of cash	526,716,238.21	464,761,820.50
Less: Opening balance of cash	464,761,820.50	610,882,216.18
Add: Cash equivalents at the end of the period		
Less: Cash at the beginning of the period		
Net increase in cash and cash equivalents	61,954,417.71	-146,120,395.68

**(2) Cash and cash equivalents**

Unit: RMB Yuan

Item	Closing balance	Opening balance
I. Cash	526,716,238.21	464,761,820.50
Including: Cash on hand	252,373.65	557,508.42
Bank deposit on demand	526,463,864.56	464,204,312.08
Other monetary funds on demand		
II. Cash and cash equivalents		
Of which: Bond investment due with 3 months		
III. Closing balance of cash and cash equivalents	526,716,238.21	464,761,820.50

**46. The assets with the ownership or use right restricted**

Unit: RMB Yuan

Item	Closing book value	Restricted reason
Monetary capital	74,596,477.41	Bank acceptance draft deposited in the margin
Houses and buildings	7,785,071.36	Pledge for bank loan
Land use right	19,998,047.72	Pledge for bank loan
Total	102,379,596.49	

**47. Foreign currency monetary items**

Unit: RMB Yuan

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			
Including: USD	3,166,105.44	6.4936	20,559,422.29
HKD	90,124.75	0.8378	75,504.71
SGD	54,427.95	4.5875	249,688.22
Account receivable			
Including: USD	6,757,811.26	6.4936	43,882,523.20

**VIII. Changes of merge scope**

N/A

**IX. Equity in other entities****1. Equity in subsidiary****(1) The structure of the enterprise group**

Name of the subsidiary	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Changchai Wanzhou Diesel Engine Co., Ltd.	Chongqing	Chongqing	Industry	60		Set-up
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	Changzhou City	Changzhou City	Industry	99	1	Set-up

Changzhou Investment Co., Ltd.	Housheng	Changzhou City	Changzhou City	Service	100		Set-up
Changzhou Housheng Equipment Co., Ltd.	Changchai Agricultural	Changzhou City	Changzhou City	Industry	70	25	Set-up

**(2) Significant not wholly owned subsidiary**

Unit: RMB Yuan

Name of the subsidiary	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Changchai Wanzhou Diesel Engine Co., Ltd.	40	1,505,284.37		17,325,133.25
Changzhou Housheng Equipment Co., Ltd.	5	-123,740.97		265,320.22

**(3) The main financial information of significant not wholly owned subsidiary**

Unit: Yuan

Name of the subsidiary	Closing balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Changchai Wanzhou Diesel Engine Co., Ltd.	41,770,953.46	28,631,830.17	70,402,783.63	27,089,950.52		27,089,950.52
Changzhou Housheng Equipment Co., Ltd.	16,619,127.25	440,565.96	17,059,693.21	11,753,288.83		11,753,288.83

Unit: Yuan

Name of the subsidiary	Opening balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Changchai Wanzhou Diesel Engine Co., Ltd.	55,203,467.86	29,640,245.55	84,843,713.41	45,294,091.22		45,294,091.22
Changzhou Housheng Equipment Co., Ltd.	10,348,739.81	491,333.07	10,840,072.88	3,058,849.18		3,058,849.18

Unit: Yuan

Name of the subsidiary	Reporting period				Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Changchai Wanzhou Diesel Engine Co., Ltd.	99,618,978.42	3,763,210.92	3,763,210.92	6,750,035.77	100,257,123.26	4,428,574.49	4,428,574.49	-23,728,116.12
Changzhou Housheng Equipment Co., Ltd.	5,594,781.07	-2,474,819.32	-2,474,819.32	-5,350,193.17	1,752,521.48	-2,215,160.53	-2,215,160.53	-3,723,419.82

## 2. Equity in joint venture or associated enterprise

### (1) Significant joint venture arrangement or associated enterprise

Name	Main operating place	Registration place	Nature of business	Proportion		Accounting treatment of the investment of joint venture or associated enterprise
				Directly	Indirectly	
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	Changzhou City	Changzhou City	Industry	33		Equity method

### (2) Main financial information of significant associated enterprise

Unit: RMB Yuan

Item	Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	
	Closing balance/ reporting period	Opening balance / last period
current assets	70,218,388.26	87,055,557.40
Non-current assets	11,465,367.78	13,200,248.78
Total assets	81,683,756.04	100,255,806.18
Current liabilities	11,746,468.25	38,255,878.32
Non-current liability	7,000,000.00	
Total liabilities	18,746,468.25	38,255,878.32
Minority interests		
Equity attributable to owners of the Company	62,937,287.79	61,999,927.86
Portion of net assets calculated according to proportion of shareholdings	20,769,304.76	20,459,975.99
Adjusting events		
-Goodwill		
-Retained profits of internal transaction		
-Other		
Book value of investment to associated enterprise	20,769,304.76	20,459,975.99
Operation revenue	139,148,868.35	223,014,821.84
Net profit	2,138,273.61	4,326,770.93
Other comprehensive income		
Total comprehensive income	2,138,273.61	4,326,770.93
Equity received from associated enterprises in reporting period	361,000.00	455,000.00

## X. The risk related financial instruments

The goal of the Company's risk management was gaining the balance between the risk and income, and reduced the negative impact to the operation performance of the Company in the lowest level and maximized the interests of shareholders and other equity investors, base on the risk management goal, the basis strategy of the Company's risk management was to recognized and analyse all kinds of risk that the Company faced, set up suitable risk bottom line and conduct risk management, and supervised the risks timely and reliably and control the risk within the limited scope.

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

### (I) Credit risk

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

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

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

### (II) Liquidity Risk

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

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

### (III) Market risk

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

#### 1. Interest rate risk

Interest rate risk was referred to risk of the fair value or future cash flow of financial instrument changed due to the change of market interest risk.

#### 2. Foreign exchange risk

Foreign exchange rate risk is referred to the risk incurred form the change of exchange rate. The export sales of the Company mainly was market of Southeast Asia region which settled by USD. Though the Company's export business receiving part of payment for goods in advance, but the balance had a certain credit term, if the RMB appreciates against the dollar, the company's accounts receivable will incur foreign currency exchange loss.

## XI. The disclosure of the fair value

### 1. Closing fair value of assets and liabilities calculated by fair value

Unit: RMB Yuan

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement				

(I) Financial assets calculated by fair value and changes record into current profits or losses				
1. Trading financial assets				
(1) Debt instruments investment				
(2) Equity tool investment				
3. Derivative financial assets				
2. Financial assets assigned measured by fair value and the changes be included in the current gains and losses				
(1) Debt instruments investment				
(2) Equity tool investment				
(II) Available-for-sale financial assets	457,780,000.00			457,780,000.00
(1) Debt instruments investment				
(2) Equity tool investment	457,780,000.00			457,780,000.00
(3) Other				
Total assets of consistent fair value measurement	457,780,000.00			457,780,000.00

## 2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

Tradable financial assets and available for sale financial assets of the Company were funds and shares with the closing price as the basis of fair value calculation at period-end.

## XII. Related party and related Transaction

### 1. Information related to parent company of the Company

The actual controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission. As of Dec. 31 2015, it held 30.43% shares of the Company (state owned shares).

### 2. Subsidiaries of the Company

The details of subsidiaries of the Company please refer to equity in other entities in note to financial statements.

### 3. Information on the joint ventures and associated enterprises of the Company

The details of the joint ventures and associated enterprises of the Company please refer to equity in other entities in note to financial statements.

### 4. The Company had no other related party.

### 5. The Company had no other related transaction need to be disclosed.

### XIII. Commitments and contingency

#### 1. Significant commitments

As of 31 Dec. 2015, there were no significant commitments to be disclosed.

#### 2. Contingency

##### (1) Significant contingency at balance sheet date

Litigation and arbitration in the reporting period

Name of the entity	Date of accepted	Name of the litigation or arbitration institutions	Amount involved (RMB ten thousand)	Remark
Shandong Hongli Group Co., Ltd.	2001.6.27	Changzhou Intermediate People's Court	1,436.00	Under the bankruptcy and liquidation
Beijing Beiqi Changsheng Automobile Co., Ltd.	2013.8.12	Beijing Shunyi District People's Court	806.36	Enforcing conduct
Total			2,242.36	

Notes to the case:

(1) About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April, 2002. Currently, the defendant has started the bankruptcy procedure. The aforesaid payment has arranged for the full provision for bad debts.

(2) As the litigation of Beijing Beiqi Changsheng Automobile Co., Ltd., the company owned our Company 8.0636 million; Beijing Shunyi District People's Court accepted the case on Aug. 12 2013. Under the auspices, two sides concluded mediation agreement. Beiqi Changsheng pays RMB 8,063,600.00 to the Company by stage. Although the Company bombarded many times, Beijing Beiqi Changsheng Automobile Co., Ltd did not perform its obligation of payment in line with mediation agreement. As of the end of reporting period, the Company had paid the payment of goods RMB 4.2 million, the Company had applied to the Court for compulsory execution.

### XIV. Events after balance sheet date

#### 1. Profit distribution

Unit: RMB Yuan

Planning allocation of profits or dividends	12,911,609.50
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### XV. Other significant events

#### 1. Segment information

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

#### 2. Other important transactions and events have an impact on investor's decision-making

As of the approval issue date of financial statements, the Company did not complete the liquidation procedures of 2015 annual enterprise income tax.

### XVI. Notes of main items in the financial statements of the Company

#### 1. Accounts receivable



**(1) Accounts receivable classified by category**

Unit: RMB Yuan

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	44,942,468.52	9.24	35,630,157.18	79.28	9,312,311.34
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	439,906,391.76	90.41	185,340,536.87	42.13	254,565,854.89
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,686,716.39	0.35	1,686,716.39	100.00	
<b>Total</b>	<b>486,535,576.67</b>	<b>100.00</b>	<b>222,657,410.44</b>	<b>45.76</b>	<b>263,878,166.23</b>

Unit: RMB Yuan

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	43,791,478.96	7.96	31,949,287.94	72.96	11,842,191.02
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	504,838,706.00	91.72	185,804,594.53	36.80	319,034,111.47
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,776,159.00	0.32	1,413,014.50	79.55	363,144.50
<b>Total</b>	<b>550,406,343.96</b>	<b>100.00</b>	<b>219,166,896.97</b>	<b>39.82</b>	<b>331,239,446.99</b>

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

Unit: RMB Yuan

Account receivable	Book balance	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer 1	3,863,600.00	1,931,800.00	50.00	Estimated difficult to recover
Customer 2	1,902,326.58	1,902,326.58	100.00	Difficult to recover
Customer 3	6,215,662.64	6,193,248.32	99.64	Difficult to recover
Customer 4	4,486,746.29	2,217,955.89	49.43	Estimated difficult to recover
Customer 5	3,279,100.00	3,279,100.00	100.00	Estimated difficult to recover
Customer 6	2,742,177.01	2,742,177.01	100.00	Estimated difficult to recover
Customer 7	5,359,381.00	5,359,381.00	100.00	Difficult to recover

Customer 8	2,584,805.83	2,584,805.83	100.00	Difficult to recover
Customer 9	1,038,651.32	1,038,651.32	100.00	Difficult to recover
Customer 10	1,494,122.14	1,494,122.14	100.00	Difficult to recover
Customer 11	11,975,895.71	6,886,589.09	57.50	Estimated difficult to recover
Total	44,942,468.52	35,630,157.18		

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

Unit: RMB Yuan

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Within 1 year	251,499,124.35	5,029,982.56	2.00
1 to 2 years	3,070,411.86	153,520.61	5.00
2 to 3 years	742,175.95	111,326.42	15.00
3 to 4 years	6,075,129.63	1,822,538.88	30.00
4 to 5 years	740,953.96	444,572.39	60.00
Over 5 years	177,778,596.01	177,778,596.01	100.00
Total	439,906,391.76	185,340,536.87	

## (2) Bad debt provision withdrawal, reversed or recovered in the report period

The withdrawal amount of the bad debt provision during the reporting period was of RMB12,308,197.10; the amount of the reversed or collected part during the reporting period was of RMB8,817,683.63.

## (3) The actual write-off accounts receivable

N/A

## (4) Top five of account receivable of closing balance collected by arrears party

The total amount of top five of account receivable of closing balance collected by arrears party was RMB108,318,934.68, 22.26% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB21,417,408.33.

## 2. Other accounts receivable

### (1) Other account receivable classified by category

Unit: RMB Yuan

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,853,188.02	8.44	2,853,188.02	100.00	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	29,010,122.91	85.79	24,124,759.90	83.16	4,885,363.01
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,952,628.15	5.77	1,952,628.15	100.00	
Total	33,815,939.08	100.00	28,930,576.07	85.55	4,885,363.01

Unit: RMB Yuan

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,853,188.02	8.44	2,853,188.02	100.00	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	29,055,589.24	85.91	23,343,541.80	80.34	5,712,047.44
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,910,737.23	5.65	1,910,737.23	100.00	
Total	33,819,514.49	100.00	28,107,467.05	83.11	5,712,047.44

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

Unit: RMB Yuan

Other accounts receivable	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Changchai Group Import & Export Co., Ltd.	2,853,188.02	2,853,188.02	100	Difficult to recover
Total	2,853,188.02	2,853,188.02		

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

Unit: RMB Yuan

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	3,326,334.58	66,526.70	2.00
1 to 2 years	149,154.60	7,457.73	5.00
2 to 3 years	700,859.60	105,128.94	15.00
3 to 4 years	419,414.38	125,824.31	30.00
4 to 5 years	1,486,343.82	891,806.29	60.00
Over 5 years	22,928,015.93	22,928,015.93	100.00
Total	29,010,122.91	24,124,759.90	

## (2) Bad debt provision withdrawal, reversed or recovered in the report period

The withdrawal amount of the bad debt provision during the reporting period was of RMB823, 109.02; the amount of the reversed or collected part during the reporting period was of RMB 0.

## (3) The actual write-off other accounts receivable

N/A

## (4) Other account receivable classified by account nature

Unit: RMB Yuan

Nature	Closing balance	Opening balance
Guarantee and cash pledge	4,200.00	4,200.00
Unit current amount	17,463,134.91	17,481,166.27
Petty cash & employee borrowing	1,560,886.41	1,575,915.66
Other	14,787,717.76	14,758,232.56
Total	33,815,939.08	33,819,514.49

**(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party**

Unit: RMB Yuan

Name of the entity	Nature	Closing balance	Aging	Proportion %	Bad debt provision
Changzhou Compressor Co., Ltd.	Intercourse funds	2,940,000.00	Over 5 years	8.69	2,940,000.00
Changchai Group Import & Export Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	8.44	2,853,188.02
Changzhou New District Accounting Center	Intercourse funds	1,626,483.25	Over 5 years	4.81	1,626,483.25
OEM Group Settlement Center	Intercourse funds	1,140,722.16	Over 5 years	3.37	1,140,722.16
Changzhou Xingsheng Property Management Co., Ltd.	Intercourse funds	664,451.84	Over 5 years	1.97	13,289.04
Total		9,224,845.27		27.28	8,573,682.47

**3. Long-term equity investment**

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	184,466,500.00		184,466,500.00	184,466,500.00		184,466,500.00
Investment to joint ventures and associated enterprises	20,813,487.26	44,182.50	20,769,304.76	20,504,158.49	44,182.50	20,459,975.99
Total	205,279,987.26	44,182.50	205,235,804.76	204,970,658.49	44,182.50	204,926,475.99

**(1) Investment to the subsidiary**

Unit: RMB Yuan

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Changchai Wanzhou Diesel Engine Co., Ltd.	51,000,000.00			51,000,000.00		

Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	96,466,500.00			96,466,500.00		
Changzhou Housheng Investment Co., Ltd.	30,000,000.00			30,000,000.00		
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	7,000,000.00			7,000,000.00		
Total	184,466,500.00			184,466,500.00		

**(2) Investment to joint ventures and associated enterprises**

Unit: RMB Yuan

Investee	Opening balance	Increase/decrease in reporting period			
		Additional investment	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income
Subsidiary of joint venture					
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	20,459,975.99			670,328.77	
Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd.	44,182.50				
Total	20,504,158.49			670,328.77	

(Continued)

Unit: RMB Yuan

Investee	Increase/decrease in reporting period				Closing balance	Closing balance of impairment provision
	Changes of other equity	Declaration of cash dividends or profits	Withdrawn impairment provision	Other		
Subsidiary of joint venture						
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.		361,000.00			20,769,304.76	
Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd.					44,182.50	44,182.50
Total		361,000.00			20,813,487.26	44,182.50

**4. Revenues and operating costs**

Unit: RMB Yuan

Item	Reporting period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	2,495,008,065.10	2,115,049,779.90	2,469,762,995.76	2,120,724,877.54
Other operations	21,857,546.18	14,537,700.98	24,576,560.38	14,038,318.73
Total	2,516,865,611.28	2,129,587,480.88	2,494,339,556.14	2,134,763,196.27

**5. Investment income**

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by cost method		2,446,600.00
Long-term equity investment income accounted by equity method	670,328.77	1,366,650.26
Investment income arising from disposal of long-term equity investments		-250,797.67
Investment income received from holding of available-for-sale financial assets	5,829,840.00	10,120,500.00
Investment income from disposal of bank financial products	468,547.94	
Financing security gains	839,681.00	
Total	7,808,397.71	13,682,952.59

**XVII. Supplementary materials****1. Items and amounts of extraordinary gains and losses**

Unit: RMB Yuan

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets	211,929.61	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	11,903,636.62	
Included in current profit and loss against the non-financial enterprises occupation fee funds collected	1,523,155.52	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	1,793,021.58	
Other non-operating income and expenses other than the above	-4,109,778.32	
Income tax effects	1,747,894.80	
Minority interests effects	59,740.01	
Total	9,514,330.20	

**2. Return on equity (ROE) and earnings per share (EPS)**

Unit: RMB Yuan

Profit as of reporting period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	3.53	0.13	0.13
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	3.06	0.11	0.11

## **Section XI. Documents Available for Reference**

Including the following documents:

1. 2015 Annual Report with the signature of the Board Chairman of the Company;
2. Financial Statements carrying the signatures and seals of the responsible person of the Company, the head of the accounting work as well as the head of the accounting organ;
3. Text of the Auditor's Report with the seal of the accounting firm and the signatures and seals of the certified public accountants;
4. Originals of all documents of the Company ever disclosed publicly in the reporting period on media designated by China Securities Regulatory Commission such as the Securities Times and Ta Kung Pao and the originals of all the public notices; and
5. Articles of Association of the Company.

The above-mentioned documents available for reference are all placed in the Secretariat of the Board of Directors of the Company.

This report is prepared in both Chinese and English. Should there be any understanding discrepancy between the two versions, the Chinese version shall prevail.