



**Chongqing Changan Automobile  
Company Limited**

**2016 Annual Report**

**April, 2017**

## **Chapter 1 Important Notice, Contents, and Definitions**

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of our company hereby guarantee that no false or misleading statement or major omission was made to the materials in this report and that they will assume all the responsibilities, individually and jointly, for the trueness, accuracy and completeness of the contents of this report.

The Chairman of the Board Xu Liuping, the Chief Financial Officer Wang Kun and the responsible person of the accounting institution (Accountant in charge) Hua Zhanbiao hereby declare that the Financial Statements enclosed in this annual report are true, accurate and complete.

All the directors attended the board meeting for reviewing the annual report.

The prospective description regarding future business plan and development strategy in this report does not constitute virtual commitment. The investors shall pay attention to the risk.

The preplan profit distribution of the Company deliberated and approved by the Board is: taking the total shares 4,802,648,511 as of Dec. 31, 2016 as the radix, sending cash dividends of RMB 6.42 Yuan (tax included) per every 10 shares to all shareholders, and not converting capital reserve into share capital.

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### Definitions

Items	Definitions
Changan Auto., the Company	Refers to Chongqing Changan Automobile Company Limited
South Industries	Refers to China South Industries Group Corp. Company's actual controller
China Changan	Refers to China Changan Automobile Group Corporation, old name: China South Industries automobile Co., Ltd., a subsidiary company of South Industries
Changan Industry	Refers to Chongqing Changan Industry (Group) Co., Ltd., old name: Changan Automobile Co., Ltd., Changan Automobile (Group) Co., Ltd., a subsidiary company of South Industries, the controlling shareholder of the Company before December, 2005
Nanjing Changan	Refers to Nanjing Changan Automobile Co., Ltd., a subsidiary company of the Company
Hebei Changan	Refers to Hebei Changan Automobile Co., Ltd., a subsidiary company of the Company
Hefei Changan	Refers to Hefei Changan Automobile Co., Ltd., a subsidiary company of the Company
Changan Bus	Refers to Baoding Changan Bus Co., Ltd., a subsidiary company of the Company
International Company	Refers to Chongqing Changan Automobile International Sale Service Co., Ltd.
Changan Ford	Refers to Changan Ford Automobile Co., a JV of the Company
Changan Mazda	Refers to Changan Mazda Automobile Co., a JV of the Company
CFME	Refers to Changan Ford Mazda Engine Co., a JV of the Company
Changan Suzuki	Refers to Chongqing Changan Suzuki Auto. Co.Ltd., a JV of the Company
CAPSA	Refers to Changan PSA Automobiles Co., Ltd, a JV of the Company
Jiangling Holding	Refers to Jiangling Holding Co., a JV of the Company
Changan Finance	Refers to Changan Auto Finance Co.Ltd Company's Joint Stock Company
Financial Co. of CSGC	Refers to Financial Co. of China South Industries Group Corporation
UPI	Refers to United Prosperity (Hong Kong)Investment Co., Ltd,a subsidiary company of China Changan
Hafei Group	Refers to Harbin Hafei Automobile Industry Group Co., Ltd., a subsidiary company of China Changan
CMAL	Refers to Chongqing Changan Minsheng APLL Logistics Co., Ltd, a Joint Stock Company of China Changan.

## Chapter 2 Company Profile & Main Financial Indexes

### I. Basic Information

Stock abbreviation	Changan Automobile 、 Changan B	Stock Code	000625、 200625
Listed on	Shenzhen Stock Exchange		
Company name in Chinese	重庆长安汽车股份有限公司		
Company abbreviation in Chinese name	长安汽车		
Company name in English	Chongqing Changan Automobile Company Limited		
Legal representative	Xu LiuPing		
Registered address	No. 260, East Jianxin Road Jiangbei District, Chongqing		
Post code of the registered address	400023		
Office address	No. 260, East Jianxin Road, Jiangbei District, Chongqing		
Post code of the office address	400023		
Website	<a href="http://www.changan.com.cn">http://www.changan.com.cn</a>		
E-mail address	cazqc@changan.com.cn		

### II. Contact Information

	Secretary of the Board of Directors	Securities affairs representative
Name	Wang Kun( On behalf), Li Jun	
Contact address	No. 260, East Jianxin Road, Jiangbei District, Chongqing	
TEL:	023-67594008	
FAX:	023-67866055	
E-mail address	cazqc@changan.com.cn	

### III. Information Disclosure and Filing Site

Newspaper selected by the Company for information disclosure	China Securities Journal, Securities Daily and Hong Kong Commercial Daily
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Website selected by CSRC for publishing this annual report	www.cninfo.com.cn
The place where this annual report is prepared and kept	Secretary's Office of Board of Directors

#### IV. Changes of Registration Information

Organization Code	9150000020286320X6
Changes in the main business since the company's listing	Not applicable
All previous changes of dominant stockholders	<p>In Dec. 2005, according to the restructuring program on automobile business, the Company's actual controller, China South Industries Group Corporation made transferring of all state-owned shares of the Company as part of funding for China South Industries Automobile Company Limited. In March 2006, all shares held by Changan Group have been transferred to China South Industries Automobile Company Limited. China South Industries Automobile Company Limited became the majority shareholder of the Company, and Changan Group holds zero share since then.</p> <p>In July 2009, with the approval of State Administration for Industry and Commerce, "China South Industries Automobile Company Limited", changed its name to "China Changan Automobile Group Co., Ltd.". After change of its name, its property, ownership and control relation are without change.</p>

#### V. Other Relevant Information

The accounting firm employed by the Company:

Name of the accounting firm	Ernst & Young Hua Ming LLP (Special Ordinary Partner)
Address of the accounting firm	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, China
Name of the certified public accountant for signature	Chen Xiaoxiang, Hu Yan

The recommendation agency engaged by the Company executing the persistent supervision responsibilities in the reporting period

Applicable    Not applicable

Recommendation Agency	Address of recommendation agency	Name of recommendation agency	Supervision duration
China Securities Co., Ltd.	Level 3, Block E, Kaiheng Center B, Chaonei Avenue 2, Dongcheng District, Beijing	Xu Zitong, Cai Yujie	October 2016 - December 2017

The financial consultant engaged by the Company performing the duties of persistent supervision and guidance in the reporting period

√ Applicable   □ Not applicable

Financial Consultant	Address of financial consultant	Name of financial consultant	Supervision duration
Shanghai Realize Investment Consulting Co., Ltd.	No.639,Xinhua Road, Shanghai	Ye Suqin	September 2016 - September 2020

## VI. Summary of Accounting Data and Financial Indexes

Does the company conduct the retrospective adjustment or restatement of previous years accounting data due to changes in accounting policies or accounting errors?

√ Yes   □ No

	2016	2015	Increase/decrease on a y-o-y basis (%)	2014
Operating revenue (Yuan)	78,542,441,757.19	66,771,580,527.66	17.63%	52,913,332,100.83
Net profit belonging to shareholders of the listed company (Yuan)	10,285,284,120.57	9,952,714,168.09	3.34%	7,561,081,585.81
Net profit belonging to shareholders of the listed company after deduction of non-recurring profit and loss (Yuan)	9,448,723,644.17	9,560,013,288.84	-1.16%	7,279,008,679.47
Net cash flow arising from operating activities (Yuan)	2,286,551,305.20	5,414,890,769.50	-57.77%	3,779,921,774.57
Basic earnings per share (Yuan/Share)	2.19	2.13	2.82%	1.62
Diluted earnings per share (Yuan/Share)	Not applicable	Not applicable	Not applicable	Not applicable
Return on equity (ROE) (%)	26.81%	33.14%	Down 6.33%	34.20%
	End of 2016	End of 2015	Increase/decrease of the end of current year compared with that of the previous year (%)	2014

Total assets (Yuan)	106,510,473,733.93	89,413,988,669.66	19.12%	69,687,352,890.82
Net assets belonging to shareholders of the listed company (Owner's equity belonging to shareholders of the listed company) (Yuan)	43,573,812,403.87	34,385,189,070.36	26.72%	25,637,298,549.80

## VII. The differences between domestic and international accounting standards

(1). Simultaneously pursuant to both Chinese accounting standards and international accounting standards disclosed in the financial reports of differences in net income and net assets.

Applicable  Not applicable

No difference

(2). Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards.

Applicable  Not applicable

No difference

## VIII. Key financial indicators for the quarter

Unit: Yuan

	First Quarter	Second Quarter	Third Quarter	Forth Quarter
Business income	19,337,756,565.65	16,464,006,355.60	17,805,233,132.26	24,935,445,703.68
Net profit attributable to shareholders of listing Corporation	2,673,017,139.39	2,817,971,442.93	2,248,359,745.89	2,545,935,792.36
Net profit attributable to shareholders of the listing Corporation after deducting non-recurring gains and losses	2,529,388,182.32	2,521,923,269.60	2,224,467,585.50	2,172,944,606.75
Net cash flows from operating activities	1,615,418,932.11	3,005,368,295.96	1,871,807,733.81	-4,206,043,656.68

Whether or not the above mentioned financial indicators and the total number of the company has disclosed the major difference between quarterly reports and semi-annual report

Yes  No

## IX. Non-recurring items and amounts

Applicable  Not applicable

Unit: Yuan

Item	2016 amount	2015 amount	2014 amount (Restated)
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Non-recurring items and amounts(including accrued reversal assets impairment part)	-26,176,073.44	-34,314,067.34	-17,293,198.19
Government subsidies included in the profit and loss of the current period (Except closely related to business operations, in accordance with the national unified standard quota or quantitative enjoyment of government subsidies)	864,258,952.35	441,926,607.20	339,001,795.70
The current net profit and loss of the subsidiary period from the same control to the consolidated day	-	-	-43,390,581.51
Except the normal operation of the company's business related to the effective hedging business , changes in the fair value of the transaction of financial assets and transaction financial liabilities , and dealing with transaction financial assets, transaction financial liabilities ,and Investment income available for sale of financial assets	-	-	-
Except the above other operating income and expenses	53,570,410.76	16,816,296.11	40,605,150.13
Interest on deferred payment of funds received by non financial enterprises	41,300,590.86	38,457,111.56	36,729,835.74
Reduce: the impact of income tax	94,404,693.21	65,174,314.56	66,584,968.46
Impact of minority shareholders' equity (after tax)	1,988,710.92	5,010,753.72	6,995,127.07
Total	836,560,476.40	392,700,879.25	282,072,906.34

According to “Public offering of securities information disclosure of the company's information disclosure announcement No. 1 – non-recurring gains and losses” defined non-recurring items ,and Public offering of securities information disclosure of the company's information disclosure announcement No. 1 – non-recurring gains and losses “The items listed in the non-recurring items defined as recurring items shall be explained .

Applicable  Not applicable

The company in the reporting period does not base on the definition and listing of “Public offering of securities information disclosure of the company's information disclosure announcement No. 1 – non-recurring gains and losses” about non-recurring gains and losses to define a case of recurring profit or loss.

## Chapter 3 Analysis of Main Business

### I. The main business of the Company in the reporting period

Does the Company need to comply with the disclosure requirements of special industry

Yes  No

During the reporting period, the company's main business is the manufacturing and sale of cars (including sedan), the production of automobile engine products. The main products include sedans such as CS series SUV, Raeton, Eado series, Alsvin series, MPV such as Oushang, Honor, and Eulove.

As one of the first camp, No. One independent brand, No. One R & D strength enterprise in China auto industry, Changan ranked among the top 500 industrial enterprises, China's top 100 manufacturing companies, top 10 listed companies in Chongqing for many years.

By taking "technical innovation and everlasting care" as the core value, adhering to the brand philosophy of "build worldwide reputation and create value" and focusing on science and technology innovation leading the auto civilization, Changan automobile strives to provide customers with amazing products and services. After years of development, the products cover low & middle class, wide range and various series such as sedans, mini cars, buses, trucks, SUV, MPV and engines with displacement from 1.0L to 2.0L. Up to now, a series of classic independent brand models such as Eado, Eado XT, Alsvin, CS15, CS35, CS75, CX70, Oushang, and Honor were successfully launched, admired by the market and loved by the consumers.

### II. Major changes in assets

#### 1、 Major changes in assets

No significant changes in major assets during the reporting period

#### 2、 Main Overseas Assets

Applicable  Not applicable

### III. Core Competence Analysis

The technology and product research and development capabilities have been improved by adaptable adjustment and reform of R&D system and organization. By focusing on fashion, intelligent and green technical labels, Changan Automobile invested 3.203 billion Yuan with 360 scientific research projects in R & D yearly, and launched the technical studies involving energy saving, safety, fashion, intelligence, environmental protection, power transmission and manufacturing process with great progress. Benni-BEV, CS15, CX70 and other major models have been successfully launched.

#### 1、 R & D process and system optimization meeting development needs

Changan Automobile released the product development process, optimized the problems found during the development process and enhanced the operability and practicability of the process.

Changan Automobile optimized the global R & D layout and adjusted the adaptability of the organization to ensure the high efficiency of R & D and production. The establishment of Hefei R&D resulted by the relocation of Shanghai R&D to Hefei Changan Automobile made R & D and production area zero distance, which was favorable to solve problems fast and efficiently. An intelligent technology development center was established for adapting intelligent strategy construction, and for specializing in intelligent technology research and development; signed a contract with Plug and Play, the largest technology incubator in Silicon Valley of the United States and officially moved to Silicon Valley.

#### 2、 Focus on the improvement of fashion, intelligent and green technologies

Firstly, for fashion, styling familization is forming and the styling familization features can be found on the third generation of the products. Secondly, the intelligent technology is growing up. The national debut of intelligent level 0, level 1 and online map

function have been realized, the intelligent internet product incall 2.0/3.0+ has been promoted and applied on all models. Besides, the first 2000km autonomous drive road test in China has been completed. Thirdly, with an intimate knowledge in core technology of green energy saving. The power train products have been applied in the advanced technology, 48V hybrid technology has been completed for system packaging, energy-saving high performance engines such as D20TGDI and S10TGDI have been development and applied on the debut models with some performance indicators reaching the international advanced level. Master the five core technologies of new energy, pass the ISO26262 functional safety certification, and achieve three No.1 in the industry in China. National key development program "new energy vehicles" -- lightweight BEV integration development technology has been successfully approved; national science and technology supporting program "Changan Automobile plug-in hybrid car development and industrialization" project has been smoothly approved.

### **3、 Launching a series of best-selling products**

19 models have been successfully developed and launched into the market, including new Benben EV, new Eado, CS15, CX70 and other major models among which the sales volume of CS15 and CX70 can reach more than 10 thousand monthly.

The world debut of new Eado was equipped with 48V hybrid technology; perfect matching of D20TGDI engine and CS95 mass production model; the first three cylinder turbocharged direct injection engine S10TGDI and model Alsvin V7 equipped with S10TGDI engine were launched into the market during Chengdu auto show.

The steady growth of Changan Automobile's R & D strength is recognized by the industry. "Vehicle active and passive safety key technology research and application" and "Design method research and application on vehicle body structure and acoustic packaging lightweight" projects won the first-class prize of China Automobile Industry Science and Technology Award, and the Company becomes the only one who won the first prize twice.

### **4、 The brand growth and elevation speeding up**

In 2016, Changan Automobile first created annual sales of more than 3 million, with China brand passenger car sales volume of over one million twice in a row, and kept its China brand leading position. The number of Changan Automobile users has exceeded 14 million, with the largest user group of Chinese brand vehicles. The classic products are forming, 8 products' monthly sales volume exceeded ten thousand each, among which the highest monthly sales volume of CS75 was 39200 units. Changan New Eado won the Handling Stability Performance Gold Award and the Outstanding Performance Award in 2016 CCPC (Chinese mass production car performance contest). In 2016 Annual Festival of China Automobile, Changan Automobile was highly recognized and won the annual awards, Changan CS15 won the 2016 Annual Small SUV. In China Brand Forum sponsored by People's Daily, Changan Automobile won the China Brand Innovation Award. The first pilot of carrying out driverless test, traveling for two thousand km, with a maximum speed of 120 km / h, created the longest China vehicle travel driverless test records. Selected into "2017 National Brand Plan", the Company becomes an excellent representative of transforming to innovation China, quality China and brand China in China auto industry. According to IPSOS brand monitoring report, Changan Automobile brand has a new image of "high quality product provider", Changan Automobile product has a image of "high quality" and " high quality reliability"; and Changan Automobile is the leader of the industry, the representative of the Chinese independent brand, and a fast growing enterprise.

## Chapter 4 Business Discussion and Analysis

### I、Overview

In 2016, the scale of China's auto market sales climbed a new high, and the cumulative annual production and sales surpassed more than 28 million, which increased 14.5% and 13.7% respectively, and once again refreshed the global single market history, ranking No.1 as the world largest car market for eight consecutive years. The Chinese market has been close to one-third from a quarter in the proportion of the global market with a 30 million-class car market gradually forming. In 2016, the scale of passenger car production and sales reached 24.42 million and 24.37 million respectively, which increased by 15.5% and 14.9% on a year-on-year basis.

The 2016 was the first year of the 13th Five-Year-Plan, by innovating strategy management, maintaining strategic concentration, carrying out both independent development and joint venture cooperation and implementing leading business plan, the main strategic objectives were completely achieved. The vehicle production and sales exceeded 3.06 million on record, and the market share was 10.9%. The company maintained ranking the fourth in the industry and has about 14 million users worldwide. At the same time the Chinese-brand passenger car's brand, product and technology and system forces continue to enhance, which lay a solid foundation for the future development of Changan Automobile, and strengthen the Changan Automobile's confidence and determination of building the world-class enterprise.

Changan Automobile implemented the leading business plan, and strived to build a world-class automotive enterprise. Company would seize the key strategic opportunities in the next ten years, especially in the next 3-5 years, to realize rapid, healthy and sustainable development, the company's carrying out both independent development and joint venture cooperation, to accelerate the development of the independent operation, strive to build the foundation for a world-class enterprise, further strengthen the joint venture cooperation and innovate the development path for joint venture cooperation. Taking Chinese market as the main and developing overseas markets actively and steadily, and also the Company will take new energy technology as a breakthrough and information technology innovation as a means to accelerate the transformation from a traditional manufacturing enterprise to a modern manufacturing service enterprise.

### II. Analysis of Main Business

#### 1、Overview

In 2016, the quality of the Company's operating was improved, the Company completed the business indicators decided at the beginning of the reporting period by the board of directors. The total sales volume was 3.0634 million, namely 103.84% of the planned business indicators; the sales revenue was 266.031 Billion Yuan(including 100% income from joint ventures), namely 105.14% of the planned business indicators, and the consolidated statements revenue was 78.542 Billion Yuan, namely 108.93% of the annual operating target.

#### 2、Income and cost

##### (1) Composition of the operating revenue

Unit :Yuan

	2016		2015		Increase/decrease on a y-o-y basis
	Sum	Share of operating	Sum	Share of operating	

		income (%)		income(%)	(%)
operating revenue	78,542,441,757	100.00%	66,771,580,528	100.00%	17.63%
<b>Industry</b>					
Automobile	78,542,441,757	100.00%	66,771,580,528	100.00%	17.63%
<b>Products</b>					
Vehicles	78,506,025,517	99.95%	66,522,990,662	99.63%	18.01%
Outsourcing	36,416,240	0.05%	248,589,866	0.37%	-85.35%
<b>Area</b>					
China	77,516,026,598	98.69%	66,211,327,813	99.16%	17.07%
Overseas	1,026,415,159	1.31%	560,252,715	0.84%	83.21%

**(2) Accounted for more than 10% of the company's operating income or operating profit of the industry, products or area**

Applicable  Not applicable

Unit : Yuan

	Operating Revenue	Operating Cost	Gross margin	Increase/decrease on a year-on-year basis Operating Revenue (%)	Increase/decrease on a year-on-year basis Operating Cost (%)	Increase/decrease on a year-on-year basis gross margin
<b>Industry</b>						
automobile	78,542,441,757	64,487,605,909	17.89%	17.63%	20.75%	Down 2.13%
<b>Products</b>						
vehicles	78,506,025,517	64,464,005,467	17.89%	18.01%	21.15%	Down 2.12%

The company's statistics scope of main business in the reporting period was adjusted, and the company has adjusted its main business data last year according to the scope in the reporting period.

Applicable  Not applicable

**(3) Is the income from sales in kind greater than the service income**

Yes  No

Unit: One set

Industry	Item	2016	2015	Increase/decrease on a year-on-year basis (%)
Automobile Industry	Sales volume	3,063,403	2,776,514	10.33%
	Production volume	3,042,098	2,781,368	9.37%

	Stock volume	37,105	65,690	-43.52%
	Market share (%)	10.90%	11.30%	Down 0.4%

Note: The above sales volume and production volume are consistent with the date from the Company and its subsidiaries and JVs.

The analysis over market share is based on the data from China Automobile Industry Association.

#### Notes to the year-on-year change of the relevant data by over 30%

Applicable Not applicable

By the impact of the purchase tax policy adjusted and the massive release of the car demand in December 2016, the auto retail sales increased significantly year on year, which led to a substantial decline in inventories.

#### (4) The company has signed a major sales contract as of the time of the fulfillment of this report

Applicable Not applicable

#### (5) Cost

Unit: Ten Thousand Yuan

Industry classification	Item	2016		2015		Increase/decrease on a year-on-year basis (%)
		Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Automobile	Product Sale	6,446,401	99.96%	5,321,225	99.64%	21.15%
Production	Outsourcing	2,360	0.04%	19,446	0.36%	-87.86%
Total		6,448,761	100%	5,340,671	100%	20.75%

#### (6) Notes to the change of the consolidated scope in the reporting year

Applicable Not applicable

During the reporting period, Shenzhen Changan New Energy Automobile Service Co., Ltd. a wholly owned subsidiary of the Company, was registered and established in Shenzhen, China, and will be brought into the consolidated statements of the Company.

During the reporting period, Changan Automobile has already acquired two wholly owned subsidiaries Hebei Changan Commercial Vehicle Sales Co., Ltd. and Nanjing Chuanyu Changan Automobile Sales Co., Ltd., so this year they are no longer included in the consolidated statements.

#### (7) Significant change or adjustment of the business, products or services in the reporting period:

Applicable Not applicable

#### (8) Main Customers and principal suppliers

##### Main Customers

Total sales amount to top 5 customers (RMB)	7,373,098,314.02
Proportion of sales to top 5 customers in the annual sales (%)	9.39%
Sales amount of the related party in the top 5 customers ((RMB)	4,655,169,755.75
Proportion of sales amount of the related party in the top 5 customers (%)	5.93%

**Top 5 customers**

Unit : Yuan

Serial No.	company	Sales value	proportion in total sales (%)	Whether it is a related party
1	First	2,127,413,232.34	2.71%	Y
2	Second	1,563,527,688.74	1.99%	N
3	Third	1,364,853,472.13	1.74%	Y
4	Fourth	1,162,903,051.28	1.48%	Y
5	Fifth	1,154,400,869.53	1.47%	N
total		7,373,098,314.02	9.39%	

**Principal suppliers**

Total purchase amount to top 5 suppliers (RMB)	8,136,296,821.13
Proportion of purchase to top 5 suppliers in the annual purchase (%)	12.78%
Purchase amount of the related party in the top 5 suppliers (RMB)	7,172,829,841.46
Proportion of purchase amount of the related party in the top 5 suppliers (%)	11.27%

**Top 5 suppliers**

Unit : Yuan

Serial No.	Company name	Purchase value	Proportion in the total purchase(%)	Whether it is a related party
1	First	2,343,854,848.51	3.68%	Y
2	Second	2,030,474,310.08	3.19%	Y
3	Third	1,572,181,323.93	2.47%	Y
4	Fourth	1,226,319,358.94	1.93%	Y
5	Fifth	963,466,979.67	1.51%	N
Total		8,136,296,821.13	12.78%	

**3、Expenses**

Unit: Ten Thousand Yuan

Item	2016	2015	increase/decrease (%)
Selling expense	529,374	495,452	6.85%

G&A expense	512,886	489,921	4.69%
Financial expenses	-30,539	-15,081	-102.50%

During the reporting period, the big decrease of financial expenses was due to the increase of bank deposits and the interest.

#### 4、Research and Development Expenditure

Applicable  Not applicable

##### R&D investment Table

	2016	2015	Changes in ratio
Labor Number	6,640	6,234	6.51%
Proportion of labor in the Company	16.13%	16.64%	Down 0.51%
Investment value(100 million yuan)	32.03	25.63	24.97%
Proportion of investment in the revenue	4.08%	3.84%	Up 0.24%
Capitalization(100 million yuan)	9.45	6.49	45.61%
Proportion of capitalization in R&D investment	29.50%	25.32%	Up 4.18%

##### Significant Change of the proportion of R&D investment in the revenue

Applicable  Not applicable

##### Significant change of the proportion of capitalization in the R&D investment

Applicable  Not applicable

#### 5、Cash Flow

Unit: Ten Thousand Yuan

Item	2016	2015	Increase/decrease (%)
net cash flows from operating activities	228,655	541,489	-57.77%
net cash flows from investing activities	543,721	426,776	27.40%
net cash flows from financing activity	-244,965	-131,946	-85.66%
Net increase in cash and cash equivalents	526,751	836,307	-37.01%
Cash and cash equivalents at end of year	2,299,343	1,772,592	29.72%

##### Notes to the year-on-year change of the relevant data by over 30%

Applicable  Not applicable

In 2016, the net cash flow generated from operating activities was 2.287 Billion Yuan, a year-on-year decrease of 3.128 Billion Yuan, mainly resulting from the increase of cost and expenses; the outflow of the net cash flow generated from financing activities was 2.45 Billion Yuan, a year-on-year increase of 1.13 Billion Yuan, mainly resulting from the substantial increase of cash dividends distribution year on year in 2016.



**Notes to the significant difference between cash flow from operating activities and net profit in the reporting year**

√Applicable    □ Not applicable

As for the significant difference between cash flow from operating activities and net profit in the reporting period, refer to the item "Supplementary Information of the Cash Flow Statement" in the Financial Statements Note 56.

**III. Analysis of non principal business**

□ Applicable    √Not applicable

**IV. Assets and liability****1. The significant changes of the assets**

Unit: Ten Thousand Yuan

Item	Dec.31,2016		Dec.31,2015		Increase/ decrease (%)	YoY change (%)	instructions
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)			
Monetary capital	2,478,250.46	23.27%	1,803,510.97	20.17%	3.10%	37.41%	Mainly due to the net cash flow generated from operating activities and the increase in cash dividends from Changan Ford and Changan Mazda.
Accounts receivable	149,883.70	1.41%	87,547.96	0.98%	0.43%	71.20%	Mainly due to the increase in the sales revenue of the Group during the reporting period.
Other receivables	140,339.92	1.32%	100,148.52	1.12%	0.20%	40.13%	Mainly due to the increase in the sales volume of new energy vehicles and the increase in the amount of state subsidies received during the reporting period.
Other current assets	92,606.03	0.87%	890.97	0.01%	0.86%	10293.84%	The increase in the balance of other current assets was mainly due to the implementation of the "VAT Accounting Rules" (Accounting [2016] No. 22) in 2016, the "VAT payable", the "non-VAT", "To be deducted input tax", "to be certified input tax", "VAT tax credits" and other details of the debit balance of the subject, by the end of 2016 by the balance sheet "tax payable" project

							reclassified to " Other current assets ".
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## 2、The significant changes of the liability

Unit: Ten Thousand Yuan

Item	Dec.31,2016		Dec.31,2015		Increase/decrease (%)	YoY change	Instructions
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)			
Accounts payable	1,988,058.01	18.67%	1,497,382.66	16.75%	1.92%	32.77%	Mainly due to the increase in sales income of the Group during the reporting period and the increase in purchases.
Taxes payable	55,568.15	0.52%	35,674.92	0.40%	0.12%	55.76%	Mainly due to the increase in the Group's performance during the reporting period and due to the reclassification of the tax payable.
Bonds payable	-	-	197,510.26	2.21%	-2.21%	-100.00%	The decrease in the balance of bonds payable at the end of the year is due to the transfer of non-current liabilities due within one year.

## 3、Assets and liabilities measured by fair value

Unit: Ten Thousand Yuan

Item	Amount at year beginning	Gain/loss on fair value change in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Amount at year end
Financial assets					
Financial assets available for sales	35,145.00	-9,833.50	23,023.50	-	25,311.50
Subtotal of financial assets	35,145.00	-9,833.50	23,023.50	-	25,311.50
Others					
Total	35,145.00	-9,833.50	23,023.50	-	25,311.50

Financial liabilities					
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Whether the measurement attributes of main assets in the reporting period have significantly changed

Yes  No

#### 4、Property rights limits by the end of report period

Item	book value at the end of this year	Limited Reason
Monetary fund	1,789,072,485.39	Used to open the acceptance deposit
Accounts receivable	585,632,645.22	Obtain liquidity borrowings and obtain commercial acceptance bills
Notes receivable	1,029,541,142.00	Notes receivable pledge to issue notes payable
Fixed assets	34,815,200.25	Obtain liquidity borrowings and obtain commercial acceptance bills
Intangible assets	27,573,761.27	Obtain liquidity borrowings and obtain commercial acceptance bills
Total	3,466,635,234.13	

## V. Analysis of Investment

### 1、General information

Applicable  Not applicable

External investment		
Investment Amount in the report period (RMB)	Investment Amount in 2015 (RMB)	Variance rate
330,899,566.00	1,185,552,000.00	-72.09%
Particulars of investees		
Company Name	Principal business	Proportion in the investees' equity (%)
Shenzhen Changan New Energy Automobile Service Co., Ltd.	Car rental, auto and spare parts sales, car after-sale service	100%
Chongqing Changan Connected Car Technology Co., Ltd.	Changan brand vehicle sales, sales of auto parts, etc	100%
Changan UK R&D Center Limited	Engine, transmission and other advanced powertrain design and development	100%
Corun Hybrid Technology Co., Ltd.	Development services, transferring services, consulting and communication services on energy saving technology ; auto parts sales and	8.78%

	other services	
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## 2、Major equity investment in the reporting period

Unit: Yuan

Company name	Principal business	Investment mode	Investment amount	Share-holding ratio	Capital source	Partner	Investment period	Progress on book closing date	Any litigations	Disclosure date(in case)	Disclosure index(in case)
Shenzhen Changan New Energy Automobile Service Co., Ltd.	Car rental, auto and spare parts sales, car after-sale service	Newly established	50,000,000	100%	Its own capital	No	Indefinite duration	New establishment completed, industrial and commercial registration procedures completed	No	2016-5-19	Announcement on establishment of Shenzhen Changan New Energy Automobile Service Co., Ltd. (Bulletin No: 2016-55)
Chongqing Changan Connected Car Technology Co., Ltd.	Changan brand vehicle sales, sales of auto parts, etc	Increasing capital	40,000,000	100%	Its own capital	No	Indefinite duration	Capital increase completed, industrial and commercial registration procedures completed	No	2016-5-19	Announcement on capital increase to Chongqing Changan Connected Car Technology Co., Ltd. (Bulletin No: 2016-56)
Changan UK R&D Center Limited	Engine, transmission and other advanced powertrain design and development	Increasing capital	GBP 5,790,000	100%	Its own capital	No	Indefinite duration	Capital increase completed, industrial and commercial registration procedures completed	No	2016-6-14	Announcement on capital increase to Changan UK R&D Center Limited (Bulletin No: 2016-63)
Corun Hybrid Technology Co., Ltd.	Development services, transferring services, consulting and communication services on	Increasing capital	technology investment 89,250,000 + cash 100,840,000	8.78%	Its own capital, technology	Hunan Corun New Energy Co., Ltd., Shanghai Maple	Indefinite duration	The Company has already paid Corun Hybrid Technology Co., Ltd in Jan 2017.	No	2016-11-23	Announcement on the fourteenth session of the seventh board of directors meeting

	energy saving technology ; auto parts sales and other services					Automobile Co., Ltd., Zhejiang Geely Holding Group Co., Ltd., Kunming Yunnei Power Co., Ltd., Chongqing Changan new Energy Automobile Co. Ltd.		100,840,000 Yuan, and the technology investment part is transferring.			(Bulletin No: 2016-117)
Total	--	--	330,899,566	--	--	--	--	--	--	--	--

### 3、Major non-equity investment in the reporting period

Please refer to Notes V to Financial Statement Item 14" Construction in progress".

### 4、Investment of Financial Assets

#### (1)Equity-holdings in financial enterprises

Applicable     Not applicable

Company name	Company variety	Initial investment cost (RMB Yuan)	Opening equity Holdings (share)	Opening equity holding ratio (%)	Closing equity holdings (share)	Closing equity Holdings (%)	Closing book value (RMB Yuan)	Gain/loss in the reporting period (RMB Yuan)	Accounting title	Equity source
Southwest Securities Firm	Securities Firm	50,000,000	35,500,000	0.76%	35,500,000	0.76%	253,115,000	4,615,000	Tradable financial assets	Initial investment

#### (2) Derivative Investments

Applicable     Not applicable

## 5、Use of raised funds

√ Applicable    □ Not applicable

### (1) The overall use of funds raised

Unit: ten thousand yuan

Total amount of raised funds	198,289.02
Total raised capital input in the reporting period	107,398.51
Accumulative raised capital input	198,289.02
Total raised capital of which the use was changed in the reporting period	0
Accumulative raised capital of which the use was changed	0
Proportion of accumulative raised capital of which the use was changed (%)	0%
Description of the overall use of funds raised	
<p>The board of directors of the Company state that the Company had followed the <i>Guidelines of Normative Operation of Listed Companies issued by Shenzhen Stock Exchange</i> and relevant provisions, and disclosed the deposit and the actual use of the raised fund timely, truly, accurately and completely, there's no violation in raised funds management. The Company fulfilled the obligation of disclosure of the investment and progress of the raised funds faithfully.</p>	

### (2) Situation of the promised project for raised funds

Unit: ten thousand yuan

Total amount of funds raised		198,289.021								
Total raised capital of which the use was changed in the reporting period		-		Total raised capital input in 2016		107,398.51				
Accumulative raised capital of which the use was changed		-		Accumulative raised capital input		198,289.02				
Proportion of accumulative raised capital of which the use was changed (%)		-								
Projects invested with raised capital as promised and investments with over-raised capital	Project change or not	Raised capital input as promised	Investment after adjustment(1)	Input in the reporting year	Accumulative input up to the period end (2)	Investment progress up to the period-end (%) (3) = (2)/(1)	Date when the project reaches the expected usable condition	Profit generated in the reporting period	Reach the expected profit or not	Material change in the project feasibility or not

Investment project promised										
Changan Automobile City passenger car construction project	N	99,144.51	99,144.51	63,747.03	99,144.51	100.00%	2017/7/31	-	N	N
Changan Automobile Engine Capacity Structure Adjustment Project	N	99,144.51	99,144.51	43,651.48	99,144.51	100.00%	2017/6/30	8,276.76	N	N
Total	-	<b>198,289.02</b>	<b>198,289.02</b>	<b>107,398.51</b>	<b>198,289.02</b>	<b>100.00%</b>	--	<b>8,276.76</b>	--	--
Over-raised funds										
Return bank loan (If any)	-	-	-	-	-	-	--	--	--	--
Supplement working capital (If any)	-	-	-	-	-	-	--	--	--	--
Total	-	-	-	-	-	-	--	--	--	--
Total	-	<b>198,289.02</b>	<b>198,289.02</b>	<b>107,398.51</b>	<b>198,289.02</b>	<b>100.00%</b>	--	<b>8,276.76</b>	--	--
Reason for failing to reach scheduled progress or projected income (explain one project by one project)	<p>Note 2:</p> <p>According to the announcement of non-public offering of shares, Changan Automobile City passenger car construction project can produce C201, C301, and new medium-size sedan, new medium-size hatchback four models series with total volume of 240,000 / year. Meanwhile, it can achieve annual operating income of 1,791,090 (RMB 10 thousand yuan, the same as below) , after-tax profit of 35,768. As of December 31, 2016, the project was still in the construction process, and did not produce tangible benefits.</p> <p>According to the announcement of non-public offering of shares, Changan Automobile engine capacity structural adjustment projects include the 300,000 units / year H series engine capacity by rectifying the G series engine production line to form 150,000 units / year H series engine capacity, and the C series engine production line to form 150,000 units / year S series engine production capacity, and newly establishing the 150,000 / year EA series engine 2C pieces of mechanical processing capacity. The finished project can achieve the annual operating income of 622,335 with after-tax profit of 64,385. In 2016, S series engine project and H series engine part of the production line achieved the mass production with the operating income of 108,184.98, and the net profit of 8,276.76. The project did not meet the expected benefits as stated: on one hand, only part of the production lines of S series engine project and the H series engine project reached the production status with small production and lack of capacity</p>									

	utilization; on the other hand, the production line of H series engine project and EA series engine project is still in the construction stage with no practical benefits.
Explanation on significant changes in feasibility of projects	None
Amount, usage and usage progress of over-raised capital	None
Change of the implementation location of any raised funds investment project	None
Adjustment of the implementation method of any raised funds investment project	None
Advance input and exchange of any raised funds investment project	As of September 30, 2016, the fund raised by the company itself to invest raised-fund project in advance was 2,071,095.6 thousand yuan, validated by &young Huaming Accounting Firm which issued Ernst&Young Huaming (2016) No. 60662431_D07 special verification report. On October 26, 2016, the company's 13th meeting of the 7th board of directors passed that, the company raised capital 1,982,890.2 thousand yuan to replace self-raised funds of projects which were invested raised fund in advance. The above-mentioned funds had been replaced by October 2016.
	None
Idle raised capital for temporarily supplementing working capital	None
Outstanding raised funds in	As of December 31, 2016, the proceeds have been fully utilized.



project implementation and reasons	
Use and whereabouts of unused raised fund	None

Note 1: The net proceeds raised by the Company amounted to RMB 1,982,890,237.60, which was lower than the total amount of the raised proceeds of the project. According to the issuance plan, the difference of the issuance of funds raised cannot meet the project needs shall be solved by the company.

### (3) Raised funds to change the situation of the project

During the reporting period, the raised funds project has not changed.

## VI. Selling of major assets and major equity

### 1、Selling of major assets

Applicable Not applicable

There is no selling of major assets.

### 2、Selling of Equity

Applicable Not applicable

There is no selling of major equity.

## VII. Analysis of main holding companies and equity companies

Applicable Not applicable

Basic information of main subsidiary companies and shareholding companies which have an impact on over 10% of net profits

Unit: ten thousand yuan

Name	Registered capital	Equity held	Main businesses	Total assets	Main operating income	Net profit
Hebei Changan Automobile Co., Ltd.	46,469	94.22%	Produce and sell auto and parts	150,359	353,017	10,038
Nanjing Changan Automobile Co., Ltd.	60,181	84.73%	Produce and sell auto and parts	202,755	653,555	-3,644
Hefei Changan Automobile Co., Ltd.	77,500	100%	Produce and sell auto and parts	348,664	782,108	13,336
Baoding Changan Bus Manufacture Co., Ltd.	3,000	100%	Produce and sell auto and parts	359,820	279,047	5,317

Changan Ford Automobile Co., Ltd	24,100 USD	50%	Produce and sell auto and parts	5,195,367	12,645,168	1,816,518
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Subsidiaries acquired and sold in the reporting period

Applicable  Not applicable

During the reporting period, the Company has absorbed two wholly-owned subsidiaries of Hebei Changan Commercial Vehicle Sales Co., Ltd. and Nanjing Sichuan-Chongqing Changan Automobile Sales Co., Ltd., and handled the cancellation procedures according to legal procedures during the reporting period.

Name	Acquisition and disposal of subsidiaries during the reporting period	On the overall production and operation and performance impact
Hebei Changan Commercial Vehicle Sales Co., Ltd.	absorb and merge	None
Nanjing Sichuan-Chongqing Changan Automobile Sales Co., Ltd.	absorb and merge	None

## VIII. Structural main business under the company control

Applicable  Not applicable

## IX. The company's future development prospect

### 1、 Industry competition pattern and trend of development

In 2016, China's economy was running smoothly, the growth rate of the country's GDP was 6.7%. China's economic development has entered into a "new normal" status with obvious new normal features of growth rate shifting, energy conversion and structure optimization. From the perspective of structural optimization, the proportion of service continued to increase, the contribution rate of consumption accounted for nearly 2/3, high-tech industries accelerated to grow. From the perspective of transformation, the GDP unit energy consumption decreased by 5%; the proportion of clean energy increased, the efficiency of enterprise has been improved; and the quality and efficiency of economic growth has been promoted.

In the aspect of industry trend, the growth sources of China auto market is transferring from first-tier, second-tier cities to third-tier, fourth-tier and lower tier cities; China is transforming from a big car-making country into a powerful car-making country, and the proportion of China brand cars is growing up continuously; the adjustment of industry structure is deepening, the market is playing a bigger role in the allocation of resources, the automakers are facing tougher market competition, and the new energy cars will become a new hot point.

It's expected in 2017 the growth rate of China auto market will be 2~4%, with sales volume of about 29 million to 30 million vehicles.

### 2、 Development strategy of the Company

Changan Automobile should seize the key strategic opportunity in next ten years, develop more potential customers and realize rapid and sustainable development, accelerate the development of Changan brand business, strengthen the construction of customer, brand, product and technology, service, system and business ecosystem to build a foundation toward the world first-class enterprise; Changan Automobile shall pay more attention to "Internet +" and new energy technology, and the advantages in different periods and integration advantages of traditional vehicles, intelligent connected vehicle, new energy vehicle to achieve stable and high quality transformation. Changan Automobile shall adhere to the principle of marking Chinese market as the main body and actively explore the overseas markets, promote the deepening of the reform vigorously, and continuously enhance the development momentum and

vitality. Changan Automobile will adhere to the development by "two legs", further strengthen the joint venture cooperation, and innovate the road of joint development; To achieve an annual output of 6 million vehicles by 2025, and strive to become a world's first-class automobile company, ensure Changan Automobile's position in the first camp of China auto industry, and try best to make independent brands among the world's top ten.

**Firstly, customer oriented**, Changan Automobile will try best to provide customers with the ultimate products and service experience, upgrade industrial chain with customers' thinking, maintain timely, accurate and close interaction with customers, excavate customer's potential needs by big data, even allow customers to participate in product design and provide personalized products and services. Besides, we will take vehicle information system as the entrance, build automotive ecosystem by combining with relevant parties, consolidate services related to car life and provide one-stop service experience for customers.

**Secondly, technological innovation**, Changan Automobile will adhere to the appropriate leading technology strategy and give full play to the advantages of our global R & D layout and China's first-class R & D strength. By implementing familization, the platform-based mode, modularization and generalization, Changan Automobile builds technology labels in seven aspects such as styling, energy saving, safety, intelligence, health, performance and reliability. At the same time, Changan Automobile integrate the global resources, strengthen the research and application of advanced technologies and advanced materials, and continue to transform the leading R & D capability into product strength.

**Thirdly, product**, Changan Automobile will focus resources to create the ultimate, fantasy, and screaming products, and create strong partnership to support the product quality improvement by strengthening strategic cooperation with suppliers; and provide personalized products to customers through product platform-based and flexible manufacturing; improve the product quality and cultivate Changan brand continuously by upholding the excellence artisan spirit, fine manufacturing and process standard; accelerate the development of new energy vehicle and traditional vehicles energy-saving technology to provide green and environmental protection products; innovate the business mode, combine with the government and the dominant partner, focus on the market and product and arrange car sharing business to provide customer with mobile traveling solutions.

**Fourthly, market development**, Changan Automobile will regard Chinese market as the main and develop overseas market positively and steadily; focus on third-tier, fourth-tier and lower tier city markets, accelerate the integration of traditional offline channel. The online platform, miniaturization, specialization, diversification and community transformation shall be the way for the offline channel development and online platform will be jointly built with dealers; For overseas market, Changan Automobile will take "The Belt and Road" as a strategic opportunity to explore by focusing on resources, risk control and the support from national resources and strength to boost Changan Automobile's strategy of "going abroad".

**Fifthly, profitability**, Changan Automobile will boost brand premium by quality improvement and product structure adjustment; extend industrial chain and develop new profit growth by mode innovation; realize technology cost reducing by implementing platform-based, modularization and generalization; realize management cost reducing by improving efficiency; preserve and increase capital value by capital operation; and balance short-term and long-term investment to ensure long-term profitability.

**Sixthly, reform and innovation**, Changan Automobile will accelerate reform speed, break through system shackle and establish corporate governance to meet the needs of market economy; take simplification and high efficiency as the principle to promote organization reform and improve collaboration efficiency; take market-oriented strategy as the principle to optimize the incentive and constraint mechanism, combine the employees' benefits with the company's benefits to stimulate the vitality of the staffs; establish mechanism of innovation, fault tolerance and error correction incentive; advocate "customer driven, staff-oriented, integrity and dedication, and continuous improvement" culture around all employees; implant customer awareness, internet thinking, globalization thinking, full value chain thinking and cross-border cooperation thinking in all staff's mind, and use innovative thinking to find the new blue ocean market and new business modes.

### 3、Business plan

The business objective of the board of directors of the company in 2017 is: work hard to produce and sell more than 3.3 million

vehicles. In order to realize the above objective, the Company will "focus on weak points, increase revenue, cut expenditure, and conduct the reform and innovation so as to realize the overall elevation" and hold firmly the strategic belief of "Vision 2025". The Company will adhere to reform and innovation, promote transformation and upgrading, create ultimate fantasy, screaming classic products, increase scale efficiency, fulfill the annual business objectives and focus on the following works: First, strongly push seven reforms and innovations; secondly, strengthen the reform and innovation of marketing and capability building; thirdly, conduct lean management in product planning and accelerate R & D and technology realization; fourthly, conduct cost reduction, efficiency elevation and lean management; fifthly, define OTD (order to delivery) as the main line to conduct the lean manufacturing of the whole industrial chain; sixthly, promote quality control and continuously improve customer satisfaction; seventhly, focus on the communication innovation, and promote the brand reputation upward; eighthly, continue to promote customer management and build customer ecosystem; ninthly, improve the process system capability; tenthly, accelerate system upgrading and lean management and implement information technology deeply; eleventhly, optimize organization and stimulate vitality to improve staff efficiency; twelfthly, party building will support production and management; thirteenthly, strengthen the construction of the party's working style and carry out compliance management.

#### **4、Capital requirement and use plan of 2017**

To realize the corporate strategic objectives, the Company capital expenditure is expected to reach RMB 6.537 billion yuan in 2017, among which the investment of fixed assets is RMB 5.621 billion yuan and the equity investment is RMB 916 million yuan. The scope of the investment in fixed assets mainly includes production capacity construction; product structure adjustment; R&D capability construction; logistics and foundation construction; technological transformation on security and environmental protection; technological reconstruction and etc. Equity investment mainly includes the capacity building of overseas production and market development projects, upgrading projects on overseas research and development, new energy and intelligent industrialization projects. The Company will perform the approval procedures for corresponding specific projects and publicize them according to the implementation plan of new projects and related provisions of the listing rules. Based on the project progress situation and the Company's business and financing environment, the Company will study and formulate various channels of financing and capital use plans, improve the efficiency of capital use and reduce the capital cost.

#### **5、Possible risks**

In 2017, the company will be faced with five risks such as market, policy, regulation, Chinese brand development and etc.:

(1) Market risk: future development is compressed by frequent launch of new cars, price war and unceasing battles.

Counter measures: seize the key period of the next three years, rapidly improve the scale of independent brands, actively expand overseas markets, and enhance the competitiveness in the international market.

(2) Policy and regulation risks: technology and cost are challenged by more strict policies and regulations.

Counter measures: keep up with policy trends, strengthen policy research, and pre-arrange response plan.

(3) Chinese brand development risk: Chinese brand price and upward development are challenged by JV product price dropping, besides, lack of investment makes upward development more difficult.

Counter measures: innovate modes, accelerate strategic transformation, integrate advantageous resources and achieve the fast development.

(4) System mechanism risk: system mechanism shall be reformed and optimized gradually, efficiency and vitality shall be further improved, and system mechanism for the market-oriented competition is inadequate.

Counter measures: comprehensively deepen the reform, improve efficiency, stimulate vitality, activate motivation and build core competitiveness.

(5) Business mode risk: rapid development of intelligent internet and big data technologies attracts internet companies' attention on the automobile industry, and the traditional business model is changing.

Counter measures: customer-orientation, study new business mode under "internet +", promote the transformation to modern

manufacturing service enterprises and build automotive ecosystem.

## X. Registration form for reception, research, communication, interview, etc. during the reporting period

Date	Manner	Type of Reception Object	Reception Object	Index
2016.01.14	On-Site Survey	Agency	First State Investment	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.14, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Jan.15, 2016
2016.01.15	On-Site Survey	Agency	Invesco Power Shares 、 Macquarie Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.15, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Jan.18, 2016
2016.01.18	On-Site Survey	Agency	Matthews International Capital Management, LLC	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.15, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Jan.19, 2016
2016.01.20	On-Site Survey	Agency	China International Capital Corporation 、 Norway Sovereign Wealth Fund	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.20, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Jan.21, 2016
2016.01.21	On-Site Survey	Agency	Guotai Junan Securities 、 China Universal Asset Management 、 Pingan Asset Management 、 Aegon Industrial Fund 、 China International Capital Corporation 、 Huarong Securities 、 Harvest Securities 、 China Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.21, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Jan.25, 2016
2016.01.29	On-Site Survey	Agency	Guotai Jun'an Securities 、 Western Securities 、 Huarong Securities 、 Tianan Property Insurance	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.29, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Feb.1, 2016
2016.02.03	On-Site Survey	Agency	Southwest Securities 、 Tianan Property Insurance 、 HSBC Global Asset Management 、 China Southern Fund 、 UBS SDIC Fund	For more information, refer to “Changan Automobile: Investor Relation Record Form on Feb.3, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Feb.4, 2016
2016.02.19	On-Site	Agency	Point Asset Management 、	For more information, refer to “Changan Automobile:

	Survey		CITIC Securities	Investor Relation Record Form on Feb.19, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Feb.23, 2016
2016.02.24	On-Site Survey	Agency	Shanghai Rightshare Investment Management Co.,Ltd	For more information, refer to “Changan Automobile: Investor Relation Record Form on Feb.24, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Feb.26, 2016
2016.02.26	On-Site Survey	Agency	Zeal Asset、 Bank of ChinaAsset Management 、 Infore Investment、 Yinhua Fund、 Hongshang Asset、 ICBC Fund、 Jianan Fund、 China International Capital Corporation、 Guosen Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Feb.26, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Mar.1, 2016
2016.03.02	On-Site Survey	Agency	Ontario Teachers’ Pension	For more information, refer to “Changan Automobile: Investor Relation Record Form on Mar.2, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Mar.3, 2016
2016.03.03	On-Site Survey	Agency	Aegon-Industrial Fund、 Truvalue Asset Management、 Fosun Group、 China Post Fund、 Pingan Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Mar.3, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Mar.7, 2016
2016.03.03	On-Site Survey	Agency	Northeast Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Mar.3, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Mar.7, 2016
2016.05.11	On-Site Survey	Agency	Infore Asset 、 HSBC Global Asset Management、 Starrock Investment、 South China Investment Management 、 China International Capital Corporation	For more information, refer to “Changan Automobile: Investor Relation Record Form on May.11, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on May.13, 2016
2016.05.12	On-Site Survey	Agency	Janus Capital 、 CITIC Credit Lyonnais Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on May.12, 2016 ( I )” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on May.13, 2016
2016.05.12	On-Site Survey	Agency	Dacheng Fund	For more information, refer to “Changan Automobile: Investor Relation Record Form on May.12, 2016( II ) ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on May.13, 2016
2016.05.20	On-Site Survey	Agency	Bernstein、 USS、 Marshall Wace	For more information, refer to “Changan Automobile: Investor Relation Record Form on May.20, 2016 ( I )” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on May.24, 2016

2016.05.20	On-Site Survey	Agency	BNP PARIBAS	For more information, refer to “Changan Automobile: Investor Relation Record Form on May.20, 2016 (II)” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on May.24, 2016
2016.05.26	On-Site Survey	Agency	Pingan Asset Management	For more information, refer to “Changan Automobile: Investor Relation Record Form on May.26, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on May.27, 2016
2016.05.27	On-Site Survey	Agency	Minsheng Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on May.27, 2016 ( I )” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on May.30, 2016
2016.05.27	On-Site Survey	Agency	Bosera Asset Management、Southwest Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on May.27, 2016 (II)” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on May.30, 2016
2016.06.15	On-Site Survey	Agency	Mitsubishi UFJ	For more information, refer to “Changan Automobile: Investor Relation Record Form on June.15, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on June.17, 2016
2016.06.17	On-Site Survey	Agency	Bluebox Financial Management corporation、SK Group 、 Synergy Fund	For more information, refer to “Changan Automobile: Investor Relation Record Form on June.17, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on June.21, 2016
2016.06.20	On-Site Survey	Agency	Huafu Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on June.20, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on June.21, 2016
2016.06.23	On-Site Survey	Agency	Fullgoal Fund	For more information, refer to “Changan Automobile: Investor Relation Record Form on June.23, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on June.24, 2016
2016.06.28	On-Site Survey	Agency	Fosun Group	For more information, refer to “Changan Automobile: Investor Relation Record Form on June.28, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on June.29, 2016
2016.07.06	On-Site Survey	Agency	Orient Securities 、 Fortune Securities、 Changxin Asset、 Minsheng Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on July.6, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on July.8, 2016
2016.07.20	On-Site Survey	Agency	UBS SDIC Fund	For more information, refer to “Changan Automobile: Investor Relation Record Form on July.20, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on July.22, 2016
2016.07.27	On-Site Survey	Agency	Penghua Fund	For more information, refer to “Changan Automobile: Investor Relation Record Form on July.27, 2016 ( I )” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Aug. 1, 2016
2016.07.27	On-Site	Agency	Baoying Fund	For more information, refer to “Changan Automobile:

	Survey			Investor Relation Record Form on July.27, 2016 ( II )” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Aug. 1, 2016
2016.08.31	On-Site Survey	Agency	China Securities 、 Fullgoal Fund、 CICC Fund、 Lombarda China Fund、 UBS SDIC Fund、 Zhejiang Insurance、 Foresea Life Insurance、 Harvest Securities、 Invesco Great Wall、 Hong Kong Bowen Fund、 New China Asset	For more information, refer to “Changan Automobile: Investor Relation Record Form on Aug.31, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Sep. 1, 2016
2016.09.12	On-Site Survey	Agency	Shenzhen Minsen	For more information, refer to “Changan Automobile: Investor Relation Record Form on Sep.12, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Sep.13, 2016
2016.09.21	On-Site Survey	Agency	CITIC Securities、 AROHI	For more information, refer to “Changan Automobile: Investor Relation Record Form on Sep.21, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Sep.23, 2016
2016.09.26	On-Site Survey	Agency	Eastmoney	For more information, refer to “Changan Automobile: Investor Relation Record Form on Sep.26, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Sep.28, 2016
2016.10.28	On-Site Survey	Agency	Tianhong Fund、 Guotai Fund、 Aegon Industrial Fund 、 Zhanbo Investment、 Guosen Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Oct.28, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Nov.1, 2016
2016.10.31	On-Site Survey	Agency	Aegon Industrial Securities、 Minsheng Royal Fund Management、 Starrock Investment、 Huarong Securities 、 Pingan Leasing、 Lombarda China Fund	For more information, refer to “Changan Automobile: Investor Relation Record Form on Oct.28, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Nov.2, 2016
2016.11.10	On-Site Survey	Agency	Citigroup Global Markets、 Capital International	For more information, refer to “Changan Automobile: Investor Relation Record Form on Nov.10, 2016 ( I )” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Nov.15, 2016
2016.11.10	On-Site Survey	Agency	UBS Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Nov.10, 2016 ( II )” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Nov.15, 2016
2016.11.11	On-Site Survey	Agency	Bank of China International、 Boyond Funds、 HFT Investment Management、 Beijing Yanhang Investment	For more information, refer to “Changan Automobile: Investor Relation Record Form on Nov.11, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Nov.15, 2016
2016.11.24	On-Site	Agency	Fosun Group	For more information, refer to “Changan Automobile:



	Survey			Investor Relation Record Form on Nov.24, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Nov.25, 2016
2016.11.25	On-Site Survey	Agency	Mitsubishi UFJ International investment trust	For more information, refer to “Changan Automobile: Investor Relation Record Form on Nov.25, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Nov.28, 2016
2016.11.30	On-Site Survey	Agency	Three Derui Hengfeng、 Lord Abbett Asset Management、 Jintai Insurance、 Jintai Insurance、 Cathay Future、 Orient Fund、 Soochow Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Nov.30, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Dec.2, 2016
2016.12.01	On-Site Survey	Agency	Guotai Jun’an、 Huaxin Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Dec.1, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Dec.2, 2016
2016.12.13	On-Site Survey	Agency	Mitsubishi UFJ	For more information, refer to “Changan Automobile: Investor Relation Record Form on Dec.13, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Dec.15, 2016
2016.12.27	On-Site Survey	Agency	Founder Securities、 Huarong Securities、 Life Insurance Asset Management 、 Orient Securities	For more information, refer to “Changan Automobile: Investor Relation Record Form on Dec.27, 2016 ” issued on <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> on Dec.28, 2016
Reception Times				45
Number of Agencies				121
Number of Individuals				0
Number of other entities				0
Whether to disclose undisclosed important information				No

## Chapter 5 Important Matters

### I .Company common stock profit distribution and capital reserves converting into share capital

**During the reporting period, the common stock profit distribution policy, especially the formulation, implementation or the adjustment situation of cash dividend policy.**

applicable  not applicable

According to the China Securities Regulatory Commission requirements, in combination with the practical situation of the company, the Company has rectified the “Articles of Association” and clarified about the distributable profit caliber, dividend distribution way, principle, form, cash dividend conditions and proportion, stock dividend condition, plans to set up and review procedures, the implementation, the conditions of distribution policy adjustment, and decision-making procedures, etc, to strengthen the supervision function of independent directors in the profit distribution plan, policy adjustment, and strengthen the guarantee system of the dividend return for investors. The company’s specific distribution policy: an annual profit of cash dividend payment shall not be less than 15% of the realized consolidated profit available for distribution, and not less than any on the principle of profit for three consecutive years, the cumulative distribution of cash the consolidated financial statements for three years to achieve an average annual allocation of 45% of profits. Company reported profit distribution plan and equity shares in line with the relevant provisions of the Articles of Association and relevant provisions.

During the reporting period, profit distribution plan and capital reserves converting into share capital plans conforming to the relevant provisions of the company’s articles of association, etc.

Special Statement for Cash Dividend Policy	
Whether comply with the company's articles of association or requirements of resolutions of the shareholders' general meeting:	Yes
Whether the standard of distribution and the proportion is clear:	Yes
Whether the related decision-making process and mechanism is complete:	Yes
Whether the independent directors play a proper role:	Yes
Whether the small and medium-sized shareholders have the chance to fully express their views and demands, whether the legitimate rights and interests get fully protected:	Yes
Whether cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Not Applicable

**For the last three years (including the reporting period), the company profit distribution draft or plan, and draft or plan that the capital reserves converting into share capital**

2014 annual profit distribution plan is: Based on the existing total shares of 4,662,886,108 is the base, distribute cash of RMB 2.5 yuan (including tax) to all the shareholders every 10 shares.

2015 annual profit distribution plan is: Based on the existing total shares of 4,662,886,108, distribute cash of RMB 6.4 yuan (including tax) to all the shareholders every 10 shares.

2016 annual profit distribution plan is: Based on the existing total shares of 4,802,648,511, distribute cash of RMB 6.42 yuan (including tax) to all the shareholders every 10 shares

**Share out Cash Bonus Table for last three years**

Unit: Yuan

Year	Cash dividend amount (tax included)	Net profit attributable to shareholders of listed companies in dividends annual consolidated statements	The net profit ratio (%) attributable to shareholders of listed companies in consolidated statements
2016	3,083,300,344.06	10,285,284,120.57	29.98%
2015	2,984,247,109.12	9,952,714,168.09	29.98%
2014	1,165,721,527.00	7,561,081,585.81	15.42%

**II. Preplan of profit allocation and capital reserve converting into share equity during the reporting period**

For every 10 shares to send bonus shares	0
For every 10 shares dividend number (RMB) (tax included)	6.42
The equity base of distribution plan(shares)	4,802,648,511
Total cash dividends (yuan) (tax included)	3,083,300,344.06
Distributable profits (yuan)	33,488,484,537.62
Proportion (%) of cash dividends to total profit distribution	100%
Cash dividend policy:	
Others	
Detailed statement of profit allocation or plan that capital accumulation fund turn to be added	
<p>Audited by Ernst &amp;Young Huaming certified public accountants (special ordinary partnership) , the parent company annual net profit of 2016 is RMB 9,972,428,463.45 yuan, added with early undistributed profit of RMB26,573,855,747.25 yuan, minus the allocated cash dividend of RMB2,987,918,471.58 yuan during the reporting period, profits distributed to shareholders is RMB 33,558,365,739.12 yuan, minus the allocated statutory surplus reserve of RMB 69,881,201.50 yuan this year, so at the end of 2016 the undistributed profits can be used for distribution is RMB 33,488,484,537.62 yuan. At the end of 2016, monetary fund balance of the parent company is RMB 23,767,111,763.75 yuan.</p> <p>2016 annual profit distribution plan is: Based on the existing total shares of 4,802,648,511, send cash of RMB 6.42 yuan (including tax) to all the shareholders every 10 shares with total cash of RMB 3,083,300,344.06 yuan (including tax).</p>	

**III. Commitments Fulfillment Condition**

**1、Commitments that company, shareholders, actual controllers, the acquirer, directors, supervisors and senior management personnel or other affiliated parties during the report period fulfilled and by the end of report period not yet fulfilled.**

commitments	Commitment	Commitment content	Commitment time	period for commitment	Performance

	entity				
The commitments of stock reform	China Changan	The Company confirmed that it will implement the management share incentive plan before June 30, 2016, according to relevant national regulations and measures and China Changan "on the participation of Chongqing Changan Automobile Co., Ltd. shareholding reform commitment supplementary letter".	June, 2014	June 30,2016	During the reporting period, the second meeting of the 7th Board of Directors of the Company examined and approved the "Company Stock Option Incentive Plan (Draft)", the 9th meeting of the 7th Board of Directors of the Company examined and approved the "Company Stock Option Incentive Plan (Draft Amendment)", And was approved by the company at the fifth extraordinary general meeting of shareholders in 2016. The twelfth meeting of the 7th Board of Directors of the Company decided that the Company will grant 29.275 million stock options to 203 people on 23 September 2016, accounting for 0.627% of the total share capital of 466288.61 million when the incentive plan was signed, Stock option exercise price of 14.12 yuan. The Company completed the registration of the stock option on October 19, 2016, granted 29.14 million stock options to the incentive objects 202, and the pledge of China Changan has been fulfilled.
Share limited commitment	China Changan	When the company non-publicly subscribes for new shares of listed companies in 2016, the newly acquired shares of listed company can not be transferred within 36 months since the listing, but can be transferred after 36 months according to relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange.	Oct., 2016	36 months	China Changan did not sell company shares during the reporting period
Other small shareholders commitment	China Changan	In order to avoid and eventually solve the possible competition or potential competitors, better maintain the interests of investors,	September, 2010		The Harbin Hefei Automobile Industry Group Co at present is still running at a loss, The conditions have not yet reached the profitable for two

	the company controlling shareholder China Changan made the commitment: In two consecutive years profit of Harbin Hf Automobile Industry Group Co, With the continuous development ability and management level is improved significantly. Under such condition, the enterprise will be affiliated into the company.			consecutive years.
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**2、 The assets of the company or project include the earnings forecast, and during the report period, the profit forecast still existed, the company assets or projects achieve the profit forecast and explain the reasons**

Applicable Not-applicable

**IV. The non-operating fund occupation situation of the controlling shareholders and their affiliates to the listed companies**

Applicable Not-applicable

During the reporting period there does not exist non-operating fund of the listed company occupied by the controlling shareholder and its affiliated parties.

**V. The board of directors, supervisors, and independent directors (if applicable) explaining the "non standard audit report" from the accounting firm during the reporting period**

Applicable Not-applicable

Certified public accountants do not issue "non-standard audit report" for the current report.

**VI. Explaining the change with last year's financial statements, accounting policies, accounting estimate and accounting methods**

Applicable Not-applicable

During the report period, there's no change of accounting policies, accounting estimate and accounting methods.

**VII. During the reporting period, big accounting errors correction and the need for trace restatement**

Applicable Not-applicable

During the reporting period, no significant accounting errors correction and no need for trace restatement.

## VIII、 Compared with financial report for last year, the explanation to the scope change of consolidated statements

applicable  not applicable

During the reporting period, Shenzhen Changan New Energy Vehicles Service Co., Ltd was incorporated in Shenzhen, China. As a wholly-owned subsidiary of Changan Automobile, Shenzhen Changan Now Energy Vehicles Service Co., Ltd will be included in the consolidation range of Changan Automobile. Changan Automobile has absorbed and merged the two wholly-owned subsidiaries , Hebei Changan Commercial Vehicles Sales Co., Ltd and Nanjing Chuanyu Changan Commercial Vehicles Sales Co., Ltd during the reporting period, which will not be included in the consolidation range of Changan Automobile.

## IX. The appointment, dismissal of the accounting firm

### The appointment of the accounting firm

The name of the domestic accounting firm	Ernst & Young Hua Ming LLP
Domestic accounting firms payment (ten thousand Yuan)	348
A continuous years of domestic accounting firms audit service	10
Domestic accounting firm of Certified Public Accountants name	Chen Xiaoxiang, Hu Yan

Whether to change the accounting firms

Applicable  Not-applicable

Employ audit of internal control accounting firms, financial adviser or sponsor

Applicable Not-applicable

Through the approval from the company's sixth extraordinary shareholders' general meeting, the company hired Ernst &Young Huaming certified public accountants (special ordinary partnership) as the company's 2016 annual internal control audit certified public accountants. In 2016 the internal control audit fee paid for the internal control auditing services provided by Ernst &Young Huaming certified public accountants (special ordinary partnership) is RMB 1.17 million yuan.

The company hired China Securities Co., Ltd as the sponsor institution to non-publicly issue stocks in 2016. Underwriting fee and sponsor fee is RMB16 million yuan in total.

The company hired Shanghai Realize Investment Consulting Co., Ltd as the consulting company for the stock options incentive plan with Consulting services charge of RMB 480 thousand yuan.

## X. After the disclosure of the annual report, the Company faces the suspension and termination of the listing

Applicable  Not-applicable

## XI. Bankruptcy restructuring related matters

Applicable  Not-applicable

During the report period no bankruptcy restructuring related matters occur.

## **XII. Crucial litigation and arbitration events**

Applicable Not-applicable

During the reporting period the company has no crucial litigation and arbitration events.

## **XIII. Punishment and rectification**

Applicable Not-applicable

During the reporting period there's no punishment and rectification.

## **XIV. The integrity of company and its controlling shareholder, actual controller**

Applicable Not-applicable

## **XV. Company equity incentive plan, the implementation of the employee stock ownership plan or other staff incentives.**

Applicable Not-applicable

On March 30, 2016, the 2nd meeting of the 7th Board of Directors of the Company examined and approved the Company's Stock Option Incentive Plan (Draft). The incentive plan intends to grant 31.225 million stock options to the incentive objects, The company's total share capital of 4.66 billion shares of 0.67%.

On August 20, 2016, the company received the actual controller of the China Ordnance Equipment Corporation forwarded the SASAC "Chongqing Changan Automobile Co., Ltd. on the implementation of the stock option incentive plan" (State-owned distribution [2016] 734), SASAC agreed in principle that the company can implement A-stock option incentive plan.

On August 12, 2016, the 9th meeting of the 7th Board of Directors of the company considered and approved the Proposal on the Company's Stock Option Incentive Plan (draft revision) and its abstract. On August 31, 2016, the 5th Provisional Shareholders meeting examined and approved the relevant motion on stock incentive.

The twelfth meeting of the 7th Board of Directors of the Company confirmed that on September 23, 2016, the date of grant was 29.275 million stock options granted to 203 incentive objects, accounting for 0.627% of the total share of the company at the time of signing this incentive plan. The exercise price of stock options is 14.12 yuan.

October 19, 2016, the company completed the company's stock option incentive plan to grant the registration of the work, to incentive 202 people granted 29.14 million stock options. Option abbreviation: Changan JLC1, Option code: 037046.

## **XVI. Significant related party transactions**

### **1、 Related transactions related to day-to-day operation**

For details, please refer to Note 10 "Related Party Relationships and Transactions" in the Financial Statements.

### **2、 Assets or equity acquisition, sales related transactions**

For details, please refer to Note 10 "Related Party Relationships and Transactions" in the Financial Statements.

**3、 Related transactions of common investment**

Applicable  Not-applicable

During the reporting period the company has no related transactions of common investment

**4、 Related rights and debt relations**

Applicable  Not-applicable

For details, please refer to Note 10 "Related Party Relationships and Transactions" in the Financial Statements.

Whether there is any non-business related credits and debts

Applicable  Not-applicable

There is no non-operating associated credits and debts during the reporting period.

**5、 Other significant related transactions**

applicable  not applicable

Related queries in disclosure website of interim report of related transactions

Name of temporary announcement	Temporary announcement date	Temporary announcement site name
The announcement about non-public offering of A-share stock involved with related transactions	2016.03.31	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The announcement about stock option incentive involved with related transactions	2016.03.31	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2016 estimation of the daily related transactions announcement	2016.04.19	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Related Transactions Announcement that China South Industry Group Finance Co.,Ltd provides financial service for the company	2016.04.19	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Related Transactions Announcement about approving of United Prosperity (Hong Kong)Investment Co., Ltd trade financing	2016.04.19	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Related transaction announcement that Chongqing Automotive Finance Co.,Ltd provides financial service	2016.04.19	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The announcement about the stock options incentive plan(revised draft) involved with related transactions	2016.08.13	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement about increasing estimated amount of 2016 daily related transaction	2016.10.27	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>



## **XVII. Major contract and its performance**

### **1、 Trusteeship, contracting, leasing matters**

#### **(1) Trusteeship**

Applicable     Not-applicable

Information about Trusteeship

There is no Trusteeship during the reporting period.

#### **(2) contracting**

Applicable     Not-applicable

Information about contracting

There is no contracting during the reporting period.

#### **(3) Leasing**

Applicable    Not-applicable

Information about leasing

Related party rental situation can be found in the note Ten of financial statements 5 (2) related party relationships and transactions.

Projects whose profit and loss to the company during the reporting period is more than 10% of total profits

Applicable     Not-applicable

Projects whose profit and loss to the company during the reporting period can't be more than 10% of total profits

### **2、 Major guarantee**

Applicable     Not-applicable

There's no major guarantee during the report period.

### **3、 Entrust others for cash assets management**

#### **(1) Entrust financial situation**

Applicable     Not-applicable

There's no entrusting situation during the reporting period.

#### **(2) Entrusted loans situation**

Applicable     Not-applicable

There's no entrusted loan during the reporting period.

#### 4、 Other major contract

Applicable     Not-applicable

There's no other major contract during the reporting period.

### XVIII. Social responsibility

#### Fulfill social responsibility of targeted poverty alleviation

applicable     not applicable

In 2016, Changan Automobile positively responded to the "poverty alleviation plan for the 13th Five-Year-Plan period ", and fully implemented the guiding principles of the Eighteenth National Congress of the CPC , the third , fourth, fifth, sixth plenums of the 18th CPC Central Committee, poverty alleviation and development meeting of the central government. Changan Automobile promoted the poverty alleviation through society and education, public welfare and public utilities construction, etc in full compliance with the decisions and arrangements of the Party Central Committee and the State Council based on the enterprise actual situation to push forward the better and faster economic and social development of poverty-stricken area.

#### 1、 Overview of targeted poverty alleviation

Company leaders attach great importance to the decision-making and arrangements for poverty alleviation. The main Party & Administration leaders of Company convened the multi-department coordination meetings, weekly lean meetings, office meetings, board meetings, stockholders' meetings, make sure extra-budgetary poverty alleviation funds for Luxi County, Yanshan County, etc, set up poverty alleviation leadership organization involved with the leaders and department concerned, convened poverty alleviation leading group meetings, promotion meetings, and established 11 poverty alleviation tasks as a priority. At the same time, Company leaders fully studied and implemented the guiding principles of important conferences, new philosophy, new ideas, new strategies of governing the country, guided staff to raise awareness, and fulfilled the tasks and responsibility for poverty alleviation. All parties played an important role in poverty alleviation by working together. In order to implement poverty alleviation project, the company organized the relevant departments and assigned the relevant personnel to Luxi and Yanshan County of Yunnan, Pengshui County and Kaizhou District of Chongqing for poverty alleviation project research, which provided basis for Company's targeted poverty alleviation and promoted the implementation of poverty alleviation on education, school-enterprise cooperation, vehicles donation, "Hope Primary School" donation & sponsorship and other projects.

#### 2、 Achievement of targeted poverty alleviation

Adhering to the public welfare philosophy of "Love drives the world" positively, Changan Automobile promoted the poverty alleviation on society and education, public welfare and public utilities construction, etc with fund of RMB 28.9253 million (cash RMB 23.767 million, real assets RMB 5.1583 million)

I Promote the fixed-point poverty alleviation in Luxi and Yanshan County of Yunnan with actual donation of RMB 23.5175 million. Including:

RMB18.8million was donated to Luxi County(RMB 7.85 million) and Yanshan County (RMB10.95 million) for industry and education

Donated 75 Changan Oushang(GLS) worth RMB 4.7175 million (45 for Luxi County worth RMB 2.8305 million, 30 for Yanshan County worth RMB 1.887 million)

In addition, Changan Automobile organized staff to buy 779 boxes of pears grown on the plateau from Luxi County with total

weight of 11.250 thousand kilos and sales of RMB 52.790 thousand yuan.

II Promote the fixed-point poverty alleviation in Pengshui County and Kaizhou District of Chongqing with actual donation of RMB 499 thousand. Including:

1. Donated RMB 300 thousand to Pengshui County for improving lavatories of 200 families in Xiaoping Village Shuanglong Township.

2. Donated 5 Changan Honor worthy of RMB 199 thousand and coordinately recruited 105 students from Chongqing vocational school.

III Implement public welfare and public utilities construction with actual donation of RMB4.9088 million. Including:

1. Education Donation

Changan Automobile donated cash and real assets worth of RMB 333 thousand to Beijing Institute of Technology, Hejia Hope Primary School in Xiaohe Township Tianquan County, Chongqing vocational schools, etc.

2. Public welfare Donation

Changan Automobile donated cash and real assets worth of RMB 4.5758 million to China Automobile Industry Innovation Development United Fund, Xizang Changdu Economic Cooperation Bureau and Changan's customers in a difficult situation.

### 2016 targeted poverty alleviation of Changan Automobile statistical table

Indicator	Unit	Amount
Overall Performance		
including: 1 Fund	10 thousand yuan	2376.7
2. Materials converted into cash	10 thousand yuan	515.83
Project Input		
1. poverty alleviation on education		
1.1 funding the poverty stricken pupils	10 thousand yuan	33.3
2. poverty alleviation on society		
Input in fixed-point poverty alleviation	10 thousand yuan	2401.65
3. other projects		
3.1 the number of projects	Number	3
3.2 Amount of money	10 thousand yuan	457.58

### 3、 the following targeted poverty alleviation plan

In 2017, Changan Automobile will positively implement poverty alleviation and continue to promote the fixed-point poverty alleviation in Luxi County, Yanshan County, Pengshui County, Kaizhou District, the donation on public welfare.

#### Fulfill other social responsibilities

Whether the listed companies and their subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

√ Yes  No

Changan Automobile mainly produces engines and automobiles. The main pollutants are chemical oxygen demand, ammonia nitrogen, total nickel, toluene, xylene and non-methane hydrocarbon, etc. All departments put pollution control facilities as well as production equipment into preventive maintenance management of equipment with normal operation, pollutant discharge up to normal standard, the total amount of discharged key pollutant within the total amount of indicators. Solid wastes are separately collected and stored. Main dangerous wastes are wastewater and sludge treatment, paint slag, phosphated residue and waste solvent, etc. Hazardous wastes are entrusted to be disposed by the units with hazardous waste business qualification. The general industrial solid wastes and household garbage are disposed by the units with qualification according to the requirement of the local government. The waste electrical and electronic products are disassembled by the units with qualification and are safely disposed by the units with hazardous waste business qualification.

#### **Strictly implement Disclosure System of Information**

In 2016, State Key Monitoring Units of Changan Automobile: Chayuan Base of Commercial Vehicle Division, Dashiba Base of Jiangbei Engine Factory, Yubei Factory; Provincial and municipal key monitoring units: Mold Division, Beijing Changan, Hefei Changan. The national control units strictly carry out self-monitoring in accordance with the "National Key Monitoring Enterprise Self-monitoring and Information Disclosure Approach (Trial)". Self-monitoring program, monitoring results, pollution monitoring annual report are disclosed on the "National Key Monitoring Enterprise Self-monitoring and Information Disclosure Platform". Provincial and municipal monitoring units are disclosed according to requirement of environmental protection departments of local government.

#### **Strictly implement "EIA system" and environmental protection "three simultaneous" systems of the construction project**

Carry out the company's environmental impact assessment of "newly established, rectified, expanded projects" and implement "EIA system" of the construction project according to the regulations. Strengthen the review on pollutant factors, the total amount of emission and pollution control facilities during the environmental impact assessment. Strictly supervise the implementation of "simultaneous design, simultaneous construction, and simultaneous acceptance" of project environmental protection facilities to ensure full compliance between project construction and environmental impact assessment approval. In 2016, Beijing Changan construction project, Dianjiang test field project, advanced small displacement engine project were completed and achieved environmental acceptance. Passenger vehicles project, PDC (spare parts center) project obtained temporary sewage discharge permit.

#### **Carry out environmental protection risk management, and enhance emergency response capacity**

Continue to carry out environmental protection emergency drills to enhance the response capacity to environmental emergencies. In 2016, the Company completed the environmental risk assessment, compilation and record of environmental emergency plan for Yuzui base of Commercial Vehicle Division. the Company carried out 4 company-level environmental emergency drills, including biochemical treatment of equipment failure in Yubei Factory, on-line monitoring data anomalies in Commercial Vehicle Division, rainwater drainage anomalies in Jiangbei Engine Factory, and chemical leakage emergency drills in engine factories. The scene settings, emergency handling, impact range, exercise script, evaluation and other aspects have been greatly improved.

Strengthen control of company's environmental risk units to prevent sudden environmental incidents. Sort out environmental risk unit contents of the company's all bases, including dangerous waste temporary storage, wastewater treatment station, engine casting dust removing, deodorization, vehicle coating oven exhaust treatment facilities incinerator, paint exhaust treatment and terminal treatment facilities, boiling wheel incineration equipment facilities. Clarify the requirements of environmental risk unit control, including paint storage, oil storage, lubrication stations and the storages of other dangerous chemicals (according to the safety control standards of all-level dangerous points of Chongqing Changan Automobile Co., Ltd). Revise and improve other environmental risk unit inspection standards and promote the implementation in branch companies and subsidiaries in other provinces. Further strengthen the control of company's environmental risk unit to prevent sudden environmental accidents and to

ensure that pollutant discharge reach the standards.

### Detailed pollutant discharge of the company:

During the reporting period, the Company had 151 air pollutant discharge ports and 15 water pollutant discharge ports. The implementation of the emission standards include the national "Integrated Wastewater Discharge Standard", Beijing "Water Pollutant Discharge Standard", the national "Air Pollutant Integrated Emission Standard", Chongqing "automobile vehicle manufacturing surface coating air pollutant discharge standards" "Air Pollutant Integrated Emission Standard", Beijing "automobile vehicle manufacturing industry (coating process) air pollutant discharge standards", the national "industrial enterprises boundary environmental noise emission standards" and so on. The total amount of pollutants approved: COD737 tons, 44 tons of ammonia, the company's pollutants can meet the corresponding emission standards, no super-standard super-total emissions. No major environmental problems, no rectification.

In 2016, the Company completed 11 projects of environmental protection measures and accumulated environmental protection investment of 207.45 million yuan. The main projects include: Yubei Plant Coating Phase II VOC End Project, Commercial Vehicle Phase I Coating VOC End Project, Jiangbei Engine Factory Hazardous Waste Temporary storage site rectification, commercial vehicle division coating two workshop wastewater station COD on-line detector upgrade, Hefei Chang'an sewage station deep phosphorus removal project, Yubei plant welding workshop exhaust dust removal, etc., to fulfill the environmental responsibility

### Whether to publish a report on social responsibility

Yes No

Corporate Social Responsibility Report					
The nature of the enterprise	Whether it contains environmental information	Whether it contains social information	Whether it contains corporate governance information	Reporting Disclosure Criteria	
				Domestic standards	Foreign standards
State - owned enterprises	Yes	Yes	Yes	"Guidelines for the Shenzhen Stock Exchange Main Board", "Main Board Information Disclosure Business Memorandum No. 1 - Periodic Report Disclosure Relevant Issues", "Contents and Formats of Information Disclosure of Companies for Public Offering No. 2 - Contents and Form of Annual Report ", "Guidelines for the Social Responsibility of Shenzhen Stock Exchange "	

### Specific description

1. Whether the company has passed the environmental management system certification (ISO14001)	Yes
2. Company "waste gas, waste water, waste residue" three-waste reduction performance	Yubei Plant and the Commercial Vehicle division implemented the VOCS terminal projects to reduce VOCS emissions by 1149.76 tons; Beijing Changan reclaimed water by 152,119 tons; The Company achieved the solid waste comprehensive utilization of 113,555 tons.

3. Amount of annual environmental protection investment in 2016 (10 thousand)	27,383
4. The company invests in upgrading the ability of employees to improve their personal knowledge and skills to enhance their career development (10 thousand)	1,741.07
5. The amount of corporate social donations (funds, materials, free professional services) (10 thousand)	2,892.53

## **XIX. Other important events**

Applicable   Not-applicable

On March 7, 2016, at the 42nd meeting of the 6th Board of Directors, the Company examined and approved the Proposal on the Election of the 7th Board of Directors. The Company elected Xu Liuping, Zhang Baolin, Zhu Huarong, Zhou Zhiping, Tan Xiaogang, Wang Xiaoxiang and Wang Kun as The Board of Directors nominated candidates for the 7th Board of Directors of the Company. At the same time, the Board of Directors nominated Shuai Tianlong, Liu Jipeng, Li Xiang, Li Qingwen, Tan Xiaosheng, Hu Yu, Pang Yong and Chen Quanshi as the independent directors of the 7th Board of Directors. On 7 March 2016, the Nineteenth Meeting of the Sixth Supervisory Committee examined and approved the Proposal on the General Election of the Seventh Board of Supervisors. The Company elected Xiao Yong, Sun Dahong and Zhao Huixia as candidates for the supervisor of the 7th Supervisory Committee, The Employee Congress elected Zhang Anguo and Luo Yan as employee supervisors of the 7th Supervisory Committee. On March 23, 2016, the Company held the 1st Extraordinary Shareholders' General Meeting in 2016 to deliberate and approve the Proposal on the General Election of the 7th Board of Directors and the Proposal on the Election of the 7th Supervisory Committee.

On March 30, 2016, the 2nd meeting of the 7th Board of Directors of the Company examined and approved the Proposal on Withdrawing the Application Documents of Non-public Shares Issuing in 2015 and the Proposal on Non-public Shares Issuance in 2016, the subscription amount of 2016 non-public offering of shares issued to China Changan Automobile Group Co., Ltd., amounted 2 billion yuan. Changan Automobile 2016 non-public offering of related matters has been approved by the SASAC (Announcement No. 2016-47), the second provisional shareholders' meeting in 2016 examined and approved the above plan(Announcement No. 2016-51), the CSRC passed the non-public offering audit (Announcement No. 2016-71). On September 8, 2016, the Company obtained the offering approval from the CSRC (Announcement No. 2016-97). From the end of the reporting period to the date of this report, the Company completed the registration and issuance of 139,762,403 new shares at the price of RMB 14.31 per share on October 14, 2016.

## **XX. Important matters of the Company's subsidiary**

Applicable   Not-applicable

## Chapter 6 Changes in the shareholding of the company and shareholders

### I. Change in shareholdings

#### 1. Change in shareholdings

Unit: One share

	Balance before current change		Addition and deduction (+, -) during change				Balance after current change	
	Quantity	Ratio (%)	Additional issued	Stock dividend	Provident fund transfer	other	Quantity	Ratio (%)
Non-circulated shares	373,377,242	8.01%	139,762,403		-373,358,342	-233,595,939	139,781,303	2.91%
1、 State-owned legal person shares	373,358,342	8.01%	139,762,403		-373,358,342	-233,595,939	139,762,403	2.91%
2、 Senior management personnel shares	18,900	0.00%			-	-	18,900	0.00%
Circulated shares	4,289,508,866	91.99%			373,358,342	373,358,342	4,662,867,208	97.09%
1、 Domestic listed RMB shares	3,387,522,724	72.65%			373,358,342	373,358,342	3,760,881,066	78.31%
2、 Domestic listed foreign shares	901,986,142	19.34%			-	-	901,986,142	18.78%
Total shares	4,662,886,108	100.00%	139,762,403		-	139,762,403	4,802,648,511	100.00%

#### Reason of stake changes

√ applicable □ not applicable

During the reporting period, the Company implemented the equity incentive plan in accordance with the share reform commitment and completed the registration of stock option by October 19, 2016. The 373,358,342 previously restricted outstanding shares were tradable since November 15, 2016.

The Company's non-public offering of shares in 2016 was completed in October 2016 (For details, please refer to the *Changes of Non-public Offering Shares and Listing Announcement*, which was disclosed on October 13, 2016, at <http://www.cninfo.com.cn>). The number of shares in the non-public offering was 139,762,403 shares. After the completion of the issue, the total shares of the Company were changed from 4,662,886,108 shares to 4,802,648,511 shares.

#### Approval of stock changes

applicable  not applicable

On November 15, 2016, restrictions on the Company's 373,358,342 restricted shares were lifted and became tradable. The shareholding reform plan of the Company was reviewed and approved at the relevant shareholders' meeting held on April 24, 2006.

## 2016 A Shares Issuance procedures

### 1. Internal decision-making procedure

The issuer held the second session of the seventh meeting of Board of Directors and the second extraordinary general meeting of shareholders in 2016 on March 30, 2016 and April 29, 2016 respectively, deliberated and adopted relevant resolutions, including *Proposal on the Non-public Offering of Shares*, *Proposal on Non-public Issuance of Stocks of the Company*, *Proposal on the Non-public Shares Issuance Plan of Chongqing Changan Automobile Co., Ltd.*, *Proposal on Feasibility Report on the Use of Raised Funds of the Non-public Shares Issuance*, and *Proposal on the Use of Previously Raised Funds*.

### 2. Review procedure of the regulator

On April 27, 2016, the State-owned Assets Supervision and Administration Commission issued *Reply on Non-public Offering of A Shares of Chongqing Changan Automobile Co., Ltd.* (State Property [2016] No. 317), and approved in principle the non-public issuance of A shares program.

The application of non-public offering of the Company was accepted by the China Securities Regulatory Commission on May 19, 2016. It was approved by the issuance examination committee of the CSRC on June 29, 2016. On August 30, 2016, the China Securities Regulatory Commission (CSRC) issued the *Reply on Approval of Non-public Shares Issuance of Chongqing Changan Automobile Co., Ltd.* (CSRC [2016] 1996), and approved new shares of non-public offering of no more than 251,889,168 shares.

## Ownership transfer of stake change

applicable  not applicable

On September 21, 2016, the Company submitted the relevant registration materials to the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited for the issuance of the shares. The newly issued shares were listed in the Shenzhen Stock Exchange on October 14, 2016, and registered to the account on October 13, 2016, and formally included in the company's shareholders list.

## The influence of share changes on financial indicators, such as the latest year and the latest basic earnings per share and diluted earnings per share, the net assets per share belonging to the common shareholder of the company

applicable  not applicable

As the proportion of non-public offering of shares is relatively small compared with the total shares, the impact of the stock change on basic earnings per share, diluted earnings per share, net assets per share attributable to corporate shareholders and other financial indicators of the recent year is small.

## Other contents which the company regards necessary and securities supervising institution requires the Company to disclose.

applicable  not applicable

## 2. Change in Non-circulated shares

Available  Not-available

Unit: one share

Name of	Non-circulated	Decrease during the	Increase during the	Non-circulated	Reason for	Date for the
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shareholders	shares held at the year-beginning	reporting period	reporting period	shares held at the year-end	non-circulated shares	circulated shares
China Changan Automobile Co., Ltd.	373,358,342	373,358,342	139,762,403	139,762,403	Non - public offering shares of 139,762,403 in 2016	2019-10-14
Zhu Huarong	18,900	-	-	18,900	Executive lock stocks	6 months after the retirement
Total	373,377,242	373,358,342	139,762,403	139,781,303	--	--

## II、Issuing and listing of securities

### 1.Issuance of securities in the past three years

applicable  not applicable

Stock and its derivative securities	date of issuance	Issue price (or interest rate)	Amount of issuance	Listing date	Number of approved transactions	Transaction end date
stock						
non-public offering of shares in 2016	9,Sep.2016	14.31yuan/share	139,762,403	14,Oct.2016	139,762,403	
Convertible corporate bonds, convertible corporate bonds of separate transactions, corporate bonds						
Other derivative securities						

Description of the issue of securities (excluding preferred shares) during the report period

Approved by the document No. [2016] 1996 of China Securities Regulatory Commission, September 9, 2016, the company issued 139,762,403 A shares of non-public shares to China Changan with the issue price of 14.31 yuan / share. The non-public offering of A shares were listed on the Shenzhen Stock Exchange on October 14, 2016.

### 2.Changes in the total number of shares of the Company and changes in the structure of the shareholders and in the structure of the Company's assets and liabilities

applicable  not applicable

During the reporting period, the net assets raised by the Company's non-public offering of shares amounted to RMB 1,982,890,237.60 yuan, the net assets of the Company increased, and the asset-liability ratio decreased accordingly, the quality of the Company's assets, the solvency and the financing capacity were improved. The asset structure becomes more reasonable.

### 3. Existing internal staff shares

Available  Non available

### III. Shareholders and actual controllers situation

#### 1、The number of shareholders of the company and the stock

Unit: one share

During the report period, the total number of shareholders		155,204 .A shareholders: 130,197. B shareholders: 25,007.						
One month before the end of the disclosure of the annual report of the total number of shareholders		176,468 .A shareholders: 147,180. B shareholders: 29,288.						
Holding more than 5% of the shareholders, or top 10 shareholders situation								
Name of shareholders	Nature of Shareholders	Percentage of total shares (%)	Shares held at the year-end	increases and decreases during the report period	Non-circulated shares held at the year-end	Circulated shares held at the year-end	Pledged/ Frozen cases	
							Share status	amount
China Changan Automobile Co., Ltd.	State-owned legal person shares	40.88%	1,963,357,619	139,762,403	139,762,403	1,823,595,216	No pledge or freeze	
China securities finance Co, Ltd	domestic general legal person shares	2.90%	139,422,927	79			No pledge or freeze	
GIC PRIVATE LIMITED	foreign legal person shares	1.68%	80,881,075	36,334,024			No pledge or freeze	
Central Huijin Investment Ltd.	domestic general legal person shares	1.15%	55,393,100	-			No pledge or freeze	
United Prosperity Investment Co., Limited	foreign legal person shares	0.94%	45,195,100	-			No pledge or freeze	
National Social Security Fund-Portfolio 102	fund, finance products, etc.	0.89%	42,607,294	12,607,421			No pledge or freeze	
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	foreign legal person shares	0.81%	38,911,038	28,003,746			No pledge or freeze	
National Social Security Fund-Portfolio 103	fund, finance products, etc.	0.77%	36,844,961	13,744,976			No pledge or freeze	
Anbang Asset Mgmt-China Merchants Bank-Anbang Asset-China	fund, finance products, etc.	0.67%	32,070,942	32,070,942			No pledge or freeze	

Merchants Bank- Anbang Asset-Win - win No. 3 Asset Mgmt Product Collection								
HTHK-MANULIFE CHINA VALUE FUND	foreign legal person shares	0.64%	30,750,475	-3,769,306				No pledge or freeze
Explanation on the relationship and the action alike of above shareholders	Among the top 10 shareholders, China Changan Automobile Group Co., Ltd., the controlling shareholder, and its wholly owned subsidiary United Prosperity (Hong Kong) Investment Co., Limited. belong to the concerted actor regulated by "Disclosure Administration of Shares Change Information of The Listed Company".							
The ten largest circulated shareholders								
Name of shareholders	Shares at the year end	Shares type						
		Type	Amount					
China Changan Automobile Co., Ltd.	1,823,595,216	RMB ordinary shares	1,823,595,216					
China securities finance Co, Ltd	139,422,927	RMB ordinary shares	139,422,927					
GIC PRIVATE LIMITED	80,881,075	Domestic listed foreign shares	80,881,075					
Central Huijin Investment Ltd.	55,393,100	RMB ordinary shares	55,393,100					
United Prosperity (Hong Kong) Investment Co., Ltd	45,195,100	Domestic listed foreign shares	45,195,100					
National Social Security Fund- Portfolio 102	42,607,294	RMB ordinary shares	42,607,294					
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	38,911,038	Domestic listed foreign shares	38,911,038					
National Social Security Fund- Portfolio 103	36,844,961	RMB ordinary shares	36,844,961					
Anbang Asset Mgmt-China Merchants Bank- Anbang Asset-China Merchants Bank- Anbang Asset-Win - win No. 3 Asset Mgmt	32,070,942	RMB ordinary shares	32,070,942					
HTHK-MANULIFE CHINA VALUE FUND	30,750,475	Domestic listed foreign shares	30,750,475					
The top 10 shareholders to sell circulated shares, and the infinite tradable relationship between shareholders and top 10 shareholders or concerted action	Among the top 10 shareholders, China Changan Automobile Group Co., Ltd., the controlling shareholder, and its wholly owned subsidiary United Prosperity (Hong Kong) Investment Co., Limited belong to the concerted actor regulated by "Disclosure Administration of Shares Change Information of The Listed Company".							

**Whether the company top 10 shareholders of ordinary shares, and the top 10 circulated shareholders agreed on the repurchase transactions during the report period**

Available  Not- available

The company top 10 shareholders of ordinary shares, and the top 10 circulated shareholders did not agree on the repurchase

transactions during the reporting period

## 2、The controlling shareholder of the company.

Nature of the controlling shareholders: the central state-owned

Type of the controlling shareholder: legal person

Name	Legal /Representative	Date of establishment	Organization code	Business scope and major products:
CHINA CHANGAN AUTOMOBILE GROUP CO., LTD	Xu Liuping	Dec 26th, 2005	911100007109339484	Design, development, manufacture and sales of automobile & motorcycle, automobile & motorcycle engine, automotive and motor cycle components & parts; sales of optical products, electronic and photoelectron products, night-time vision device, information and communication equipment; technical development, technical transfer, technical consultation, technical training, and other technical service relative with the operation mentioned above; imports and exports; merge and acquisition and consultation of assets restructuring.
The controlling equity and equity during the reporting period, the controlling shareholder of listed companies in other domestic and foreign markets	To the reporting period, the holding companies: Harbin Dongan Auto Engine Co., Ltd. (stock code 600178); Hunan Tianyan Machinery Co., Ltd. (stock code 600698), Chongqing Changan Minsheng APLL Logistics Co., Ltd (stock code 01292.HK)			

During the reporting period the change of controlling shareholders

Available  Not- available

No changes in controlling shareholders during the reporting period.

## 3、The ultimate controller of the Company

Nature of the controlling shareholders: the central state-owned asset management institution

Type of the controlling shareholders: legal person

Name	Legal /Representative	Date of establishment	Organization code	Business scope and major products:
China South Industries Group Corp.	Tang Dengjie	29 Jun., 1999	91110000710926043F	investment and management of state-owned assets; manufacturing of guns and firearms; engineering prospecting, designing, construction, contracting, construction supervision; equipment installation, etc.
The controlling equity	To the reporting period, direct or indirect holding companies: Harbin Dongan Auto Engine Co., Ltd. (stock			

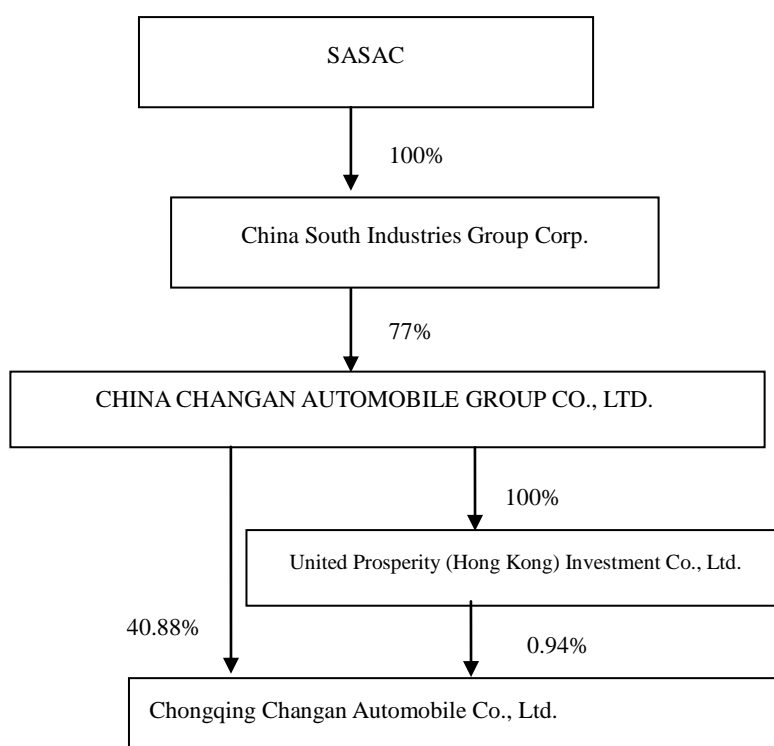
and equity during the reporting period, the controlling shareholder of listed companies in other domestic and foreign markets	code 600178); Baoding Tianwei Electric Co., Ltd. (stock code 600550); Jiangling Motors Co., Ltd. (stock code 000550); Hunan Tianyan Machinery Co., Ltd. (stock code 600698); China Jialing Industrial Co., Ltd. (stock code 600877); Chongqing Jianshe motorcycle Co., Ltd. (stock code 200054); Lida Optical Co., Ltd. (stock code 002189); Zhongyuan Special Steel Co., Ltd. (stock code 002423); Yunnan West Instrument industrial Co., Ltd. (stock code 002265); Chongqing Changan Minsheng logistics Limited (stock code 01292.HK).
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The change of the actual controllers during the reporting period

Available  Not- available

No changes in the actual controllers during the reporting period.

Relationship among the Company and its controlling shareholders:



**Actual control people control the company through trust or other asset management method.**

Available  Not available

#### 4、 Other legal shareholders with over 10% holding

Available  Not available

#### 5、 Reduced shareholdings of controlling shareholders, actual controllers, restructuring parties and other committing parties

applicable  not applicable

China Changan Group promised not to reduce its shares of Changan Automobile Co. Ltd through the secondary market, within 6 months from July 14, 2015 and fulfilled its promise.

On November 15, 2016, the Company promised after the restriction on no-circulated shares was lifted: within six months after the lifting of the restricted shares held by China Changan, there was no plan to sell 5% of the outstanding shares through the securities trading system.

## Chapter7 Information about Directors, Supervisors, Senior Management and Employees

### I . Share ownership changes of directors, supervisors and senior management

Name	Position	As state	Gender	Age	Term start date	Term Termination date	Shares held at beginning (stock)	increased share number in this issue (stock)	decreased share number in this issue (stock)	share number at the end (stock)
Xu Liuping	Chairman	present	M	52	2016-03-23	2019-03-23				
Zhang Baolin	Vice Chairman	present	M	54	2016-03-23	2019-03-23				
Zhu Huarong	Director, President	present	M	51	2016-03-23	2019-03-23	25,200	-	-	25,200
Zhou Zhiping	Director, secretary of the party committee	present	M	46	2016-03-23	2019-03-23				
Tan Xiaogang	Director	present	M	53	2016-03-23	2019-03-23				
Wang Xiaoxiang	Director	present	M	43	2016-03-23	2019-03-23				
Wang Kun	Director, Vice President, Board Sectary (acting)	present	M	41	2016-03-23	2019-03-23				
Liu Jipeng	independent director	present	M	60	2016-03-23	2019-03-23				
Li Qingwen	independent director	present	M	61	2016-03-23	2019-03-23				
Tan Xiaosheng	independent director	present	M	46	2016-03-23	2019-03-23				
Pang Yong	independent director	present	M	47	2016-03-23	2019-03-23				

Chen Quanshi	independent director	present	M	71	2016-03-23	2019-03-23				
Xiao Yong	Chairman of the supervisory	present	M	46	2016-03-23	2019-03-23				
Sun Dahong	Supervisor	present	M	50	2016-03-23	2019-03-23				
Zhao Huixia	Supervisor	present	M	56	2016-03-23	2019-03-23				
Zhang Anguo	Employee Supervisor	present	M	57	2016-03-23	2019-03-23				
Luo Yan	Employee Supervisor	present	F	42	2016-03-23	2019-03-23				
Huang Zhongqiang	Vice president	present	M	48	2016-03-23	2019-03-23				
Luo Minggang	Vice president	present	M	53	2016-03-23	2019-03-23				
Du Yi	Vice president	present	M	49	2016-03-23	2019-03-23				
Gong Bing	Vice president	present	M	47	2016-03-23	2019-03-23				
Wang Jun	Vice president	present	M	44	2016-03-23	2019-03-23				
Liu Bo	Vice president	present	M	50	2016-03-23	2019-03-23				
He Chaobing	Vice president	present	M	49	2016-03-23	2019-03-23				
Zhang Jingjing	Vice president	present	F	51	2016-03-23	2019-03-23				
Yuan Mingxue	Vice president	present	M	48	2016-03-23	2019-03-23				
Li Wei	Vice president	present	M	51	2016-03-23	2019-03-23				
Li Jun	Board Secretary	present	F	47	2016-03-23	2019-03-23				
Total							25,200	-	-	25,200



## II. Personnel Changes of directors, supervisors and senior management

Name	Position	Type	Term	Reason
Xu Liuping	Chairman	elected	2016-03-23	recruitment for work needs
Zhang Baolin	Vice Chairman	elected	2016-03-23	recruitment for work needs
Zhu Huarong	Director, President	elected	2016-03-23	recruitment for work needs
Zhou Zhiping	Director, secretary of the party committee	elected	2016-03-23	recruitment for work needs
Tan Xiaogang	director	elected	2016-03-23	recruitment for work needs
Wang Xiaoxiang	director	elected	2016-03-23	recruitment for work needs
Wang Kun	Director, Vice President, Board Secretary (acting)	elected	2016-03-23	recruitment for work needs
Shuai Tianlong	independent director	elected	2016-03-23	recruitment for work needs
Shuai Tianlong	independent director	departure	2016-06-21	pass away of illness
Liu Jipeng	independent director	elected	2016-03-23	recruitment for work needs
Li Xiang	independent director	elected	2016-03-23	recruitment for work needs
Li Xiang	independent director	departure	2016-08-22	resignation for personal reasons
Li Qingwen	independent director	elected	2016-03-23	recruitment for work needs
Tan Xiaosheng	independent director	elected	2016-03-23	recruitment for work needs
Hu Yu	independent director	elected	2016-03-23	recruitment for work needs
Hu Yu	independent director	departure	2017-02-11	resignation for personal reasons
Pang Yong	independent director	elected	2016-03-23	recruitment for work needs
Chen Quanshi	independent director	elected	2016-03-23	recruitment for work needs
Xiao Yong	Chairman of the supervisory	elected	2016-03-23	recruitment for work needs
Sun Dahong	Supervisor	elected	2016-03-23	recruitment for work needs
Zhao Huixia	Supervisor	elected	2016-03-23	recruitment for work needs
Zhang Anguo	Employee Supervisor	elected	2016-03-23	recruitment for work needs
Luo Yan	Employee Supervisor	elected	2016-03-23	recruitment for work needs
Huang Zhongqiang	Vice president	recruitment	2016-03-23	recruitment for work needs
Luo Minggang	Vice president	recruitment	2016-03-23	recruitment for work needs
Du Yi	Vice president	recruitment	2016-03-23	recruitment for work needs
Gong Bing	Vice president	recruitment	2016-03-23	recruitment for work needs
Wang Jun	Vice president	recruitment	2016-03-23	recruitment for work needs

Liu Bo	Vice president	recruitment	2016-03-23	recruitment for work needs
He Chaobing	Vice president	recruitment	2016-03-23	recruitment for work needs
Zhang Jingjing	Vice president	recruitment	2016-03-23	recruitment for work needs
Yuan Mingxue	Vice president	recruitment	2016-03-23	recruitment for work needs
Li Wei	Vice president	recruitment	2016-03-23	recruitment for work needs
Li Jun	Board Sectary	recruitment	2016-03-23	recruitment for work needs
Lian Gang	director	departure	2016-03-23	Board of directors change
Zhang Dongjun	director	departure	2016-03-23	Board of directors change
Ma Junpo	director	departure	2016-03-23	Board of directors change
Ouyang Minggao	independent director	departure	2016-03-23	Board of directors change
Dong Yang	independent director	departure	2016-03-23	Board of directors change
Chen Zhong	independent director	departure	2016-03-23	Board of directors change
Wang Zhixiong	independent director	departure	2016-03-23	Board of directors change
Peng Shaobing	independent director	departure	2016-03-23	Board of directors change
Yang Jian	Chairman of the supervisory	departure	2016-03-23	Board of supervisors change
Cai Yong	Supervisor	departure	2016-03-23	Board of supervisors change
Xie Shikang	Supervisor	departure	2016-03-23	Board of supervisors change
Liang Guangzhong	Supervisor	departure	2016-03-23	Board of supervisors change
Liu Hong	Employee Supervisor	departure	2016-03-23	Board of supervisors change
Fan Chaodong	Employee Supervisor	departure	2016-03-23	Board of supervisors change
Wang Lijun	Employee Supervisor	departure	2016-03-23	Board of supervisors change

### III. Employment

Main working experience of present directors, supervisors and senior managers of the last five years

#### 1、Directors

Mr. Xu Liuping, Board Chairman, born in 1964, researcher-level senior engineer. With a doctor's degree, He holds General Manager of China South Industry Group, Deputy Secretary Member of the Party Committee of China South Group Corp, and Chairman and Secretary of the Party Committee of China Changan Automobile Group Co, Ltd. He used to be the Director of Planning department, Director of Automobile department and Assistant to the General Manager of China South Industries Group Corp, the Chairman, President and Secretary of the Party Committee of Changan Automobile (Group) Co., Ltd., the Secretary of the Party Committee of Changan Automobile.

Mr. Zhang Baolin, Vice Chairman, born in 1962. He has obtained a postgraduate degree, a senior economist and senior political & ideological worker. He currently holds the position of the Vice General Manager of China South Industries Group Corp, President of China Changan Automobile Co, Ltd and vice chairman of Chongqing Changan Automobile. He used to work as Vice Secretary

and Secretary of the League Committee of the South-west Industries Bureau in China Industries Company, Secretary of the Party Committee of Chongqing Changfeng Machinery Factory, Senior Deputy General Manager and General Manager of Chengdu Wanyou Company, Director, Vice President and Deputy General Manager of Changan Automobile (Group) Co., Ltd., Deputy Executive General Manager of the Company, the vice secretary of the Party Committee of China Changan, president of Chongqing Changan Automobile.

Mr. Zhu Huarong, Director and President. He was born in 1965, master graduate student, researcher-level senior engineer. Currently he is vice secretary of party committee of Changan Automobile Group and president of Chongqing Changan Automobile. He was vice director of Changan Technology Department, chief engineer of Changan Automobile Manufacture Factory, president assistant of Changan Automobile (Group) Co., Ltd. and director of technical center, director of science and technology committee, vice President of Changan Automobile (Group) Co., Ltd and the leader of engineering research division., vice President and secretary of party committee of Chongqing Changan Automobile.

Mr. Zhou Zhiping, Director and secretary of party committee. He was born in 1971, the doctor graduate. Currently he is staff director of China South Industries Group Corp, director, secretary of the Party Committee, Union Chairman of Chongqing Changan Automobile. He was deputy director of Motor sector of development and planning department of China South Industries Group Corp, manager and director of long-term planning sector of development and planning department of China South Industries Group Corporation, deputy director and director of capital operation Department of China South Industries Group Corp, the general manager of the southern industrial asset management Ltd, the staff director of China South Industries Group.

Mr. Tan Xiaogang, Director. He was born in 1963, the master's degree, researcher-level senior engineer. Currently, he is the director of Development & Planning Department in China South Industries Group Corp. He used to be the Vice Director, executive Vice Director of Workshop No. 343, deputy Secretary of the Yuanling County CPC Committee in Hunan Province, director, executive deputy general manager, and general manager of Hunan Yunjian Co. Ltd, Chariman, the Secretary of the Party Committee of Hunan Yunjian Group, and vice director of Development & Planning Department of China South Industries Group Corp.

Mr. Wang Xiaoxiang, Director. He was born in 1973, the doctor graduate, senior accountant and certified public accountant. Currently, he is the director of the Financial Department of China South Industries Group Corp. He used to be the vice director of Financial Department of China South Industries Group Corp, Vice President in charge of Finance in China South Industries Group Corp, Vice President of China Changan Automobile Co. Ltd, director, general manager, and deputy Secretary of the Party Committee in China South Industries Group Corp.

Mr. Wang Kun, Director, Vice President and Board Secretary (acting). He was born in 1975, bachelor's degree, senior accountant. Currently, he is the director, Vice President and Board Secretary (acting) of Chongqing Changan Automobile Co, Ltd. He used to be the director of Capital Operation (Administration division) under Capital Operation Department of China South Industries Group Corp, vice director of Capital operation Department, and chief accountant of China Changan Automobile Group Co, Ltd.

Mr. Liu Jipeng, independent director. He was born in 1956, master degree. Currently, he is the dean, professor, and PhD supervisor of Capital Finance Institute in China University of Political Science and Law. He has published more than 400 articles on newspapers and magazines domestic and abroad, such as People's Daily and Economic Research Journal and received more than 800 interviews by domestic and overseas newspaper and magazines. In the last 10 years, he has managed the shareholding system reform, corporate strategy, acquisition and reorganization, financing scheme design for over 270 companies, such as National Electricity Company, Aviation Industry Corporation of China, Chinalco, Haier Group, Hainan Airlines, Wanxiang Group, Li-ning Sporting Goods Co, Tianjin Development Zone Head Office. These enterprises cover more than 20 provinces and cities, including various industries. He is called "the first person in stock reform" by media.

Mr. Li Qingwen, independent director. He was born in 1956, master degree. Now, he is the Chairman of China Energy & Automobile Media Group Ltd, Chairman of China Auto News, and Chairman of China Energy News. He used to be the director and vice head of Heilongjiang People's Government, the municipal party secretary of Hailin City of Heilongjiang Province. From 1998 to now, he has published automotive comments of 120,000 letters altogether, and 50,000 letters regarding media essay. China Auto

News is awarded as “2007 China Top 500 Most Valuable Brand” by World Brand Lab, with market value of 1.021 billion RMB, as the only one automobile media among China Brand Top 500.

Mr. Tan Xiaosheng, independent director, born in 1970, bachelor’s degree. Currently, he is the Vice President and CPO of Qihoo 360. He used to be the engineering technology director of Yahoo China, director of operations in Maisi Belle (Beijing) Information technology Co. He is skilled in building and management of technical team. Since 2003, he has recruited and cultivated more than 300 university students, who now wildly spread in Baidu, Tencent, Alibaba, Sina, etc. He is called as “Headmaster Tan” in Internet Technology Industry.

Mr. Pang Yong, independent director, born in 1969, master’s degree. Currently, he is the chairman and CEO of IDEO, and adjunct professor of Jilin Univeristy. He used to be the manager of Liaoning Industry Group, and director of Raytheon Co. China. “I Flow Smart Terminal- Smart Decision Management Platform” is under his leading design, and he acquires the copyright from National Copyright Administration; meanwhile, he is the developer of China AD-CAS, Competitiveness Model of Channel System, and Standardized Database Resources. He is also the Chief expert in lean marketing of automobile dealers certified by Ministry of Human Resources and Social Security of the People’s Republic of China.

Mr. Chen Quanshi, independent director, born in 1945, bachelor's degree. Currently, he is the deputy director of Automobile Research Institute of Tsinghua University, executive director of China Automotive Engineering Institute, advisor in Beijing People’s Government, member of National Vehicle Committee of Auto Standardization, National EV Committee of Auto Standardization, and leader of general team of Guangdong EV project. He was in charge of the subject “Vehicle Technology Research in Fuel Cell of City Bus” in National “863” EV project; he won the Second Award in Technological Progress Award of 15 ton 6×6 Desert geophysical methods of China National Petroleum Corporation (ministerial), ranking No.3 (1996); the Third Award of National Progress Award, in Comprehensive System Research of EV battery, electric machine, electronic control, vehicle performances, ranking No.3 (1997).

## 2、 Supervisors

Mr. Xiao Yong, Chairman of the Board of Supervisors. He was born in 1971, master’s degree, engineer. Currently, he is the Audit & Risk Department of China South Industries Group Corp. He used to be the vice director and director of General Management Office in China South Industries Group Corp, vice director of General Office in China South Industries Group Corp, vice director of Motorcycle Industry Office in China South Industries Group Corp, vice general manager of motorcycle business department of China South Industries Group Corp, vice general manager of Chongqing South Motorcycle Co, and vice director of Audit & Risk Department in China South Industries Group Corp.

Mr. Sun Dahong, Supervisor. He was born in 1966, master degree, senior economist. Currently, he is the vice director of general office and chief of Secrets Agency in China South Industries Group Corp. He used to be the vice director of legal division under the general office in China South Industries Group Corp, vice director and director of Legal Advisor Division in China South Industries Group Corp, and director of Legal Affairs Division of general office of China South Industries Group Corp.

Mr. Zhao Huixia, Supervisor. He was born in 1960, bachelor degree, senior account. Currently, he is the Assistant President and general manager of Audit Department (legal affairs) in China Changan Automobile Group Co, Ltd. He used to be the deputy general accountant and director of Hafei Automobile Co, vice general manager of Harbin Hafei Automobile Industry Group, vice general manager of Hafei Automobile Co, the Secretary of the Party Committee and Vice President of Hafei Automobile Industry Group, vice general manager of AVIC Automobile Industry Co., Ltd, Assistant President and general manager of Operations Management Department of China Changan Automobile Group Co, Ltd.

Mr. Zhang Anguo, staff supervisor. He was born in 1959, master degree, senior political & ideological worker. Currently, he is the officer of Management Section under Party organization of Party Work Department. He used to be the chief of quality section of quality Department, section chief and chief of Labor Union, chief of organization division of Party Work Department, director of Party Construction division of Party Work Department (Corporate Culture Center).

Ms. Luo Yan, staff supervisor. She was born in 1974, bachelor degree, assistant economist. Currently, she is the chief of salary & performance section of HR department. She used to be the maintenance electricians, engineering measurer person, labor

technology fixed member, schemer in workshop No.232 of No.3 plant, chief of welfare section of Salary Division of HR Department, and chief of welfare office III.

### 3、Senior Management other than Directors and Supervisors

Mr. Huang Zhongqiang, vice president, born in 1968, master's degree in engineering, senior engineer, he used to be the Vice Director and Director of the General Manager's Office, Director of the Quality Control Department, Assistant to President, and Vice President of Changan Automobile (Group) CO., LTD, the Deputy Executive President and the Secretary of CPC of Chongqing Changan Suzuki Auto. Co., Ltd.

Mr. Luo Minggang, vice President, born in 1963, master's degree, a senior researcher-level engineer. He used to serve as Vice Director of Workshop No.26, and Director of Technology Department of Jiangling Machinery Plant, Director of No.1 Technology Institute of Changan Automobile (Group) CO., LTD, Director of Engine Technology Department and Vice Chief Engineer of Automobile Manufacturing Factory, Vice Director of Technical Center, Deputy Manager of Engine Manufacturing Factory, Deputy Manager and Chief Engineer of Automobile Manufacturing Factory, Vice Director of Changan Automotive Engineering Institute, the Executive Vice President of CFMA, Assistant to the President, vice President of Changan Automobile (Group) CO., LTD. The Executive Vice President & Secretary of CPC of Changan Ford Automobile Co., Ltd.

Mr. Du Yi, Vice President. born in 1967, master's degree, a senior researcher-level engineer. He used to be the vice president and executive vice president of Harbin Dongan Automotive Engine Manufacturing Co., Ltd, the vice president of Hafei Automobile Industry Group Co., Ltd. and the General Manager of the limited company, the Chairman, General Manager, deputy party secretary of Hafei Automobile Industry Group Co., Ltd.

Mr. Gong Bing, Vice President. born in 1969, MBA, Senior Economist. He used to be the Chairman, General Manager of Chongqing Jialing special equipment limited company, Chairman and general manager of China Jialing, vice general manager of Motorcycle Operation department in China South Industries Group, the general manager of Chongqing South Motorcycle Limited Liability Company.

Mr. Wang Jun, Vice President and general manager of commercial vehicle department. Born in 1967, Master's degree, Senior Engineer. He used to be the vice Director, Director of Scientific Research Management Division under Company Technical Center, the director of Scientific Management division under Science and Quality Department, the vice chairman of Automobile Engineering Institute and the director of Product Planning Department, the manager of Product Management Division under Changan Automobile Sales Company, the Manger of Product Planning Division under Marketing Department, the Vice Director, Director of Marketing Department, the Assistant to the President, General Manager of Changan Automobile Sales Company.

Mr. Liu Bo, Vice President and Head of Automobile Engineering General Institute. Born in 1966, Master's degree, Senior Researcher-level Engineer. He used to serve as the Vice Director of Workshop No.71 of Jiangling Machinery Plant, the Vice Director of Engine Research Division under Company Technology Department, the Vice Director of the Technical Center, the Vice Director, Executive vice Director of Automobile Engineering Institute, Assistant to the President and the Director of Project Supervision Office of the Company, the Director of the Project Administration Department.

Mr. He Chaobing, Vice President and Executive Vice President & Secretary of CPC of Changan Ford Automobile Co., Ltd, born in 1967, master's degree, Professor level senior engineer. A former director of fourth development center and Vice President of Automobile Engineering Research Institute, Deputy director of commercial vehicle business management department, President assistant and general manager of the Beijing Changan Automobile Co., Ltd, President assistant and director of purchase department, President assistant and vice general manager of the commercial vehicle division

Ms Zhang Jingjing, Vice President, General counsel. Born in 1966, bachelor's degree, professor-level and senior engineer. He used to serve as former deputy chief engineer of the 2nd factory of the Company, vice director of development and planning department of the Company, deputy director of Science and Technology Committee of the Company, deputy director of the administration office, the director of the project department, the minister of the Company's human resources department , the company CEO assistant and the director of Quality Department.

Mr. Yuan Mingxue, vice president. Born in 1968, Master's degree, senior engineer. A former assistant president of Changan automobile and Executive Vice President of Jiangling Holdings, the assistant president of Changan automobile and strategic planning director, Party branch secretary, director of the capital operation division, the assistant president of Changan automobile and general manager and party secretary of overseas business development department.

Mr. Li Wei, vice president. Born in 1966. Master graduate student, research senior engineer. The former president of the Beijing Institute, executive vice president, assistant president of Changan automobile and Party committee secretary of Changan Automotive Engineering Research Institute.

Ms. Li Jun, the Secretary of BOD and the Vice Director of Financial Department, was born in 1969, MBA, senior accountant. She used to be the Vice Director of Security Investment Office, Director of Capital Operation Office of the Financial Department, Director of the BOD Office.

#### Employment in shareholders' work unit

√Applicable    □ Not applicable

Name	Name of shareholders' work unit	Position in shareholders' work unit	Term start date	Term end date	Whether get allowance in shareholders' work unit
Xu Liuping	CCAG	chairman, secretary of the party committee			N
Zhang Baolin	CCAG	director, president			Y
Zhu Huarong	CCAG	vice secretary of party committee			N
Zhao Huixia	CCAG	president assistant of China Changan Automobile Group Co, Ltd& general manager of audit department(law affairs)			Y

#### Employment in other work unit

√Applicable    □ Not applicable

Name	Name of other work units	Position in other work units	Term start date	Term end date	Whether get allowance in other work unit
Zhou Zhiping	China South Industries Group Corp.	Staff Elected Director			N
Tan Xiaogang	China South Industries Group Corp.	Director of Development&Planning department of China South Industries Group Corp.			Y
Wang Xiao Xiang	China South Industries Group Corp.	Director of Financial Department of China South Industries Group Corp.			Y
Liu Jipeng	China University of Political Science and Law	Dean of research institute of China University of Political Science and			Y

		Law, professor and PHD tutor. Vice president of China Enterprise Reform and Development Society			
Li Qingwen	China Energy& Automobile Media Group	Chairman of China Energy& Automobile Media Group, Chairman of China Auto News Co.,Ltd, Chairman of China Energy News Co.,Ltd			Y
Tan Xiaosheng	Qihu 360	Vice president of and CPO of Qihu 360			Y
Pang Yong	IDEO	Chairman and CEO of IDEO			Y
Chen Quanshi	Tsinghua University	Vice Director of Automobile Research Institute, Tsinghua University			Y
Xiao Yong	China South Group Corp	Director of Audit and Risk Department, China South Group Corp			Y
Sun Dahong	China South Group Corp	Vice Director of General office and Director of Security Bureau, China South Group Corp			Y
Position in other work unit	This table only shows the main office performance and position of directors, independent directors and supervisors.				

#### Securities regulatory agency's punishment to the current and former directors, supervisors and senior management during the reporting period in recent three years.

Applicable Not applicable

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

#### Payment decision-making process, determination basis, the actual payment of directors, supervisors and senior managers

Decision-making process: except the independent directors, the annual remuneration of directors, supervisors and senior management is referring to the wage management regulations and rating standard of Southern Industrial Group. Payment of company independent directors is prescribed by the board of directors and submitted to the board of directors of the company, and approved by the shareholders' general meeting.

In accordance with: the senior management evaluation is divided into annual appraisal, mid-term assessment, term-change assessment and "look back" examination. Annual appraisal is to evaluate the business performance which senior management is in charge of, and the employee representatives and part of the units give to democratic appraisal or special evaluation on senior management, the assessment results will feedback to themselves in time on the problems existing in their work and relevant suggestions for improvement, which will be rectified in the coming new year. At the same time the assessment results will be linked with the annual performance award. Mid-term assessment is mainly to evaluate the business performance which senior management is in charge of, assessment results are related to the targeted training, position promotion, post communication, etc; term-change assessment is that the employee representative give democratic evaluation on all the senior management and do special visit to part of unit, and the assessment results are related to the targeted training, position promotion, post communication training and post

appointment of the senior management; new office head "look back" examination is mainly to look back the adjusted team, understand the working status of the new team in time, check the configuration effect of the new group, promote the new group into role as soon as possible, and reduce the risk of personnel employment.

Actual payments: senior managers pay basic salary monthly, annual performance prize combines annual appraisal status, the rest delays payment according to the company's business situation. In 2016, the remuneration the directors, supervisors and senior managers receiving from the company is 12.9596 million yuan in total.

**Payment of directors, supervisors and senior managers got from the company during the reporting period**

Name	Position	Gender	age	status	Total earning from the company(yuan)
Xu Liuping	Chairman of the board	M	52	Present	-
Zhang Baolin	Vice Chairman of the board	M	54	Present	-
Zhu Huarong	Director and President	M	51	Present	1,043,677
Zhou Zhiping	Director, Secretary of Party Committee, Chairman of Labor Union	M	46	Present	1,001,930
Tan Xiaogang	Director	M	53	Present	-
Wang Xiaoxiang	Director	M	43	Present	-
Wang Kun	Director, Vice President, the Secretary of BOD (replace)	M	41	Present	883,900
Liu Jipeng	Independent Director	M	60	Present	100,000
Li Qingwen	Independent Director	M	61	Present	100,000
Tan Xiaosheng	Independent Director	M	46	Present	100,000
Pang Yong	Independent Director	M	47	Present	100,000
Chen Quanshi	Independent Director	M	71	Present	100,000
Xiao Yong	Chairman of the supervisory	M	46	Present	-
Sun Dahong	Supervisor	M	50	Present	-
Zhao Huixia	Supervisor	M	56	Present	-
Zhang Anguo	Employee Supervisor	M	57	Present	193,935
Luo Yan	Employee Supervisor	F	42	Present	234,534
Huang Zhongqiang	Vice President	M	48	Present	896,273
Luo Minggang	Vice President	M	53	Present	902,970
Du Yi	Vice President	M	49	Present	743,687
Gong Bing	Vice President	M	47	Present	885,290



Wang Jun	Vice President	M	44	Present	884,900
Liu Bo	Vice President	M	50	Present	914,900
He Chaobing	Vice President	M	49	Present	870,220
Zhang Jingjing	Vice President	F	51	Present	780,000
Yuan Mingxue	Vice President	M	48	Present	780,000
Li Wei	Vice President	M	51	Present	780,000
Li Jun	the Secretary of BOD	F	47	Present	505,098
Shuai Tianlong	Independent Director	M	50	Departure	25,000
Li Xiang	Independent Director	M	35	Departure	41,666.67
Hu Yu	Independent Director	M	44	Departure	91,666.67
Total	--	--	--	--	12,959,647.34

#### Stock-ownership incentive awarded to directors, supervisors and senior managers during the reporting period

√Applicable    □ Not applicable

Name	Position	Number of stock options granted (in 10 thousand)	Proportion of the total number of shares granted	Proportion of the current total share capital
Zhu Huarong	Director and President	22.0	0.755%	0.0046%
Zhou Zhiping	Director, Secretary of Party Committee, Chairman of Labor Union	22.0	0.755%	0.0046%
Wang Kun	Director, Vice President, the Secretary of BOD (acting)	13.5	0.463%	0.0028%
Huang Zhongqiang	Vice President	13.5	0.463%	0.0028%
Ren Qiang	Vice President	13.5	0.463%	0.0028%
Luo Minggang	Vice President	13.5	0.463%	0.0028%
Du Yi	Vice President	13.5	0.463%	0.0028%
Gong Bing	Vice President	13.5	0.463%	0.0028%

Wang Jun	Vice President、 General Manager of Commercial Vehicle Division	13.5	0.463%	0.0028%
Liu Bo	Vice President、 Director of the research institute	13.5	0.463%	0.0028%
He Chaobing	Vice President、 Executive vice president and Party secretary of Changan Ford	13.5	0.463%	0.0028%
Zhang Jingjing	Vice President、 General counsel	13.5	0.463%	0.0028%
Yuan Mingxue	Vice President	13.5	0.463%	0.0028%
Li Jun	the Secretary of BOD、 Deputy Finance Director	14.0	0.480%	0.0029%
Total (14)		206.5	7.083%	0.043%

## V. Core technology team or key technical personnel changes during the reporting period (not the directors, supervisors and senior management)

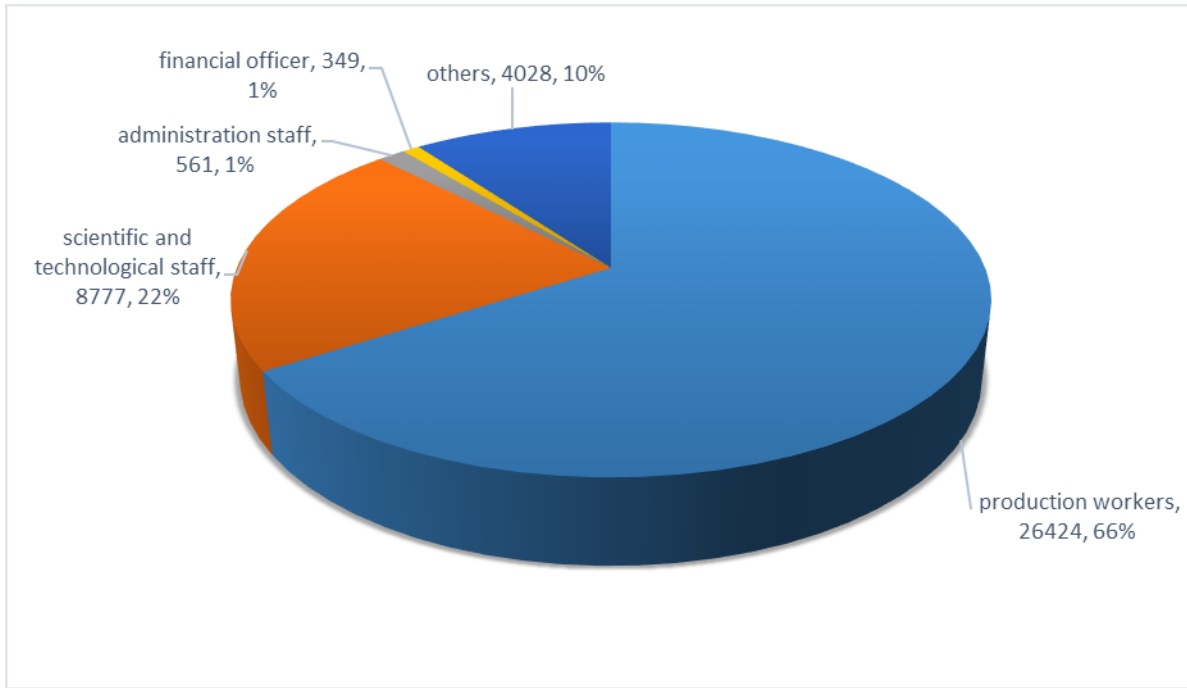
During the reporting period, the company's core technical team and key technical personnel remained stable.

## VI. The Employees of the Company

By the end of this year, total headcount of the company was 41,173, including 26,424 production workers, 1,034 salesman, 8,777 scientific and technological staff, 349 financial officers, 561 administration staff, and 4,028 staff on other positions. Among them, there were 143 staff with doctor degree, 1,915 staff with master degree, 11,188 staff with bachelor degree, 8,551 staff with college education, 16,889 staff with secondary technical school and senior high school education, and 2,487 staff with education of junior high school and below.

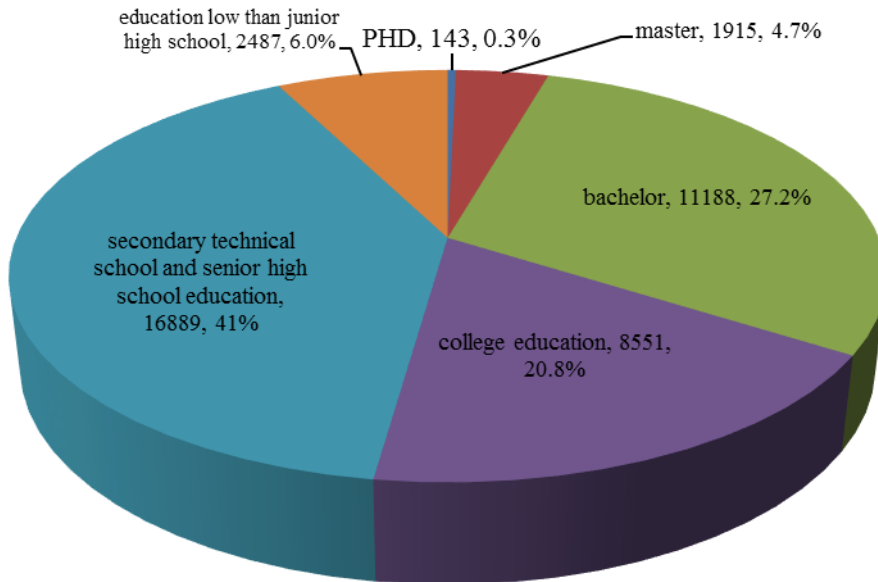
### 1. Professional structure chart

#### The employee's professional



2. Education degree chart

The employee's education



3. compensation policy

We adhere to the concept of a comprehensive salary scheme, and mobilize staff through a diversified and differentiated incentive system consisting of payroll, honor and welfare. In accordance with the "performance wage system" and "special collective wage contract", we continue to improve the wage co-decision mechanism, the normal wage growth mechanism and payment insurance mechanism. At the same time, we continue to optimize the staff welfare project construction, so that employees could share the fruits of enterprise development and protect the legitimate rights and interests of the employees.

#### 4. Training plan

Taking the strategy and business needs as guidance, design training in accordance with the PDCA cycle (Deming cycle), namely build "capacity model → evaluation& appraisal→ targeted training → ability certification" based on qualifications. Formulate annual training plan, promote company-wide training, and build an organization with learning capability through collecting training needs of all staff. Continue to promote the leading personnel training, skills training and build up an internal training platform.

#### 5. Company needs to bear the costs of 3,452 retired workers.

## Chapter 8 Corporate Governance

### I、The basic situation of corporate governance

In strict accordance with the requirements of the Company Law, the Securities Law and the relevant laws and regulations of the CSRC, the Company continuously improved the corporate governance structure and promoted the standard operation of the Company. The actual situation of the corporate governance of the Company is in line with the relevant requirements of the CSRC normative documents on corporate governance.

#### 1、Improve corporate governance system

During the reporting period, the Company improved the system, standardized the functions of various departments and promoted the standard operation level according to the relevant requirements of CSRC and Shenzhen Stock Exchange. The systems adopted by the shareholders' general meeting or the board of directors and its disclosure time are as follows:

No.	Name	Last time formulated or revised
1	Audit Committee Working Rules	March 23, 2016 (examined and approved at the first meeting of the 7th Board of Directors)
2	Compensation and Review Committee Working Rules	March 23, 2016 (examined and approved at the first meeting of the 7th Board of Directors)
3	Insider Registration Management System	April 18, 2016 (examined and approved at the fourth meeting of the 7th Board of Directors of the Company)
4	Hierarchical Authorization Management of Non-day-to-day Business	May 24, 2016 (examined and approved at the annual general meeting in 2015)
5	Information Disclosure Management System	June 13, 2016 (examined and approved at the seventh meeting of the 7th Board of Directors)
6	Articles of Association	November 15, 2016 (approved by the 6th Extraordinary Shareholders' General Meeting of the Company in 2016)
7	Related Transaction Management System	November 15, 2016 (approved by the 6th Extraordinary Shareholders' General Meeting of the Company in 2016)
8	Investor Relations Management System	November 22, 2016 (examined and approved at the 14th meeting of the 7th Board of Directors)
9	Management System of Shares Held by Directors, Supervisors and Senior Management and Its Changes	November 22, 2016 (examined and approved at the 14th meeting of the 7th Board of Directors)

#### 2、Optimize the corporate governance structure

In March 2016, the company completed the general election of the seventh BOD. In the new session of board of directors, the number of independent directors increased from 5 to 8, accounting for more than half of the board, which is a revolutionary transformation of the corporate governance structure, and is more conducive to improving the company's supervision mechanism and sound decision-making. At the same time, a compensation and review committee was set up for the first time.

#### 3、Improve the internal control system

The company has established an effective internal control system over the financial report. According to company's operation and management characteristics, the company strictly implemented the "Enterprise Accounting Standards", improved the basic accounting management, established a sound financial system, optimized accounting and statements preparation process, strengthened the financial supervision, conducted the in-depth implementation of financial management, established the management foundation work, accounting and finance management authorization, the monetary fund management, financing, purchasing and payment, fixed assets, projects under construction, accounting policy, accounting estimate, consolidated financial statements, cost

management, inventory management, financial analysis and other financial management system to ensure the quality of accounting information and the safety of the Company property. According to internal control deficiencies identified standards of the financial report, there is no internal control defects over financial reporting in the report period. The text of the internal control self-assessment report in 2017 April 18 was published in the huge influx of information network <http://www.cninfo.com.cn>.

**Whether there are differences between corporate governance and the related requirements of "company law" and China CSRC.**

yes no

There is no difference between corporate governance and the related requirements of "company law" and China CSRC.

## **II. Independent completion situation in terms of business, personnel, assets, organization and finance which is relative to the controlling shareholders**

The company and the controlling shareholders are fully independent in terms of business, assets, personnel, organization and finance.

## **III. Competition situation**

In December 2009, according to the national "Automobile Industry Adjustment and Revitalization Plan" regarding promoting auto enterprise merger restructuring and further optimization of state-owned economy strategy layout requirements, the actual controller of the company China South Industries Group Corporation and China Aviation Industry Group Company proceeded industry restructuring, China Aviation Industry Group Company transferred 100% equity of Jiangxi Changhe Automobile Co., LTD free. (hereinafter referred to as "Changhe Automobile") and 100% stake of Harbin Hafei Automobile Industry Group co., LTD. (hereinafter referred to as "Hafei group") into the company's controlling shareholder China Changan Automobile Group Co., LTD. (hereinafter referred to as "China Changan"). This above-mentioned behavior led to competition between the company and subordinate enterprise of China Changan, the controlling shareholder. To finally solve the possible competition and better maintain the interests of company's investors, the company's controlling shareholder China Changan commitment: 1. When Jiangxi Changhe Automobile Co., Ltd. and Harbin Hafei Automobile Industry Group Co., LTD. can make profits for two successive years with sustainable development ability and improved management level, it's proposed to affiliate the two companies into Changan automobile. In October 28, 2013, the controlling shareholder of China Changan transferred Jiangxi Changhe Automobile Co. Ltd. to Jiangxi provincial state owned enterprise assets (Holdings) Limited, China Changan proposed Jiangxi Changhe Automobile Co. Ltd. injected commitment matter was removed. The Harbin Hafei Automobile Industry Group Co at present is still at a status of loss, and could not reached the profitable status for two consecutive years.

## **IV. Annual shareholders meeting and interim shareholders meeting during the reporting period**

### **1. Shareholders meeting during the reporting period**

Meeting Session	Type	Investors' participation	Opening Time	Disclosure Time	Disclosure Index
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		ratio			
Annual Shareholders Meeting	Annual	50.80%	May. 24 <sup>th</sup> , 2016	May. 25 <sup>th</sup> , 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2015 Annual Shareholders Meeting Resolution Announcement(Announcement Number: 2016-59)
2016 First Interim Shareholders Meeting	Interim	47.87%	Mar. 23 <sup>rd</sup> , 2016	Mar. 24 <sup>th</sup> , 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2016First Interim Shareholders Meeting Resolution Announcement(Announcement Number: 2016-16)
2016 Second Interim Shareholders Meeting	Interim	12.01%	Apr. 29 <sup>th</sup> , 2016	Apr. 30 <sup>th</sup> , 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2016 Second Interim Shareholders Meeting Resolution Announcement(Announcement Number: 2016-51)
2016 Third Interim Shareholders Meeting	Interim	39.28%	June. 30 <sup>th</sup> , 2016	July 1 <sup>st</sup> , 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2016 Third Interim Shareholders Meeting Resolution Announcement(Announcement Number: 2016-73)
2016 Fourth Interim Shareholders Meeting	Interim	40.73%	Aug. 2 <sup>nd</sup> , 2016	Aug. 3 <sup>rd</sup> , 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2016 Fourth Interim Shareholders Meeting Resolution Announcement(Announcement Number: 2016-80)
2016 Fifth Interim Shareholders Meeting	Interim	46.95%	Aug. 31 <sup>st</sup> , 2016	Sep. 1 <sup>st</sup> , 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2016 Fifth Interim Shareholders Meeting Resolution Announcement(Announcement Number: 2016-93)
2016 Sixth Interim Shareholders Meeting	Interim	47.30%	Nov. 15 <sup>th</sup> , 2016	Nov. 16 <sup>th</sup> , 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> 2016 Sixth Interim Shareholders Meeting Resolution Announcement(Announcement Number: 2016-116)

## 2、Preferred shareholders' request to hold the interim shareholders meeting with restoration of voting rights

Applicable  Non-applicable

## V、Duties performed by independent directors during the reporting period.

### 1、Independent directors attend board of directors and the shareholders meeting

Independent directors attend board of directors and the shareholders meeting						
Names of independent directors	Times of attending the board of directors during the report period	Times of presence	Times of attendance by communication mode	Times of entrust attendance	Times of absence	Whether absent from the meeting for two consecutive times
Shuai Tianlong	7		7			N
Liu Jipeng	14	1	13			N
Li Xiang	9		8		1	N
Li Qingwen	14	1	13			N
Tan Xiaosheng	14	1	13			N
Hu Yu	14	1	13			N
Pang Yong	14	1	12	1		N
Chen Quanshi	14	1	13			N
Ouyang Minggao	3		3			N
Dong Yang	3		2		1	N

Chen Zhong	3		3			N
Wang Zhixiong	3		3			N
Peng Shaobing	3				3	Y
Times for independent directors attending the shareholders meeting						7

#### The explanation on absence in two consecutive board of directors meetings

On July 4, 2015 Mr. Peng Shaobing voluntarily resigned from the position of independent directors. Since the resignation of Mr. Peng Shaobing would make the proportion of the independent director lower than the statutory requirements, in accordance with the provisions of the CSRC "Guidance on the Establishment of Independent Director System in the Listing Company" and the "Articles of Association", Mr Peng Shaobing 's resignation report was effective only after the election of the subsequent independent directors in the first interim meeting of shareholders in 2016.

## 2、Independent directors express disagreement to company related matters

#### Whether independent directors express disagreement to company related matters.

Yes  No

Independent directors did not express disagreement to company related matters during the reporting period.

## 3、Other explanation on the fulfillment of responsibility of independent directors

#### Whether the suggestions of Independent directors are adopted or not

Yes  No

#### Explanation on whether the suggestions of Independent directors are adopted or not

During the reporting period, the company adopted the proposals of independent directors on the equity acquisition and related transactions and other aspects.

## VI、Duty performance of specialized committees of the board of directors during the report period

### 1、Audit Committee

The audit committee under the board of directors consists of 3 people. The chairman of the committee is Mr. Liu Jipeng, who is an independent director. A vacancy appeared due to the passing away of Mr. Shuai Tianlong. During the reporting period, the audit committee held 4 meetings and performed the following duties:

1) Carefully reviewed the 2015 annual financial accounting report and 2016 action plan of audit supervision department compiled by the company, and agree to the above matters;

2) After the Ernst & Young Hua Ming issued 2015 annual audit report, the audit committee reviewed the 2015 annual financial statements (AUDIT) and major adjustments related to accounting firms, concluded the audit work of the Ernst & Young Hua Ming. The audit committee considered that Ernst & Young Hua Ming had professional competence, worked diligently, maintained their independence in audit, and completed 2015 annual audit task on time. The audit committee voted and made resolutions on company's annual financial report, and agreed to submit the 2015 financial report to the board of directors for approval.

3) Reviewed the proposal on Recruitment of 2016 Annual Financial Report Auditor and Recruitment of 2016



Annual Internal Control Report Auditor, and agreed to submit the proposal to the board of directors for approval of continuing to hire Ernst & Young Hua Ming as the company's 2016 annual financial report auditor and 2016 Annual internal control report auditor.

4) Carefully reviewed the company's 2016 annual audit plan and related materials, and approved the audit plan and audit requirements of 2016 annual financial report proposed by the Ernst & Young Hua Ming.

## 2、 Compensation and Review Committee

The compensation and review committee under the board of directors consists of 3 independent directors. The chairman of the committee is Mr. Chen Quanshi. During the reporting period, the committee held 2 meetings and performed the following duties:

1) Reviewed the contents and abstract of the *Stock Options Incentive Scheme* (draft) and closely followed subsequent stock incentive schemes; Reviewed and agreed to the management mechanism on such scheme and proposed to the Shareholders' General Meeting to authorize the Board of Directors to handle relevant matters on it.

2) Reviewed the contents and abstract of the *Stock Options Incentive Scheme* (draft) and closely followed subsequent stock incentive schemes; Reviewed and agreed to the review and management mechanism on such scheme.

## VII. The work of the board of supervisors

**The board of supervisors found whether the company was at risk or not in the supervision during the report period**

Yes  No

The board of supervisors has no disagreement on the supervision during the report period.

## VIII. The evaluation and incentive of senior management

### 1、 Evaluation Mechanism

According to the company's performance evaluation management system, the president and other senior management personnel are evaluated by board of directors. Evaluation is taken regularly and frequently, qualitatively and quantitatively.

### 2、 Excitation mechanism;

The income of senior management consists of basic salary and performance pay. Performance pay is linked to performance appraisal.

### 3、 Constraint Mechanism

Company and senior management sign "employment contract", which has corresponding constraints on behavior, rights, duties, etc of senior management.

## IX. Internal Control

### 1、 Significant Deficiency of Internal Control found during the report period

Yes     No

### 2、 Self-assessment report of internal control

Disclosure date of self-assessment report of internal control	Apr. 18 <sup>th</sup> , 2017	
Disclosure index of self-assessment report of internal control	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
proportion of total asset in the assessment accounting for the total asset in the financial statement	100.00%	
proportion of revenue in the assessment accounting for the revenue in the financial statement	100.00%	
Deficiency Definition Standard		
Type	Financial Report	Non Financial Report
qualitative standard	1. Fraud behavior of the directors, supervisors and senior management. 2. The company has corrected the published financial report, the significant wrong report due to fraud and mistakes, the significant mistakes in the financial report found by certified public accountants, but not found by the company's internal control. 3. The supervision of audit committee on the company's external financial report and internal control of financial report is not effective.	1.Lack democratic decision-making procedure or violation of democratic decision-making procedure 2.Violate national laws and regulations and get punished 3.Great loss of middle and senior management and senior technical personnel 4.Frequent media negative news with a large range 5.Signifant business lacks regulation control or regulation system becomes ineffective 6.The significant deficiencies of internal control is not corrected
quantitative standard	The amount of misstatement of the financial statements falls within the following ranges: Wrong report $\geq$ 4% of total profit	The amount of misstatement of the financial statements falls within the following ranges: Wrong report $\geq$ 4% of total profit
Financial Report Major Defects	0	
Non-financial reporting significant number of defects	0	

Financial Reporting Key Number of defects	0
Non-financial reporting Number of important defects	0

## X. Internal control audit report

Applicable   Not applicable

deliberations in the internal control audit report	
The audit opinion of the internal control audit report compiled by Ernst & Young Hua Ming Accounting Firm: Chongqing Changan Automobile Co., Ltd keeps the effective financial report internal control on significant aspects from Dec.31st,2016, according to “Basic Norms of Enterprise Internal Control” and other related regulations.	
Disclosure date of audit report of internal control	Apr.18, 2017
Disclosure index of audit report of internal control	Internal control audit report will be published on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> on Apr.18, 2017
type of opinion on internal control audit report	standard and unqualified opinion
Whether there is huge deficiency in the non-financial report	No

**Whether the accounting firm issued non-standard internal control audit report or not?**

Yes    No

**Whether the internal control audit report issued by the Accounting Firm agreed with the self-assessment report of the board of directors or not?**

Yes    No

## Chapter 9 Corporate Bonds

### 1、 Basic information of corporate bonds

bond name	bond short name	bond code	issue day	due day	Bond balance (ten thousand yuan)	interest rate	Servicing way
Corporate bonds of Chongqing Changan Automobile Co., LTD., 2012	12 Changan debt	112079	2012.04.23	2017.04.23	198,000	5.30 %	<p>On/up interest day: April 23, 2012.</p> <p>Payment date: from 2013 to 2017 every year on April 23 for a draw on the annual payment date (in case of legal holidays or rest days, automatically postponed to the following first working day).</p> <p>To honor day: April 23 of 2017 (in case of legal holidays or rest days, automatically postponed to the following first working day).</p> <p>Servicing way: using simple interest rate on a yearly basis, regardless of compound interest, extra interest doesn't incur form overdue situation. Due payments once a year, maturing debt at a time. In the final phase, interest is paid together with the principal redemption.</p>
Corporate bonds listed or trading places	Listed in Shenzhen Stock Exchange						
Investors appropriate arrangement	For qualified investors						
During the reporting period, interest payment situation of the company bonds	<p>According to 2012 company bond rate announcement of Chongqing Changan Automobile Co., LTD., the current bond rate is 5.30%. Each 1000-yuan face value of bonds entails the interest of RMB 53.00 yuan (including tax). After the tax collection, the actual distributing interest for the individual and the securities investment fund bond holders is RMB42.40 yuan for each; after the tax collection, the actual distributing interest of a non-resident enterprise (including QFII, RQFII) is RMB 47.70 yuan for each.</p> <p>The company in 2016 pays RMB 104.88 million yuan of bond interest; Creditor's rights registration day: April 22, 2016; Ex-dividend day: April 25, 2016. Payment date: April 25, 2016.</p>						

### 2、 Bond trustee and the credit rating agency information

Bond trustee:

Name	Haitong Securities Co., LTD. (hereinafter referred to as the "Haitong securities")	office address	No. 1101, 11/F, Taikang International Building, No. 2 of Wudinghou Street, of West city district, Beijing.	contact	Li Shiwen	Tel	010-58067801
The credit rating agencies which follow and rate the corporate bond during the reporting period							
Name	Joint Credit Rating Co., LTD			office address	No. 2 PICC Building 12 layer, Broadway street, Chaoyang District, Beijing (100022)		

**3、 The usage of corporate bonds to raise money**

The usage and performance of raised funds from Corporate bonds	<p>The twenty-sixth session of the fifth board of directors meeting held on January 16th, 2012, and the extraordinary shareholders' general meeting for the first time on February 3rd, 2012, passed the bill on issuance of company bonds. On March 26, 2012, the company received the approval of China securities regulatory commission about Chongqing Changan Automobile co., LTD., a public approval of the issuance of company bonds "(regulatory permission [2012] no. 388), and the company was granted to issue corporate bonds to the public with face value less than 1.98 billion yuan.</p> <p>As of April 26, 2012, the company has completed relevant work of bond issue, raising money 1.98 billion yuan. The bond is a five-year variety with a fixed interest rate of 5.30%.</p> <p>The funds after the deduction of distribution costs in this issuance were completely used to supplement the company's liquidity.</p>
At the end of balance (ten thousand)	0
Raise money for special account operation	Operate orderly
Whether the usage of the raised money corresponding to the purposes of promise, use plans, and other agreement	Unanimous

**4、 Corporate bond rating information**

According to the China securities regulatory commission "corporate bond issuance and trading management measure" (hereinafter referred to as the "management measures"), the listing rules for "corporate bonds" of Shenzhen Stock Exchange and other regulations, Joint Credit Rating Co., LTD followed the credit rating for the company's issuance of corporate bonds. Joint Credit Rating Co., LTD issued the analysis report of tracking rating 2012 corporate bonds for Chongqing changan automobile co., ltd. on June 15, 2016 and maintained the credit rating of "AAA" for Changan Automobile with the outlook of "stable"; At the same time it maintained "AAA" credit rating" for 12 Changan debt. (Detailed information, please refer to <http://www.cninfo.com.cn> for the 2016 analysis report of tracking rating 2012 corporate bonds for Chongqing Changan Automobile Co., Ltd. On June 16, 2016).

**5、 Corporate bond credit mechanism, the debt repayment plans and other security measures**

Applicable non-applicable

(1) The credit mechanism

This bond is guaranteed by China Changan with full, unconditional, irrevocable and joint liability, and the scope of the guarantor's guarantee includes the current debt principal and interest, as well as the penalty due to breach of contract, compensation for damage, the cost of the creditor's rights and other fees. As for the main financial indicators of the guarantor, please refer to the chapter "The guarantor's financial statements during the reporting period.

## (2) The repayment plan

## ①The interest payment

A. Due payments once a year, maturing debt at a time. In the final phase, interest is paid together with the principal redemption. No interest incurs from each interest payment since payment date. This bond payment date from 2013 to 2017 for every year on April 23 (in case of legal holidays or rest days, automatically postponed to the following first working day, and no additional interest payments during the postponing period).

B. The bond interest paid by bonds registration institution and related institutions. Specific item of the interest payments will be released in the designated media by the competent department of media in accordance with the relevant provisions of the state.

C. According to the national tax laws and regulations, investors should pay the relevant taxes and fees generated from the bonds.

## ②The payment of the principal

A. Debt to the maturity of bonds for the issuance..

B. This bond redemption date for April 23, 2017 (in case of legal holidays or rest days, automatically postponed to the following first working day, and no additional interest payments during the postponing period).

C. The bond principal paid by bonds registration institution and related institutions. Specific item of the principal payments will be released in the designated media by the competent department of media in accordance with the relevant provisions of the state.

## (3) The debt repayment guarantee measures

In order to fully and effectively safeguard the interests of the bondholders, the company set up a series of work plans for the timely repayment of the issue bonds with full specified amount at once, including a specific department and personnel, the arrangement of a sinking fund, the management measures, the organization and coordination, the strengthening of information disclosure, etc., and the repayment guarantee measures are as follows:

## ①Develop the bondholder meeting rules

The Company in accordance with the requirements of the "management method" made "The bondholder meeting rules". "The bondholder meeting rules" agreed on the scope, procedures and other important issues of bondholders' rights through bondholders meeting, to ensure the system arrangement for the timely repayment of the company debt principal and interest.

## ②Hire a bond trustee

In accordance with the "management measure" regulation, the Company employed Haitong Securities as the trustee of the current debt and concluded with Haitong Securities on the "bond trustee agreement". During the existing period, the Haitong Securities in accordance with the agreement of the bond trustee agreement was on behalf of the interests of the current bondholders. The Company, in strict accordance with the provisions of the bond trustee agreement, cooperated with the bond trustee to perform its duties, and submitted the execution of the promise to the bond trustee on a regular basis, and informed the bond trustee and the guarantor in the case of default in order to start the corresponding security program in time, or other necessary measures according to the bond trustee agreement.

## ③Strict capital management plan

After this bond issuance, according to the situation of the debt structure, the company further enhanced the company's assets and liabilities management, liquidity management, use management of raised funds and was subject to future debt principal and interest payable based on the annual and monthly fund use plan, guarantee the capital schedule as planned to conduct the timely and full repayment of the interest and principal and protect the interests of investors.

## ④Strict information disclosure

The Company will follow the principle of true, accurate and complete information disclosure, and the company debt paying ability, the usage situation of the raised money and so on will be supervised by bond holders, bond entrusted managers and shareholders in order to guard against insolvency risk. According to the bond trustee agreement and the relevant provisions of China securities regulatory commission on information disclosure of important matters, the following matters are included at least: The difficulty of repaying the maturing debt interest and/or principal; the company guarantees and other important contracts may impact majorly on the servicing ability; A major loss or substantial losses with more than 10% of the Company's net worth; The decreasing investment, merger, division, dissolution, filed for bankruptcy and other situations change the subject of the company; A major arbitration or litigation may heavily influence the company's servicing ability; the major restructuring of debt may heavily influence the company servicing ability; the Company changes the guarantee way of related information; The Company or the bond credit rating encounters a serious adverse change; the change of the bond trustee; the trading of the bonds are suspended; Other significant matters may affect the interests of the bondholders; Other circumstances stipulated by the China securities regulatory commission.

## ⑤Other security measures

According to the approval from the twenty-sixth session of the fifth board of directors meeting, and the extraordinary shareholders' general meeting for the first time in 2012, if the Company estimates the difficulty of repaying the debt principal and interest on schedule or failed to repay debt principal and interest on schedule, the

Company at least takes the following measures: no distribution of profits to its shareholders; A moratorium on the major foreign investment, mergers and acquisitions, capital expenditure; and lower the salary/wages and bonuses of directors and senior management personnel; The main responsible person shall not be transferred.

## 6、 During the reporting period the bondholder meeting

During the reporting period, the company did not hold bondholders meeting.

## 7、 During the reporting period the bond trustee perform his duties

According to the China securities regulatory commission "corporate bond issuance and trading management measure" (hereinafter referred to as the "management measures"), the listing rules for "corporate bonds" of Shenzhen Stock Exchange and other regulations, Haitong Securities issued "Trustee transaction report Chongqing Changan Automobile 2012 Corporate Bonds (2015) " on May 19, 2016 (Detailed information, please refer to <http://www.cninfo.com.cn>).

## 8、 During the reporting period, the company's major accounting data and financial indicators for last 2 years

Unit: 10 thousand

Item	2016	2015	variation
EBITDA	1,275,896	1,216,509	4.88%
Flow ratio	110.01%	102.68%	Up 7.33%
Assets and liabilities ratio	59.30%	61.78%	Down 2.48%
Quick ratio	94.52%	84.80%	Up 9.72%
EBITDA all debt ratio	20.20%	22.02%	Down 1.82%
Interest protection factor	85.60	88.14	-2.88%
Cash interest margin	20.29	48.13	-57.84%
EBITDA Interest Protection Multiplier	104.29	105.88	-1.50%
Loan repayment rate	100.00%	100.00%	0.00%
Interest rate	100.00%	100.00%	0.00%

The main reason that the accounting data and financial indicators yoy change more than 30%

Applicable  non-applicable

Item	Reason of variation of more than 30%
Cash interest margin	Net cash flow from operating activities decreased

## 9、 During the report period interest payment for other bonds and debt financing tool

Applicable non-applicable

## 10、 During the reporting period obtain bank credit, its use situation and repayment of bank loans

At the end of June,2016, the company got the bank credit amount of RMB 43 billion yuan. Until December 31, 2016, the actual use of credit is 20.8 billion yuan; in 2016 the Company repaid all bank loans on time with no late repayment.

**11、 During the reporting period the situation of performing the related agreement or commitment in the corporate bond prospectus**

On April 25, 2016 the company paid the interest bonds of “12 Changan Debt” from April 23, 2015 to April 22, 2016 (details refer to 2012 corporate bonds 2016 interest-payment announcement by the company on April 19, 2016 on the website <http://www.cninfo.com.cn> ).

**12、 Major events occurring in the period of report**

Applicable non-applicable

**13、 Whether there is a guarantor corporate bonds**

Applicable non-applicable

The guarantor of the corporate bond is a legal person or other organizations

Applicable non-applicable

Whether to disclose the guarantor’s financial statements during the reporting period, including the balance sheet, income statement, the cash flow statement, statement of changes in owner's equity (shareholders' equity) and the notes to financial statements.

Applicable non-applicable

**14、 The guarantor financial statements during the reporting period**

Content can be found in relevant announcements on August 18, 2017, and published on the website of network ([www.cninfo.com.cn](http://www.cninfo.com.cn)).



## **Chapter 10 Auditor's Report**

### **Auditor's Report**

Ernst & Young Hua Ming Shen Zi (2017) No. 60662431\_D01

#### **To the shareholders of Chongqing Changan Automobile Company Limited**

We have audited the accompanying financial statements of Chongqing Changan Automobile Company Limited, which comprise the consolidated and the company balance sheet as at 31 December 2016, and the consolidated and the company income statements, the statements of changes in equity and the cash flow statements for the year then ended and notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management of Chongqing Changan Automobile Company Limited is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Standards on Auditing. Those standards require that we comply with Code Ethical for Chinese Certified Public Accountants and plan and perform the audit to obtain a reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Auditor's Report (continued)**

Ernst & Young Hua Ming Shen Zi (2017) No. 60662431\_D01

**Opinion**

In our opinion, the accompanying consolidated and the company financial statements present fairly, in all material respects, the consolidated and the company's financial position of Chongqing Changan Automobile Company Limited as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

Chen Xiao Xiang

Ernst & Young Hua Ming (LLP)

Chinese Certified Public Accountant

Hu Yan

Chinese Certified Public Accountant

Beijing, the People's Republic of China

18 April 2017

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED BALANCE SHEET**  
**31 December 2016**  
**(Expressed in Renminbi Yuan)**

	<u>Notes V</u>	<u>2016</u>	<u>2015</u>
<b>Current assets</b>			
Cash	1	24,782,504,552.44	18,035,109,674.21
Notes receivable	2	29,002,539,261.26	22,683,096,211.46
Accounts receivable	3	1,498,837,041.54	875,479,556.55
Prepayments	4	1,060,809,892.75	852,071,794.54
Interest receivable	5	19,318,138.89	15,295,866.67
Dividends receivable	6	-	23,684,883.31
Other receivables	7	1,403,399,178.49	1,001,485,245.40
Inventories	8	7,304,106,822.61	8,129,075,131.92
Other current assets	9	<u>926,060,330.87</u>	<u>8,909,736.44</u>
<b>Total current assets</b>		<u>65,997,575,218.85</u>	<u>51,624,208,100.50</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	10	432,476,274.00	530,811,274.00
Long-term equity investments	11	14,743,367,010.03	14,906,500,436.49
Investment property	12	7,782,984.40	8,009,695.96
Fixed assets	13	15,480,484,513.99	13,910,237,530.81
Construction in progress	14	3,821,703,830.78	3,063,874,006.92
Project materials		96,690.75	96,690.75
Fixed assets disposal		-	12,412.53
Intangible assets	15	3,444,950,675.03	2,843,331,742.67
Development expenditure	16	1,111,176,453.49	1,093,462,382.64
Goodwill	17	9,804,394.00	9,804,394.00
Long-term deferred expenses	18	13,448,409.63	8,028,811.27
Deferred tax assets	19	<u>1,447,607,278.98</u>	<u>1,415,611,191.12</u>
<b>Total non-current assets</b>		<u>40,512,898,515.08</u>	<u>37,789,780,569.16</u>
<b>TOTAL ASSETS</b>		<u>106,510,473,733.93</u>	<u>89,413,988,669.66</u>

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED BALANCE SHEET (continued)**  
**31 December 2016**  
**(Expressed in Renminbi Yuan)**

	<u>Notes V</u>	<u>2016</u>	<u>2015</u>
<b>Current liabilities</b>			
Short-term loans	21	175,000,000.00	50,000,000.00
Notes payable	22	20,952,104,805.58	18,662,900,601.34
Accounts payable	23	19,880,580,102.39	14,973,826,566.55
Advances from customers	24	6,854,337,365.01	7,326,612,631.20
Payroll payable	25	1,839,947,475.23	1,499,613,879.78
Taxes payable	26	555,681,489.16	356,749,196.49
Interest payables	27	73,458,000.00	73,458,000.00
Dividend payables	28	79,742.80	79,742.80
Other payables	29	1,449,028,595.97	1,762,874,858.05
Contingent liabilities	30	2,010,153,951.87	1,641,676,220.15
Other current liabilities	31	4,211,570,198.88	3,930,898,961.15
Current portion of non-current liabilities	32	<u>1,992,341,127.81</u>	<u>-</u>
<b>Total current liabilities</b>		<u>59,994,282,854.70</u>	<u>50,278,690,657.51</u>
<b>Non-current liabilities</b>			
Bonds payable	33	-	1,975,102,599.85
Long-term loans	34	19,980,912.00	-
Long term payroll payable	35	105,132,000.00	106,622,000.00
Special payable	36	217,497,540.80	164,121,780.05
Deferred income	37	2,785,885,626.37	2,666,543,408.82
Deferred tax liabilities	19	<u>34,535,250.00</u>	<u>49,285,500.00</u>
<b>Total non-current liabilities</b>		<u>3,163,031,329.17</u>	<u>4,961,675,288.72</u>
<b>Total liabilities</b>		<u>63,157,314,183.87</u>	<u>55,240,365,946.23</u>

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED BALANCE SHEET (continued)**  
**31 December 2016**  
**(Expressed in Renminbi Yuan)**

	<u>Notes V</u>	<u>2016</u>	<u>2015</u>
<b>Owners' equity</b>			
Share capital	38	4,802,648,511.00	4,662,886,108.00
Capital reserves	39	5,085,301,532.55	3,227,489,320.83
Other Comprehensive Income	40	141,480,908.23	242,110,844.54
Special reserves	41	16,349,485.65	22,036,479.54
Surplus reserves	42	2,401,324,255.50	2,331,443,054.00
Retained earnings	43	<u>31,126,707,710.94</u>	<u>23,899,223,263.45</u>
Equity attributable to owners		<u>43,573,812,403.87</u>	<u>34,385,189,070.36</u>
Minority interests		<u>(220,652,853.81)</u>	<u>(211,566,346.93)</u>
<b>Total equity</b>		<u>43,353,159,550.06</u>	<u>34,173,622,723.43</u>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<u>106,510,473,733.93</u>	<u>89,413,988,669.66</u>

The financial statements have been signed by:

Legal Representative: \_\_\_\_\_ Principal in Charge of Accountancy: \_\_\_\_\_ Chief Accountant: \_\_\_\_\_

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED INCOME STATEMENT**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	Notes V	2016	2015
<b>Operating revenue</b>	44	<b><u>78,542,441,757.19</u></b>	<b><u>66,771,580,527.66</u></b>
Less: Operating cost	44	64,487,605,908.58	53,406,710,707.60
Tax and surcharges	45	3,629,619,040.93	2,941,577,703.72
Operating expenses	46	5,293,744,700.63	4,954,522,137.85
General and administrative expenses	47	5,128,856,385.18	4,899,212,097.06
Financial income	48	(305,390,915.29)	(150,805,630.19)
Impairment loss on assets	49	468,851,401.15	630,316,436.27
Add: Investment income	50	9,619,016,254.57	9,497,409,092.94
<i>Including: Investment income from associates and joint venture</i>		<u>9,563,723,801.40</u>	<u>9,439,864,877.63</u>
<b>Operating profit</b>		<b>9,458,171,490.58</b>	<b>9,587,456,168.29</b>
Add: Non-operating income	51	983,119,330.50	514,920,557.97
<i>Including: gain on disposal of non-current assets</i>		7,658,376.74	1,709,968.83
Less: Non-operating expenses	52	91,466,040.83	90,491,722.00
<i>Including: loss on disposal of non-current assets</i>		<u>33,834,450.18</u>	<u>36,024,036.17</u>
<b>Total profit</b>		<b>10,349,824,780.25</b>	<b>10,011,885,004.26</b>
Less: Income tax expense	53	<u>73,230,121.41</u>	<u>89,331,468.18</u>
<b>Net profit</b>		<b><u>10,276,594,658.84</u></b>	<b><u>9,922,553,536.08</u></b>
Net profit attributable to owners		<u>10,285,284,120.57</u>	<u>9,952,714,168.09</u>
Minority interests		<u>(8,689,461.73)</u>	<u>(30,160,632.01)</u>

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED INCOME STATEMENT (continued)**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	Notes V	2016	2015
<b>Other comprehensive income, net of tax</b>			
Total comprehensive income attributable to owners, net of tax	40		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Change in net liability or asset from defined benefit plan		4,676,000.00	2,956,000.00
Other Comprehensive income not to be recalssfied to profit or loss under equity method		<u>(166,479.23)</u>	<u>(966,718.09)</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value from available-for-sale financial asset		(83,584,750.00)	(37,567,875.00)
Foreign currency reserve		<u>(21,554,707.08)</u>	<u>(14,323,959.61)</u>
Total comprehensive income attributable to minority interests, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<b><u>10,175,964,722.53</u></b>	<b><u>9,872,650,983.38</u></b>
Total comprehensive income attributable to owners		<u>10,184,654,184.26</u>	<u>9,902,811,615.39</u>
Total comprehensive income attributable to minority interest		<u>(8,689,461.73)</u>	<u>(30,160,632.01)</u>
<b>Earnings per share</b>	54		
Basic earnings per share		<u>2.19</u>	<u>2.13</u>
Diluted earnings per share		<u>Not Applicable</u>	<u>Not Applicable</u>

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	Equity attributable to owners						Subtotal	Minority interest	Total equity
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings			
At 31 December 2015	4,662,886,108.00	3,227,489,320.83	242,110,844.54	22,036,479.54	2,331,443,054.00	23,899,223,263.45	34,385,189,070.36	(211,566,346.93)	34,173,622,723.43
Changes during the year									
Total comprehensive income	-	-	(100,629,936.31)	-	-	10,285,284,120.57	10,184,654,184.26	(8,689,461.73)	10,175,964,722.53
Capital contributed by owners and capital decreases									
1.Capital contributed by owners	139,762,403.00	1,844,096,311.72	-	-	-	-	1,983,858,714.72	-	1,983,858,714.72
2.The amount of share-based payments recorded in Owners' equity	-	13,715,900.00	-	-	-	-	13,715,900.00	-	13,715,900.00
Distribution of profit									
1.Appropriation of surplus reserve	-	-	-	-	69,881,201.50	(69,881,201.50)	-	-	-
2.Distribution to owners	-	-	-	-	-	(2,987,918,471.58)	(2,987,918,471.58)	-	(2,987,918,471.58)
Special reserves									
1.Provided	-	-	-	80,288,776.56	-	-	80,288,776.56	976,588.09	81,265,364.65
2.Utilized	-	-	-	(89,158,637.23)	-	-	(89,158,637.23)	(1,373,633.24)	(90,532,270.47)
3.Effective portion of changes in special reserves from joint venture	-	-	-	3,182,866.78	-	-	3,182,866.78	-	3,182,866.78
At 31 December 2016	<u>4,802,648,511.00</u>	<u>5,085,301,532.55</u>	<u>141,480,908.23</u>	<u>16,349,485.65</u>	<u>2,401,324,255.50</u>	<u>31,126,707,710.94</u>	<u>43,573,812,403.87</u>	<u>(220,652,853.81)</u>	<u>43,353,159,550.06</u>



**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)**  
**Year ended 31 December 2015**  
**(Expressed in Renminbi Yuan)**

	Equity attributable to owners						Subtotal	Minority interest	Total equity
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings			
At 31 December 2014	4,662,886,108.00	3,227,489,320.83	292,013,397.24	7,864,849.94	2,331,443,054.00	15,115,601,819.79	25,637,298,549.80	(181,886,852.58)	25,455,411,697.22
Changes during the year									
Total comprehensive income	-	-	(49,902,552.70)	-	-	9,952,714,168.09	9,902,811,615.39	(30,160,632.01)	9,872,650,983.38
Distribution of profit	-	-	-	-	-	(1,169,092,724.43)	(1,169,092,724.43)	-	(1,169,092,724.43)
Special reserves									
1.Provided	-	-	-	69,992,434.73	-	-	69,992,434.73	1,174,225.33	71,166,660.06
2.Utilized	-	-	-	(58,059,866.21)	-	-	(58,059,866.21)	(693,087.67)	(58,752,953.88)
3.Effective portion of changes in special reserves from joint venture	-	-	-	2,239,061.08	-	-	2,239,061.08	-	2,239,061.08
At 31 December 2015	<u>4,662,886,108.00</u>	<u>3,227,489,320.83</u>	<u>242,110,844.54</u>	<u>22,036,479.54</u>	<u>2,331,443,054.00</u>	<u>23,899,223,263.45</u>	<u>34,385,189,070.36</u>	<u>(211,566,346.93)</u>	<u>34,173,622,723.43</u>

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	Notes V	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sale of goods or rendering of services		78,942,062,368.66	67,227,118,483.19
Refunds of taxes		178,956,002.72	132,443,967.23
Cash received relating to other operating activities	55	<u>1,355,517,641.00</u>	<u>880,908,236.41</u>
<b>Subtotal of cash inflows</b>		<u>80,476,536,012.38</u>	<u>68,240,470,686.83</u>
Cash paid for goods and services		59,116,153,862.52	47,149,288,245.62
Cash paid to and on behalf of employees		5,549,657,883.75	4,793,792,121.63
Cash paid for all types of taxes		6,901,561,944.16	5,548,989,133.66
Cash paid relating to other operating activities	55	<u>6,622,611,016.75</u>	<u>5,333,510,416.42</u>
<b>Subtotal of cash outflows</b>		<u>78,189,984,707.18</u>	<u>62,825,579,917.33</u>
<b>Net cash flows from operating activities</b>	56	<u>2,286,551,305.20</u>	<u>5,414,890,769.50</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from return on investment		9,799,173,102.34	8,357,544,215.31
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,799,368.75	1,278,718.52
Cash received relating to other investing activities	55	<u>280,035,500.00</u>	<u>112,430,000.00</u>
<b>Subtotal of cash inflows</b>		<u>10,082,007,971.09</u>	<u>8,471,252,933.83</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,644,798,094.50	3,017,850,561.90
Cash paid for acquisition of investments		-	1,185,552,000.00
Cash paid relating to other investing activities	55	<u>-</u>	<u>88,000.38</u>
<b>Subtotal of cash outflows</b>		<u>4,644,798,094.50</u>	<u>4,203,490,562.28</u>
<b>Net cash flows from investing activities</b>		<u>5,437,209,876.59</u>	<u>4,267,762,371.55</u>

**Chongqing Changan Automobile Company Limited**  
**CONSOLIDATED CASH FLOW STATEMENT (continued)**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	<u>Notes V</u>	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash received from investors		1,984,000,000.00	-
Cash received from borrowings		167,940,510.00	60,000,000.00
Cash received relating to other financing activities	55	<u>1,109,969.63</u>	<u>48,806,228.67</u>
<b>Sub-total of cash inflows</b>		<u>2,153,050,479.63</u>	<u>108,806,228.67</u>
Cash repayments of borrowings		9,638,990.00	100,000,000.00
Cash paid for distribution of dividends or profits and interest expenses		3,110,847,894.67	1,283,023,462.46
Cash paid relating to other financing activities	55	<u>1,482,209,049.71</u>	<u>45,238,112.37</u>
<b>Sub-total of cash outflows</b>		<u>4,602,695,934.38</u>	<u>1,428,261,574.83</u>
<b>Net cash flows from financing activities</b>		<u>(2,449,645,454.75)</u>	<u>(1,319,455,346.16)</u>
<b>EFFECT OF CHANGES IN EXCHANGE RATE ON CASH</b>			
		<u>(6,605,001.21)</u>	<u>(130,371.38)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		5,267,510,725.83	8,363,067,423.51
Add: Opening balance of cash and cash equivalents		<u>17,725,921,341.22</u>	<u>9,362,853,917.71</u>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVLANT</b>	56	<u><u>22,993,432,067.05</u></u>	<u><u>17,725,921,341.22</u></u>

**Chongqing Changan Automobile Company Limited**  
**BALANCE SHEET**  
**31 December 2016**  
**(Expressed in Renminbi Yuan)**

	<u>Notes XV</u>	<u>2016</u>	<u>2015</u>
<b>Current assets</b>			
Cash		23,767,111,763.75	17,223,403,333.90
Notes receivable		28,699,756,422.50	22,362,236,477.47
Accounts receivable	1	4,328,886,769.78	3,395,349,268.28
Prepayments		905,659,820.16	671,459,087.17
Interest receivable		19,318,138.89	15,295,866.67
Dividend receivable		5,900,371.55	23,684,883.31
Other receivables	2	1,456,016,984.91	1,020,947,609.26
Inventories		6,292,770,310.90	7,034,843,877.19
Other current assets		<u>592,803,108.38</u>	<u>-</u>
<b>Total current assets</b>		<u>66,068,223,690.82</u>	<u>51,747,220,403.25</u>
<b>Non-current assets</b>			
Available-for-sale financial assets		432,476,274.00	530,811,274.00
Long-term equity investments	3	16,425,513,619.11	16,234,640,261.85
Fixed assets		12,142,942,955.13	11,439,456,287.51
Construction in progress		3,613,887,112.73	2,694,046,285.96
Project materials		96,690.75	96,690.75
Intangible assets		2,799,021,341.24	2,549,877,967.28
Development expenditure		986,790,085.03	973,680,610.53
Long-term deferred expenses		12,729,576.00	5,734,664.00
Deferred tax assets		1,331,906,388.11	1,311,976,033.85
Other non-current assets		<u>-</u>	<u>184,595,895.00</u>
<b>Total non-current assets</b>		<u>37,745,364,042.10</u>	<u>35,924,915,970.73</u>
<b>TOTAL ASSETS</b>		<u>103,813,587,732.92</u>	<u>87,672,136,373.98</u>

**Chongqing Changan Automobile Company Limited**  
**BALANCE SHEET (continued)**  
**31 December 2016**  
**(Expressed in Renminbi Yuan)**

	<u>2016</u>	<u>2015</u>
<b>Current liabilities</b>		
Notes payable	20,344,635,258.93	17,867,862,639.24
Accounts payable	16,912,556,809.95	12,261,927,977.59
Advances from customers	6,563,904,714.60	7,244,681,597.34
Payroll payable	1,567,187,782.78	1,340,616,604.42
Taxes payable	470,185,940.53	685,518,624.02
Interest payable	73,458,000.00	73,458,000.00
Other payables	1,922,286,938.56	1,715,127,488.12
Contingent liabilities	1,947,415,048.79	1,610,185,432.44
Other current liabilities	3,992,241,040.51	3,751,184,504.59
Current portion of non-current liabilities	<u>1,979,020,519.81</u>	<u>-</u>
<b>Total current liabilities</b>	<u>55,772,892,054.46</u>	<u>46,550,562,867.76</u>
<b>Non-current liabilities</b>		
Bonds payable	-	1,975,102,599.85
Long term payroll payable	87,480,000.00	87,565,000.00
Special payable	162,146,831.40	103,856,111.50
Deferred income	2,164,751,690.28	2,212,002,396.55
Deferred tax liabilities	<u>34,535,250.00</u>	<u>49,285,500.00</u>
<b>Total non-current liabilities</b>	<u>2,448,913,771.68</u>	<u>4,427,811,607.90</u>
<b>Total liabilities</b>	<u>58,221,805,826.14</u>	<u>50,978,374,475.66</u>
<b>Owner's equity</b>		
Share capital	4,802,648,511.00	4,662,886,108.00
Capital reserves	4,689,475,046.88	2,831,662,835.16
Other comprehensive income	202,294,552.68	281,190,781.91
Special reserves	7,555,003.10	12,723,372.00
Surplus reserves	2,401,324,255.50	2,331,443,054.00
Retained earnings	<u>33,488,484,537.62</u>	<u>26,573,855,747.25</u>
<b>Total owner's equity</b>	<u>45,591,781,906.78</u>	<u>36,693,761,898.32</u>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<u>103,813,587,732.92</u>	<u>87,672,136,373.98</u>

**Chongqing Changan Automobile Company Limited**  
**INCOME STATEMENT**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	<u>Notes XV</u>	<u>2016</u>	<u>2015</u>
<b>Operating revenue</b>	<b>4</b>	<b><u>78,133,944,076.33</u></b>	<b><u>64,862,129,116.91</u></b>
Less: Operating cost	4	65,772,445,442.61	52,616,129,433.68
Tax and surcharges		2,977,973,945.41	2,716,124,679.99
Operating expenses		4,820,910,114.23	4,513,587,958.53
General and administrative expenses		4,536,818,995.75	4,344,973,656.07
Financial income		(273,565,990.80)	(155,764,882.94)
Impairment loss on assets		327,391,057.23	540,779,680.25
Add: Investment income	5	9,648,255,430.07	9,499,248,778.19
Including: Investment income from associates and from joint venture		<u>9,563,723,801.40</u>	<u>9,439,864,877.63</u>
<b>Operating profit</b>		<b><u>9,620,225,941.97</u></b>	<b><u>9,785,547,369.52</u></b>
Add: Non-operating income		465,569,217.91	382,321,409.12
Including: income on disposal of non-current assets		6,362,961.67	1,249,832.64
Less: Non-operating expenses		72,327,862.07	82,220,652.86
Including: loss on disposal of non-current assets		<u>16,587,558.44</u>	<u>33,050,453.63</u>
<b>Total profit</b>		<b><u>10,013,467,297.81</u></b>	<b><u>10,085,648,125.78</u></b>
Less: Income tax expense		<u>41,038,834.36</u>	<u>87,194,304.60</u>
<b>Net profit</b>		<b><u><u>9,972,428,463.45</u></u></b>	<b><u><u>9,998,453,821.18</u></u></b>
<b>Other comprehensive income, net of tax</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Change in net liability or asset from defined benefit plan		4,855,000.00	2,285,000.00
Other Comprehensive income not to be recalssfied to profit or loss under equity method		<u>(166,479.23)</u>	<u>(966,718.09)</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value from available-for-sale financial asset		<u>(83,584,750.00)</u>	<u>(37,567,875.00)</u>
Total comprehensive income attributable to minority interests, net of tax		-	-
<b>Total comprehensive income</b>		<b><u><u>9,893,532,234.22</u></u></b>	<b><u><u>9,962,204,228.09</u></u></b>

**Chongqing Changan Automobile Company Limited**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owner's equity
At 31 December 2015	4,662,886,108.00	2,831,662,835.16	281,190,781.91	12,723,372.00	2,331,443,054.00	26,573,855,747.25	36,693,761,898.32
Changes during the year							
Total comprehensive income	-	-	(78,896,229.23)	-	-	9,972,428,463.45	9,893,532,234.22
Capital contributed by owners and capital decreases							
1.Capital contributed by owners	139,762,403.00	1,844,096,311.72	-	-	-	-	1,983,858,714.72
2. The amount of share-based payments recorded in owners' equity	-	13,715,900.00	-	-	-	-	13,715,900.00
Distribution of profit							
1.Appropriation of surplus reserve	-	-	-	-	69,881,201.50	(69,881,201.50)-	(2,987,918,471.58)
2.The distribution to owners	-	-	-	-	-	(2,987,918,471.58)	(2,987,918,471.58)
Special reserves							
1.Provided	-	-	-	67,150,949.98	-	-	67,150,949.98
2.Utilized	-	-	-	(75,502,185.66)	-	-	(75,502,185.66)
3.Effective portion of changes in special reserves from joint venture	-	-	-	3,182,866.78	-	-	3,182,866.78
At 31 December 2016	<u>4,802,648,511.00</u>	<u>4,689,475,046.88</u>	<u>202,294,552.68</u>	<u>7,555,003.10</u>	<u>2,401,324,255.50</u>	<u>33,488,484,537.62</u>	<u>45,591,781,906.78</u>

**Chongqing Changan Automobile Company Limited**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)**  
**Year ended 31 December 2015**  
**(Expressed in Renminbi Yuan)**

	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owner's equity
At 31 December 2014	4,662,886,108.00	2,831,662,835.16	317,440,375.00	3,127,864.50	2,331,443,054.00	17,744,494,650.50	27,891,054,887.16
Changes during the year							
Total comprehensive income	-	-	(36,249,593.09)	-	-	9,998,453,821.18	9,962,204,228.09
Distribution of profit							
1.The distribution to owners	-	-	-	-	-	(1,169,092,724.43)	(1,169,092,724.43)
Special reserves							
1.Provided	-	-	-	57,322,438.61	-	-	57,322,438.61
2.Utilized	-	-	-	(49,965,992.19)	-	-	(49,965,992.19)
3.Effective portion of changes in special reserves from joint venture	-	-	-	2,239,061.08	-	-	2,239,061.08
At 31 December 2015	<u>4,662,886,108.00</u>	<u>2,831,662,835.16</u>	<u>281,190,781.91</u>	<u>12,723,372.00</u>	<u>2,331,443,054.00</u>	<u>26,573,855,747.25</u>	<u>36,693,761,898.32</u>



**Chongqing Changan Automobile Company Limited**  
**CASH FLOW STATEMENT**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sale of goods or rendering of services	74,657,783,763.53	63,953,693,285.60
Cash received relating to other operating activities	<u>1,433,378,129.76</u>	<u>996,275,037.87</u>
<b>Subtotal of cash inflows</b>	<u>76,091,161,893.29</u>	<u>64,949,968,323.47</u>
Cash paid for goods and services	57,801,119,517.16	45,915,351,745.05
Cash paid to and on behalf of employees	4,296,500,901.42	3,823,164,575.49
Cash paid for all types of taxes	5,819,707,683.64	5,027,223,259.49
Cash paid relating to other operating activities	<u>6,587,862,349.67</u>	<u>5,019,252,596.31</u>
<b>Subtotal of cash outflows</b>	<u>74,505,190,451.89</u>	<u>59,784,992,176.34</u>
<b>Net cash flows from operating activities</b>	<u>1,585,971,441.40</u>	<u>5,164,976,147.13</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from return on investment	9,807,358,030.44	8,359,383,900.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,768,232.23	70,308,457.82
Cash received relating to other investing activities	<u>131,659,104.60</u>	<u>107,130,000.00</u>
<b>Subtotal of cash inflows</b>	<u>9,940,785,367.27</u>	<u>8,536,822,358.38</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	3,644,257,044.91	2,494,275,759.38
Cash paid for acquisition of investments	174,107,363.00	1,370,147,895.00
Cash paid relating to other investing activities	<u>50,000,000.00</u>	<u>166,088,000.38</u>
<b>Subtotal of cash outflows</b>	<u>3,868,364,407.91</u>	<u>4,030,511,654.76</u>
<b>Net cash flows from investing activities</b>	<u>6,072,420,959.36</u>	<u>4,506,310,703.62</u>

**Chongqing Changan Automobile Company Limited**  
**CASH FLOW STATEMENT (continued)**  
**Year ended 31 December 2016**  
**(Expressed in Renminbi Yuan)**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from investors	<u>1,984,000,000.00</u>	<u>-</u>
<b>Sub-total of cash inflows</b>	<u>1,984,000,000.00</u>	<u>-</u>
Cash paid for distribution of dividends or profits and for interest expenses	3,097,469,043.23	1,276,036,381.20
Other cash payment relating to financing activities	<u>1,441,760,606.76</u>	<u>-</u>
<b>Sub-total of cash outflows</b>	<u>4,539,229,649.99</u>	<u>1,276,036,381.20</u>
<b>Net cash flows from financing activities</b>	<u>(2,555,229,649.99)</u>	<u>(1,276,036,381.20)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,103,162,750.77	8,395,250,469.55
Add: Cash and cash equivalents at beginning of year	<u>17,223,403,333.90</u>	<u>8,828,152,864.35</u>
<b>CASH AND CASH EQUIVLANT AT END OF YEAR</b>	<u>22,326,566,084.67</u>	<u>17,223,403,333.90</u>

## I CORPORATE INFORMATION

Chongqing Changan Automobile Company Limited (hereafter referred to as the “Company”) was established by China Changan Automobile Group (hereafter referred to as the “Changan Group”) as the individual originator on 31 October 1996. The company was set up using the group’s net asset relating to the operation of mini cars and engine, the shares it owned in Chongqing Changan Suzuki company limited (equal to 506,190,000 shares of the Company) and the fund raised from the issuance of 250,000,000 foreign capital stock (B shares), with total share capital of RMB756,190,000.

With the approval of China Securities Regulatory Commission, the company initially floated on share market on 19 May 1997 by issuing 120,000,000 common shares (A share) to the public. The offering increased the total share capital to RMB 876,190,000.

On 26 June 1998, the Company issued 4 shares for each 10 shares to existing shareholders of the original 876,190,000 shares. The issuance was made from capital reserve and increased the total share capital to RMB 1,226,666,000.

On 26 May 2004, the Company offered 2 bonus shares for each 10 shares held by existing shareholders, which increased the total share capital from RMB 1,226,666,000 to RMB 1,471,999,200.

On 26 August 2004, with the approval of China Securities Regulatory Commission, the Company offered 148,850,000 common shares (A share) to the market, which increased the total share capital to RMB 1,620,849,200.

In December 2005, China South Industries Group Corporation (hereafter referred to as the “South Group”), the ultimate parent company, used the common share (850,399,200 shares) owned by its subsidiary, Changan Group, as part of the investment to establish China South Industries Motor Company (hereafter referred to as “South Industries Motor”). The share occupied 52.466% of the Company’s total share capital. Therefore, South industries Motor became the parent company of the Company. On 30 March 2006, the transfer of share was registered by Shenzhen branch of China Securities Depository and Clearing Corporation limited.

In May 2006, South Industries Motor issued 3.2 bonus shares for each 10 shares to the shareholders at the implementation date of reformation of non-tradable shares for their non-tradable shares according to the “Reply of the problems related to the reformation of non-tradable shares of Chongqing Changan Automobile Co., Ltd.” (2006[442] Guo Zi Chan Quan) issued by the State-owned Assets Supervision and Administration Commission of State Council and the related shareholder’s meeting. After the reformation of non-tradable shares, South Industries Motor occupied 45.548% of equity through 738,255,200 common shares.

## I CORPORATE INFORMATION (continued)

On 15 May 2007, the Company issued 2 bonus shares for each 10 shares to existing shareholders, which increased the total share capital from RMB 1,620,849,200 to RMB 1,945,019,040.

On 30 May 2008, the Company issued 2 shares for each 10 shares owned by existing shareholders. The issuance was made from capital reserve and increased the total share capital to RMB 2,334,022,848.

On 3 March 2009, the secondary temporary shareholder meeting was held. The board resolution about 'the reacquisition of foreign capital stock listed in China' was approved in the meeting. For the buyback period ended on 3 March 2010, the company repurchased 8,365,233 shares in total, equal to 0.3584% of total capital.

On 1 July 2009, with the approval of State Administration for Industry and Commercial, South industries Motor, the parent company changed its name to China Changan Automobile Industry (Group) Co., Ltd. (hereafter referred to as the "China Changan").

With the approval of China Securities Regulatory Commission on 14 January 2011, the Company issued 360,166,022 common shares (A share), which increased the total share capital to RMB 2,685,823,637. After the completion of the issuance, China Changan holds 1,163,787,489 shares of the Company's common stock, and the held equity interest decreased to 43.33%.

On 18 May 2011, the Company issued 4 bonus shares for each 10 shares and issued 4 shares to 10 shares from capital reserve to existing shareholders. After this issuance, the total share capital has been increased to RMB 4,834,482,546.

On 21 December 2011, the first temporary shareholder meeting was held. The board resolution about 'the reacquisition of foreign capital stock listed in China' was approved in the meeting. For the buyback period ended on 20 March 2012, the company repurchased 171,596,438 shares in total, equal to 3.55% of total capital. On 30 March 2012, the company cancelled the share and the share capital decreased to RMB 4,662,886,108.

During 2013 and 2014, China Changan, the parent company of the Company, continuously sold 181,260,000 and 89,962,264 shares in total in secondary market. As at 31 December 2014, China Changan holds 1,823,595,216 shares of the Company's ordinary shares, with shares proportion decreasing to 39.11%.

## **I CORPORATE INFORMATION (continued)**

With the approval of China Securities Regulatory Commission on 14 September 2016, the Company issued 139,762,403 non-public common shares (A share) to China Changan Automobile Industry (Group) Co., Ltd., which caused the total share capital increased to RMB 4,802,648,511. After the completion of the issuance, China Changan holds 1,963,357,619 shares of the Company's common stock, with shares proportion increasing to 40.88%.

As at 31 December 2016, the Company's parent company and ultimate controlling company is China Changan and South Group respectively.

The Company and its subsidiaries (hereafter referred to as the "Group") mainly focus on the manufacturing and sales of automobile (include cars), automobile engine, spare parts.

According to the Articles of Association, the financial statements, which has been approved by the board of directors on 18 April 2017, was submitted to general meeting of shareholders for approval.

The scope of consolidation in the consolidated financial statement is determined based on control. The change of the consolidation scope of 2016 refer to Note VI.

## **II BASIS OF PREPERATION**

### **1. Basis of preperation**

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises-Basic Standard and the specific standards issued and modified subsequently, and the implementation guidance, interpretations and other relevant provisions issued subsequently by the MOF (correctly referred to as "Accounting Standards for Business Enterprises").

The financial statements are presented on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, the corresponding provisions should be made accordingly.

### III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

According to the actual production and operation characteristics, the group formulated the specific accounting policies and accounting estimates, mainly reflected in provision of accounts receivables (note 3 (10)), inventory valuation (Note 3 (11)), depreciation of fixed assets, intangible assets amortization (Note 3 (14) (17)), condition of capitalization of research and development expense (Note 3 (18) and revenue recognition and measurement (Note 3 (22)).

#### 1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully, the financial position of the Company as at 31 December 2016 and the financial results and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

#### 2. Accounting year

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

#### 3. Functional currency

The Group's functional and reporting currency is the Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is Yuan. Each entity in the Group determines its own functional currency in accordance with the operating circumstances. At the end of the reporting period, the foreign currency financial statements are translated into the reporting currency of the Company of RMB.

#### 4. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations involving entities not under common control.

##### *Business combination involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party which, on the combination date, obtains control of another entity participating in the combination is the acquiring party, while that other entity participating in the combination is a party being acquired. Combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

#### 4. Business combination (continued)

Assets and liabilities that are obtained by the acquiring party in a business combination involving entities under common control shall be measured at their carrying amounts at the combination date as recorded by the party being acquired. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

##### *Business combination involving entities not under common control*

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the sum of the fair value of the consideration transferred (or the fair value of the issued equity securities) and the fair value of the acquirer's previously held equity interest in the acquiree exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill and measured at cost less any accumulated impairment losses. Where the sum of the fair value of the consideration transferred (or the fair value of the issued equity securities) and the fair value of the acquirer's previously held equity interest in the acquiree is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the fair value of the consideration transferred (or the fair value of the issued equity securities) and the fair value of the acquirer's previously held equity interest in the acquiree; (ii) if after that reassessment, the sum of the fair value of the consideration transferred (or the fair value of the issued equity securities) and the fair value of the acquirer's previously held equity interest in the acquiree is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in the income statement for the current period.

**5. Consolidated financial statements**

The scope of consolidation of consolidated financial statements is determined based on control, and includes the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an enterprise or entity that is controlled by the Group (including an enterprise, separable part of the investee and a structured entity controlled by the Company).

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the current loss belong to minorities of the subsidiary exceeds the beginning equity of the subsidiary belong to minorities, the exceeded part will still deduct the equity belong to minorities.

With respect to subsidiaries acquired through business combinations involving entities not under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements, from the day that the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer should adjust the subsidiary’s financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

With respect to subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements from the beginning of the period in which the combination occurs.

If the changes of relevant facts and circumstances will result in the changes of one or more control elements, then the Group should reassess whether it has taken control of the investee.

**6 Joint venture arrangement classification and joint operation**

Joint venture arrangements are classified into joint operation and joint venture. Joint operation refers to those joint venture arrangements, relevant assets and liabilities of which are enjoyed and assumed by the joint venturers. Joint ventures refer to those joint venture arrangements, only the right to net assets of which is enjoyed by the joint venturers.

Any joint venturer shall recognize the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises: assets it solely holds and its share of jointly-held assets based on its percentage; liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage; incomes from sale of output enjoyed by it from the joint operation; incomes from sale of output from the joint operation based on its percentage; and separate costs and costs for the joint operation based on its percentage.

**7. Cash and cash equivalents**

Cash comprises cash on hand and bank deposits which can be used for payment at any time; Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**8. Foreign currency translation**



The Group translates the amount of foreign currency transactions occurred into functional currency.

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount at the spot exchange rate on the transaction dates. Foreign currency monetary items are translated using the spot exchange rate quoted by the People's Bank of China at the balance sheet date. The exchange gains or losses arising from occurrence of transactions and exchange of currencies, except for those relating to foreign currency borrowings specifically for construction and acquisition of fixed assets capitalized, are dealt with in the profit and loss accounts. Non-monetary foreign currency items measured at historical cost remain to be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency should not be changed. Non-monetary foreign currency items measured at fair value should be translated at the spot exchange rate prevailing on the date when the fair values are determined. The exchange difference thus resulted should be charged to the current income or other comprehensive income account of the current period.

When preparing consolidated financial statements, the financial statements of the subsidiaries presented in foreign currencies are translated into Renminbi as follows: asset and liability accounts are translated into Renminbi at exchange rates ruling at the balance sheet date; shareholders' equity accounts other than retained profits are translated into Renminbi at the applicable exchange rates ruling at the transaction dates; income and expense in income statement are translated into Renminbi at spot exchange rates on transaction occurrence; total difference between translated assets and translated liabilities and shareholders' equity is separately listed as "foreign currency exchange differences" below retained profits. The translation difference arising from the settlement of oversea subsidiaries is charged to the current liquidation profit and loss in proportion to the settlement ratio of the assets concerned.

Foreign currency cash flows and the cash flows of foreign subsidiaries should be translated using the average exchange rate prevailing on the transaction month during which the cash flows occur. The amount of the effect on the cash arising from the change in the exchange rate should be separately presented as an adjustment item in the cash flow statement.

## 9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Recognition and derecognition

The Group recognizes a financial asset or a financial liability, when the Group becomes a party to the contractual provision of the instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets), be written off from the account and balance sheet , when the following conditions are met:

- (1) the rights to receive cash flows from the asset have expired;
- (2) the Group transferred the rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor, with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the difference thus resulted is recognized in profit or loss for the current period.

When buy or sell financial instruments under a normal way, financial instruments are recognized or derecognized according to the transaction date accounting. A normal way to buy or sell financial instruments refers to, according to the contract terms, receive or deliver financial instruments within the period as required by legal regulation or generally accepted guidelines. Transaction date refers to the date when the Group committed to buy or sell financial instruments.

### Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, and the derivatives designated as effective hedging instrument. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

## 9. Financial instruments (continued)

The subsequent measurement of financial assets depends on their classification as follows:

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: the financial asset is acquired for the purpose of selling it in a short term; the financial asset is a part of a group of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this group for the purpose of short-term profits; the financial asset is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial assets are recognized in profit or loss for the current period. Dividend or interest income related to financial assets at fair value through profit or loss is recognized in profit or loss for the current period.

### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as the above financial assets. After initial recognition, available-for-sale financial assets are measured at fair value. The premium/discount is amortized using effective interest method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized in other comprehensive income as a component of capital reserve, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss previously recognized in capital reserve is removed from capital reserve and recognized in profit or loss for the current period. Interests and dividends relating to an available-for-sale financial asset are recognized in profit or loss for the current period.

## 9. Financial instruments (continued)

The equity investment instruments, for which there is no quoted price in active market and whose fair value cannot be reliably measured, shall be measured at cost.

### Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into the following categories: financial liabilities at fair value through profit or loss, other financial liabilities, and the derivatives designated as effective hedging instrument. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions: the financial liability is assumed for the purpose of repurchasing it in a short term; the financial liability is a part of a group of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this group for the purpose of short-term profits; the financial liability is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price form an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial liabilities are recognized in profit or loss for the current period.

#### *Other financial liabilities*

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

### Offsetting of financial instrumentsts

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 9. Financial instruments (continued)

### Impairment of financial assets

The Group assesses the carrying amount of a financial asset, at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Group makes provision for the impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

#### *Financial assets carried at amortized cost*

When the financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of the estimated future cash flow (excluding future credit losses that have not been incurred). The amount of reduction is recognized as an impairment loss in the income statement. Present value of estimated future cash flow is discounted at the financial asset's original effective interest rate and includes the value of any related collateral.

If a financial asset is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Group can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For financial assets that are not impaired upon individual tests (including financial assets that are individually significant or insignificant), impairment tests should be conducted on them again by including them in the group of financial assets. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on a financial asset carried at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

#### *Available-for-sale financial assets*

When there is objective evidence that the asset is impaired, the cumulative loss from declines in fair value that had been recognized directly in capital reserve are removed from equity and recognized in the income statement. The amount of the cumulative loss that is removed from capital reserves and recognized in the income statement (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

## 9. Financial instruments (continued)

### Impairment of financial assets (continued)

#### *Available for sale financial assets (continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

#### *Financial assets carried at cost*

If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset are provided as a provision and recognized in the current income statement. The impairment loss recognized cannot be reversed.

### Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset; and if the Group retains substantially all the risks and rewards of the financial asset, the Group does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case: (i) if the Group has not retained control, it derecognizes the financial asset and recognize separately as assets or liabilities any rights and obligations created not retained in the transfer; (ii) if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

**10. Accounts receivable**

(1) Accounts receivable which is individually significant and analyzed individually for provision:

Criterion for individually significant items	Accounts receivable balance greater than RMB15 million due from non-related parties
Method for provision	A provision of the difference between recoverable amount and book value is recognized based on individually analysis

(2) Accounts receivable analyzed by credit risk characteristics group for provision:

Criterion for group	
Group 1	Accounts receivable due from non-related parties other than individually significant items or insignificantly but analyzed individually for provision
Group 2	Accounts receivable due from related parties
Method for the provision of group	
Group 1	Making provision according to aging analysis
Group 2	A provision of the difference between recoverable amount and book value is recognized based on individually analysis.

Group 1, the provision analyzed according to aging analysis:

Aging	Accounts receivable Provision percentage (%)	Other receivables Provision percentage (%)
Within 1 year		
Within 6 months	0	0
6 to 12 months	5	5
1 to 2 years	10	10
2 to 3 years	30	30
3 to 4 years	50	50
4 to 5 years	80	80
Above 5 years	100	100

(3) Accounts receivable which is individually insignificant but analyzed individually for provision

Criterion for individually analysis for provision	There is objective evidence that the accounts receivable due from non-related parties is impaired and the future recoverable possibility is little.
Method for provision	A provision of the difference between recoverable amount and book value is recognized individually.

## 11. Inventories

Inventory includes raw materials, goods in transit, work in progress, finished goods, consigned processing materials, low-value consumables and spare parts.

Inventory is initially carried at the actual cost. Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Weighted average method is assigned to the determination of actual costs of inventories. One-off writing off method is adopted in amortization of low-value consumables.

The Group applies a perpetual counting method of inventory.

At the balance sheet date, the inventory is stated at the lower of cost and net realizable value. If the cost is higher than the net realizable value, provision for the inventory should be made through profit or loss. If factors that resulted in the provision for the inventory have disappeared and made the net realizable value higher than their book value, the amount of the write-down should be reversed, to the extent of the amount of the provision for the inventory, and the reversed amount should be recognized in the income statement for the current period.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The impairment provision should be made on a basis of each item of inventories according to the difference between cost and net realizable value. For large numbers of inventories at relatively low unit prices, the provision for loss on decline in value of inventories should be made by category.

## 12. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

The long-term investments are initially recorded at costs on acquisition. Long-term investments acquired from business combination under common control shall be initially measured at the carrying value of the held interest of the party being acquired; The difference between the initial measured amounts and the book value of consideration, adjust the capital reserves (if the capital reserve is insufficient to be offset, retained earnings should be adjusted); Long-term investments acquired from business combination not under common control shall be initially measured at the cost (or, the sum of the cost and the carrying value of the previously held equity interest in the acquire for the business combination achieved by stages), which include the fair value of the consideration paid, the liabilities beard and the fair value of issued equity instrument; the other comprehensive income produced from the investment before the acquisition should be transferred into the current year investment income on disposal.



**12. Long-term equity investments (continued)**

Long-term investments acquired not from business combination are initially measured at 1) the consideration together with the cost necessary incurred; 2) the fair value of the equity instruments; and 3) the consideration agreed in the investment agreement by the investors, otherwise the agreed consideration were not fair.

The Company adopted cost method to account for long-term investments in the subsidiaries in the separate financial statements of the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Under cost method, the long-term equity investment is valued at the cost of the initial investment. The cost of long-term equity investment should be adjusted in case of additional investment or disinvestments. When cash dividends or profits are declared by the invested enterprise is recognized as investment income in current period.

The equity method is applied to account for long-term equity investments, when the Group has jointly control, or significant influence on the investee enterprise. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers). Significant influence is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.

Under equity method, when the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is accounted for as an initial cost. As to the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be charged to the income statement for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

**12. Long-term equity investments (continued)**

Under equity method, the Group recognizes its share of post-acquisition equity in the investee enterprise for the current period as a gain or loss on investment, and also increases or decreases the carrying amount of the investment. When recognizing its share in the net profit or loss of the investee entities, the Group should, based on the fair values of the identifiable assets of the investee entity when the investment is acquired, in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with joint ventures and associates, attributable to the investing entity according to the share ratio (but losses arising from internal transactions that belong to losses on the impairment of assets, should be recognized in full), recognize the net profit of the investee entity after making appropriate adjustments. The book value of the investment is reduced to the extent that the Group's share of the profit or cash dividend declared to be distributed by the investee enterprise. However, the share of net loss is only recognized to the extent that the book value of the investment is reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group shall adjust the carrying amount of the long-term equity investment for other changes in owners' equity of the investee enterprise (other than net profits or losses), and include the corresponding adjustments in equity, which should be realized through profit or loss in subsequent settlement of the respective long-term investment.

On settlement of a long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in the income statement for the current period. As to other comprehensive income recognized based on measurement of the original equity investment by employing the equity method, accounting treatment shall be made on the same basis as would be required if the invested entity had directly disposed of the assets or liabilities related thereto when measurement by employing the equity method is terminated. As to any change in owners' equity of the invested entity other than net profit or loss, other comprehensive income and profit distribution, the investing party shall be transferred to the income statement for the current period. If the remaining equities still be measured under the equity method, accumulative change previously recorded in other comprehensive income shall be transferred to current profit or loss, in measurement on the same basis as the invested entity had directly disposed of the assets or liabilities related thereto. The income or loss recorded in the equity directly should be transferred to the current income statement on settlement of the equity investment on the disposal proportion.

### 13. Investment property

Investment property are properties held to earn rentals or for capital appreciation, or both, including rented land use right, land use right which is held and prepared for transfer after appreciation, and rented building.

The initial measurement of the investment property shall be measured at its actual cost. The follow-up expenses pertinent to an investment property shall be included in the cost of the investment property, if the economic benefits pertinent to this real estate are likely to flow into the enterprise, and, the cost of the investment property can be reliably measured. Otherwise, they should be included in the current profits and losses upon occurrence.

The group adopts the cost method to make follow-up measurement to the investment property. The buildings are depreciated under straight-line method.

### 14. Fixed assets

A fixed asset probably shall be recognized only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the book value of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in the income statement in the period during which they are incurred.

Fixed assets are initially measured at actual cost on acquisition. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and other surcharges.

Fixed assets are depreciated on straight-line basis. The estimated useful lives, estimated residual values and annual depreciation rates for each category of fixed assets are as follows:

Category	Deprecation period	Residual rate (%)	Yearly depreciation rate (%)
Buildings	20 to 35 years	3%	2.77%-4.85%
Machinery (Note)	5 to 20 years	3%	4.85%-19.40%
Vehicles	4 to 12 years	3%	8.08%-24.25%
Others	3 to 21 years	3%	4.62%-32.33%

Note: the moulds in machinery should be depreciated in units-of-production method.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year and makes adjustments if necessary.

## 15. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalized before the construction reaches the condition for intended use and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

## 16. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized, otherwise the borrowing costs are expensed in the period during which they are incurred. A qualifying asset is an asset (an item of property, plant and equipment and inventory etc.) that necessarily takes a substantial period of time to get ready for its intended use of sale.

The capitalization of borrowing costs are as part of the cost of a qualifying asset shall commence when:

- 1) expenditure for the asset is being incurred;
- 2) borrowing costs are being incurred; and
- 3) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization of borrowing costs shall be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale have been done. And subsequent borrowing costs are recognized in the income statement.

During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined as follows:

**16. Borrowing costs (continued)**

- 1) where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds;
- 2) where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the construction or manufacture of assets that are qualified for capitalization, if abnormal discontinuance, other than procedures necessary for their reaching the expected useful conditions, happens, and the duration of the discontinuance is over three months, the capitalization of the borrowing costs is suspended. Borrowing costs incurred during the discontinuance are recognized as expense and charged to the income statement of the current period, till the construction or manufacture of the assets resumes.

**17. Intangible assets**

An intangible asset probably shall be recognized only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition, if the fair value can be reliably measured.

The useful life of the intangible assets shall be assessed according to the estimated beneficial period expected to generate economic benefits. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follow:

Land use right	22 to 50 years
Software	2 years
Trademark	10 years
Non-patent technology	5 years

**17. Intangible assets (continued)**

Land use rights that are purchased or acquired through the payment of land use fees are accounted for as intangible assets. With respect to self-developed properties, the corresponding land use right and buildings should be recorded as intangible and fixed assets separately. As to the purchased properties, if the reasonable allocation of outlays cannot be made between land and buildings, all assets purchased will be recorded as fixed assets. The cost of a finite useful life intangible asset is amortized using the straight-line method during the estimated useful life. For an intangible asset with a finite useful life, the Group reviews the estimated useful life and amortization method at least at the end of each year and adjusts if necessary.

The Group should test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount annually, whenever there is an indication that the intangible asset may be impaired. An intangible asset with an indefinite useful life shall not be amortized.

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there are indicators that the intangible asset has finite useful life, the accounting treatment would be in accordance with the intangible asset with finite useful life.

**18. Research and development expenditures**

The Group classified the internal research and development expenditures as follows: research expenditures and development cost.

The expenditures in research stage are charged to the current income on occurrence.

The expenditures in development stage are capitalized that should meet all the conditions of (a) it is technically feasible to finish intangible assets for use or sale; (b) it is intended to finish and use or sell the intangible assets; (c) 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; (d) 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; and (e) the development expenditures of the intangible assets can be reliably measured. Expenses incurred that don't meet the above requirements unanimously should be expensed in the income statement of the reporting period.

The Group discriminates between research and development stage with the condition that the project research has been determined, in which the relevant research complete all the fractionalization of products measurements and final product scheme under final approval of management. The expenditures incurred before project-determination stage is charged to the current income, otherwise it is recorded as development cost.

## 19. Long-term deferred expenses

The long-term deferred expenses represent the payment for the improvement on buildings and other expenses, which have been paid and should be deferred in the following years. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

## 20. Contingent liabilities

Except contingent liability recognized in a business combination, the Group recognizes an contingent liability when the obligation arising from a contingency meets the following conditions:

- 1) the obligation is a present obligation of the Group;
- 2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- 3) a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are initially measured according to the current best estimate for the expenditure necessary for the performance of relevant present obligations, with comprehensive consideration given to factors such as the risks, uncertainty and time value of money relating to contingencies. The book value of the contingent liabilities should be reviewed at each balance sheet date. If there is objective evidence showing that the book value cannot reflect the present best estimate, the book value should be adjusted according to the best estimate.

## 21. Share-based payments

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payment" refers to a transaction in which an enterprise grants shares or other equity instruments as a consideration in return for services.

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant. The fair value is determined using Black-Scholes model (Note 11).

Within the vesting period or before the prescribed performance conditions are met, the relevant costs or expenses and capital reserves shall be determined and increased based on the best estimate of the number of vested equity instruments on each balance sheet date.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.



## 22. Revenue

Revenue is recognized only when an inflow of economic benefits is probable, the amount of which can be reliably measured, and all of the following conditions are qualified.

### Revenue from the sale of goods

The Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold; and the amount of revenue can be measured reliably. The proceeds earned from sales of goods are determined based on the amount received or receivable as stipulated in the contract or agreement, otherwise the amount is not fair; If the amount received or receivable as stipulated in the contract or agreement is collected in a defer method, it includes the financing elements and should be determined according to the fair value of the amount received or receivable as stipulated in the contract or agreement.

### Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method, or otherwise, the revenue is recognized to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow into the Group; the stage of completion of the transaction can be measured reliably; and the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving the rendering of services by using the proportion of services performed to date to the total services to be performed. The total amount of revenue earned from rendering service are determined based on the amount received or receivable as stipulated in the contract or agreement, otherwise the amount is not fair.

### Interest income

It should be measured based on the length of time for which the Group's cash is used by others and the applicable effective interest rate.

### Royalty income

Royalty income is recognized according to the agreed time and method by both parties in related contracts.

### Rental income

Rental income from operating leases is recognized by the lesser in the income statement on a straight-line basis over the lease term. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

### 23. Government grants

A government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Monetary grants are accounted for at received or receivable amount. Non-monetary grants are accounted for at fair value. If there is no reliable fair value available, the grants are accounted for at nominal amount.

A government grant which is specified by the government documents to be used to purchase and construct the long-term assets shall be recognized as the government grant related to assets. A government grant which is not specified by the government documents shall be judged based on the basic conditions to obtain the government grant. The one whose basic condition was to purchase and construct the long-term assets shall be recognized as the government grant related to assets.

The other government grant shall be recognized as the government grant related to gain. A grant relating to income, which as compensation for future costs, is recognized as deferred income initially, and as income when the related cost incurs. The grant as compensation for costs already incurred should be recognized as income for the current period. A grant relating to assets is recognized as deferred income initially, and as income evenly among the useful life of the related assets. The grant accounted for at nominal amount is recognized as income for the current period.

### 24. Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

#### The Group recording the operating lease as a lessee

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to the income statement for the current period. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

#### The Group recording the operating lease as a lessor

Rental income from operating leases is recognized by the lesser in the income statement on a straight-line basis over the lease term. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

### 25. Employee benefits

Employee benefits refer to all kinds of remunerations or compensation made by enterprises to their employees in exchange for services provided by the employees or termination of labor relation. Employee compensation includes short-term compensation and post-employment benefits. The benefits offered by enterprises to the spouse, children, the dependants of the employee, the family member of deceased employee and other beneficiaries are also employee compensation.

**25. Employee benefits (continued)**Short-term employee salaries

During the accounting period of employee rendering service, the actual employees salaries and are charged to the statement of profit or loss as they become payable in balance sheet.

Post-employment benefits (Defined contribution plans)

The employees of the Group participate in pension insurance, which is managed by local government and the relevant expenditure, is recognized, when incurred, in the costs of relevant assets or the profit and loss for the current period.

Post-employment benefits (Defined benefit plan)

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of: the date of the plan amendment or curtailment; and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under administrative expenses in the consolidated statement of profit or loss by function: •service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; net interest expense or income.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

## 26. Income taxes

Income tax comprises current and deferred tax. Income tax is recognized as an income or an expense and include in the income statement for the current period, except to the extent that the tax arises from a business combination or if it relates to a transaction or event which is recognized directly in equity.

Current income tax liabilities or assets for the current and prior periods, are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognized as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognized for all taxable temporary differences, except:

- (1) to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination and at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled enterprises, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- (1) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

**26. Income taxes (continued)**

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the book value of deferred tax assets. If it is probable that sufficient taxable income cannot be generated to use the tax benefits of deferred tax assets, the book value of deferred tax assets should be reduced. When it is probable that sufficient taxable income can be generated, the amount of such reduction should be reversed. When it is probable that sufficient taxable income can be generated, the amount of such reduction should be reversed

**27. Impairment of assets**

The Group determines the impairment of assets, other than the impairment of inventory, deferred income taxes, and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment tests. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at the end of every year, irrespective of whether there is any indication that the asset may be impaired. An intangible asset which is not ready for its intended use is tested for impairment at least at the end of every year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash flows generated by the asset group are independent of the cash flows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment of asset is provided for and the impairment loss is recognized in the income statement for the current period.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated, on a reasonable basis, to related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or related sets of asset groups is a group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

**27. Impairment of assets (continued)**

When an impairment test is conducted on an asset group or a set of asset groups that contains goodwill, if there is any indication of impairment, the Group firstly tests the asset group or the set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and then recognize impairment loss if any. Thereafter, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is firstly eliminated by and amortized to the book value of the goodwill included in the asset group or set of asset groups, and then eliminated by the book value of other assets according to the proportion of the book values of assets other than the goodwill in the asset group or set of asset groups.

Once the above impairment loss is recognized, it cannot be reversed in subsequent periods.

**28. Profit distribution**

The cash dividend of the Group is recognized as liabilities after the approval of general meeting of stockholders.

**29. Safety fund**

The safety fund extracted by the Group shall be recognized as the cost of the related products or income statement, while be recognized as special reserve. When using safety fund, it shall be distinguished whether it will form fixed assets or not. The expenditure shall write down the special reserve; the capital expenditure shall be recognized as fixed assets when meet the expected conditions for use, and write down the special reserve while recognizing accumulated depreciation with the same amount.

**30. Fair value measurement**

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

**30. Fair value measurement (continued)**

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**31. Significant accounting judgments and estimates**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts and disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have significant effect on the financial statements:

*Operating leases - as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

**31. Significant accounting judgments and estimates (continued)**Uncertainty of accounting estimates

The crucial assumptions of significant accounting estimates in future and other crucial sources of estimated uncertainty, which may result in the significant adjustments to the book value of the subsequent accounting period, are as the following:

*Impairment of available-for-sale*

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognized in the income statement

*Impairment of non-current assets other than financial assets (goodwill excluded)*

The Group assesses at each reporting date whether there is an indication that non-current assets other than financial assets may be impaired. If there is any sign of possible assets impairment, the assets concerned should be subject to impairment test. When the carrying amount of an asset or the relevant assets group exceeds its recoverable amount which is the higher one of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, the asset is considered impaired. The fair value minus the disposal expenses is determined by reference to the recent market transactions price or observed market price less any directly attributable expenditure for disposing. When making an estimate of the present value of the future cash flow of an asset, the Group should estimate the future cash flows of the asset or the relevant assets group, with the appropriate discount rate selected to reflect the present value of the future cash flows.

*Bad debt provisions*

Provisions are made under the allowance method. For each individually significant receivable, the impairment test should be conducted individually. Where there is evidence that indicates impairment, the loss should be recognized with the respective provision accrued, equaling to the difference between the present value of the future cash flows and the book value of receivables. For other receivables concerned, management should accrue the general provisions, along with the receivables individually tested while no impairment incurred, taking in account the collectability.

*Inventory impairment based on the net realizable value*

According to accounting policy, inventories shall be measured at the lower of cost and the net realizable value. Provision for inventories is recognized in the income statement when the cost is higher than the net realizable value and when the inventories are obsolete and slow-moving. The Group will reassess whether a single inventory is obsolete, slow-moving or whether the net realizable value is lower than the inventories' cost at end of each year.

*Development expenditures*

*When determining the capitalization amount, management should make assumptions such as the expected cash flows of the assets related, the applicable discount rate and expected benefit period.*



**31. Significant accounting judgments and estimates (continued)***Deferred tax assets*

The Group should recognize the deferred income tax assets arising from all the existing unutilized tax deficits and deductible temporary differences to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary differences. Enormous accounting judgments, as well as the tax planning are compulsory for management to estimate the time and amount of prospective taxable profits and thus determine the appropriate amount of the deferred tax assets concerned.

*Warranty*

The Group provides warranties on automobile and undertakes to repair or replace items that fail to perform satisfactorily based on certain pre-determined conditions. Factors that influence estimation of related warranty claim include: 1) renewal of laws and regulations; 2) quality promotion of Group products; 3) change of parts and labour cost. In general, the Group records warranty based on selling volume and estimated compensatory unit warranty cost, deduction multi-agreed compensation from suppliers. As at balance sheet day, the Group launches retrospective analysis on warranty carrying amount in consideration of actual warranty payment during relative warranty period, and recent trends of product renovation and replacement, and further adjustment if necessary. Any increase or decrease in the provision would affect profit or loss in future years.

*Depreciation and amortization*

The Group's management determines the estimated useful lives and residual value of fixed assets and intangible assets. This estimate is based on the historical experience of actual useful lives of fixed assets and intangible assets of similar nature and functions. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated.

**32. Changes in accounting policies and estimates**Changes in accounting policies

In 2016, the Group has renamed the "Business taxes and surcharges" to "Taxes and surcharges" in the income statement in accordance with the circular of Accounting Treatment for Value-added Tax ("VAT") (Caikuai [2016] No.22). Property Tax, land use tax, vehicle and vessel usage tax and stamp tax, incurred after 1 May 2016, were recognized in "Taxes and surcharges" instead of "Administrative expenses", while those taxes and surcharges (except the tax related to investment real estate which had been recorded in "business taxes and surcharges") incurred before 30 April 2016 were still recognized in "Administrative expenses". As at 31 December 2016, debit balances of the VAT in "Taxes payable" such as "value-added tax payable", "unpaid VAT", "tax payable", "pending deduct VAT on purchase", "pending certified VAT on purchase", "excess VAT paid" were reclassified to "Other Current Assets" while no retrospective reclassification adjustment should be made as at 31 December 2015.

**32. Changes in accounting policies and estimates (continued)**Changes in accounting policies (continued)

As a result, the “Taxes and Surcharges”, “Administrative Expenses”, “Taxes Payable” and “Other Current Assets” would be different as at 31 December 2016 and 2015, and for the year ended, but there was no substantial impact on net profit and equity for both consolidated and company financial statement under new requirement.

**IV TAXES****1. The major categories of taxes and surcharges**

Categories of taxes and surcharges	Basis of tax	Tax rate
Value added tax (“VAT”)	Levy on the taxable sales and rendering of services, deducted the deductible input VAT.	5%, 6% or 17%
Consumption tax	Taxable sales	1%,3% or 5%
Business tax	Taxable sales (since 1 May 2016, business tax had been replaced by VAT)	5%
City maintenance and construction tax	The turnover taxes paid	5% or 7%
Educational surcharge	The turnover taxes paid	3%
Local educational surcharge	The turnover taxes paid	2%
Corporate income tax	Taxable income	15% or 25%

**2. Tax benefits**

In accordance to Circular for Further Implementation of Tax Incentives In the Development of Western Regions (Cai Shui [2011] No. 58) collectively issued by the ministry of Finance, the Customs General Administration and the National Taxation Bureau of PRC, from 1 January 2011 to 31 December 2020, enterprises located in the Western Region and engaged in encouraged business would be entitled to a preferential CIT rate of 15%.. For the year ended 2016, the Company, Changan Special Sales and Chongqing Changan Automobile Supporting are qualified to the requirement and acquired permission of the preferential tax rate of 15% from Chongqing Jiangbei National Tax Bureau (refer to Jiang Fa Gai Ti[2015] No. 135).

As at 4 November 2011, in accordance to Circular of the Administrative Measures for the Certification of New and High Technology Enterprises (Guo Ke Fa Huo [2008] No. 172) and Circular of the Working Guidance on the Recognition of Hi-tech Enterprises (Guo Ke Fa Huo [2008] No. 362), and ratification of Hebei High-Tech Enterprise Recognition Office (Ji Gao Ban [2014] No. 7), the subsidiaries, Hebei Baoding Changan Bus Co., Ltd. and Hebei Changan Automobile Co., Ltd. were recognized as Hi-tech enterprises and subjected to the preferential tax rate of 15%.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash

Item	2016	2015
Cash	29,559.40	43,967.74
Cash at bank	22,993,402,507.65	17,725,877,373.48
Other cash	1,789,072,485.39	309,188,332.99
Total	24,782,504,552.44	18,035,109,674.21

As at 31 December 2016, the book value of restricted cash and cash equivalents is RMB1,789,072,485.39 (As at 31 December 2015: RMB 309,188,332.99), which was mainly restricted for the issuance of acceptance bill.

As at 31 December 2016, the cash at bank oversea is equivalent to RMB151,614,280.74 (As at 31 December 2015: RMB115,606,099.08).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Notice deposits are made for periods of 7 days, and short term time deposits are made for periods of 3 months to 12 months, depending on the cash requirements of the Group, and earn interest at respective deposit rates.

### 2. Notes receivable

#### (1) Classification of notes receivable

Type	2016	2015
Commercial acceptance bill	8,681,506,152.50	6,532,799,490.50
Bank acceptance bill	20,321,033,108.76	16,150,296,720.96
Total	29,002,539,261.26	22,683,096,211.46

#### (2) Pledged notes receivable

Type	2016	2015
Bank acceptance bill	1,029,541,142.00	140,256,135.43

As at 31 December 2016 and 2015, notes receivable with above carrying amount were pledged to issue notes payable.

#### (3) Endorsed or discounted but unexpired notes receivable as at the end of reporting period are as follow:

Type	2016		2015	
	Derecognition	Un-derecognition	Derecognition	Un-derecognition
Commercial acceptance bill	68,903,990.00	-	45,000,000.00	-
Bank acceptance bill	1,689,454,116.09	-	2,103,475,070.03	-
Total	1,758,358,106.09	-	2,148,475,070.03	-

**2. Notes receivable (continued)**

- (4) As at 31 December 2016, there are no notes transferred to accounts receivable due to the non-acceptance. (As at 31 December 2015: Nil)

**3. Accounts receivable**

- (1) Aging analysis of the accounts receivable as at 31 December 2016 is as follows:

Aging	2016	2015
Within 1 year	1,356,947,071.58	816,233,320.25
1 to 2 years	117,208,110.44	57,127,535.84
2 to 3 years	22,550,444.94	8,902,022.00
Over 3 years	33,077,540.86	58,075,538.38
Total	1,529,783,167.82	940,338,416.47
Provision	(30,946,126.28)	(64,858,859.92)
	1,498,837,041.54	875,479,556.55

The movements in provision for impairment of accounts receivable are as follows:

	Beginning balance	Addition	Deduction		Ending balance
			Reversal	Write-off	
2016	64,858,859.92	4,073,516.50	1,163,419.90	36,822,830.24	30,946,126.28
2015	66,921,771.31	4,235,654.20	6,053,510.23	245,055.36	64,858,859.92

- (2) Analysis of accounts receivable by category as at 31 December 2016 is as follows:

Item	2016				2015			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	807,264,568.09	52.77	-	-	106,141,701.22	11.29	-	-
Accounts receivable analyzed as groups for provision								
Group 1. Accounts receivable analyzed for provision according to aging analysis	539,225,767.44	35.24	23,064,841.85	4.28	655,787,930.16	69.74	54,821,759.22	8.36
Group 2. Accounts receivable from related parties	175,411,547.86	11.47	-	-	168,371,684.39	17.90	-	-
Group subtotal	714,637,315.30	46.71	23,064,841.85	3.23	824,159,614.55	87.64	54,821,759.22	6.65
Individually insignificant items but analyzed individually for provision	7,881,284.43	0.52	7,881,284.43	100	10,037,100.70	1.07	10,037,100.70	100
<b>Total</b>	<b>1,529,783,167.82</b>	<b>100</b>	<b>30,946,126.28</b>	<b>2.02</b>	<b>940,338,416.47</b>	<b>100</b>	<b>64,858,859.92</b>	<b>6.90</b>

### 3. Accounts receivable (continued)

In groups, accounts receivable were analyzed for provision by aging:

Aging	2016			2015		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	489,006,288.37	90.69	-	535,515,703.25	81.66	-
6 to 12 months	5,598,962.70	1.04	279,948.14	20,626,137.08	3.15	1,031,306.85
Within 1 year subtotal	494,605,251.07	91.73	279,948.14	556,141,840.33	84.81	1,031,306.85
1 to 2 years	5,365,243.93	0.99	536,524.39	43,659,191.63	6.65	4,365,919.16
2 to 3 years	22,497,896.67	4.17	6,749,369.00	5,521,200.00	0.84	1,656,360.01
3 to 4 years	1,319,200.00	0.24	659,600.00	4,752,350.00	0.72	2,376,175.00
4 to 5 years	2,993,877.26	0.56	2,395,101.81	1,606,750.00	0.25	1,285,400.00
Over 5 years	12,444,298.51	2.31	12,444,298.51	44,106,598.20	6.73	44,106,598.20
<b>Total</b>	<b>539,225,767.44</b>	<b>100</b>	<b>23,064,841.85</b>	<b>655,787,930.16</b>	<b>100</b>	<b>54,821,759.22</b>

In groups, accounts receivable were analyzed for provision by other methods:

Group	2016		2015	
	Balance	Provision	Balance	Provision
Accounts receivable from related parties	175,411,547.86	-	168,371,684.39	-

As at 31 December 2016 and 2015, there are no individually significant items analyzed individually for provision.

- (3) In 2016, provision for accounts receivable amounted to RMB 4,073,516.50 has been accrued (2015: RMB4,235,654.20). Provision for accounts receivable amounted to 1,163,419.90 has been reversed (2015: RMB6,053,510.23).
- (4) As at 31 December 2016, Provision for accounts receivable amounted to RMB 36,822,830.24 has been write-off. (2015: RMB245,055.36).
- (5) As at 31 December 2016, accounts receivable from Top 5 clients amounted to RMB 544,518,789.11, accounted for 35.59% of the total accounts receivable (2015: RMB 226,567,170.13, accounted for 24.09% of the total amount).
- (6) There is no accounts receivable derecognized due to transfer of financial assets during 2016 (2015: Nil).

### 4. Prepayments

- (1) Aging analysis of the prepayments is as follows:

Aging	2016	2015
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	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,045,305,366.57	98.54	845,113,206.61	99.19
1 to 2 years	14,675,385.03	1.38	5,057,781.43	0.59
2 to 3 years	-	-	1,215,374.60	0.14
Over 3 years	829,141.15	0.08	685,431.90	0.08
Total	1,060,809,892.75	100.00	852,071,794.54	100.00

- (2) As at 31 December 2016, prepayments to Top 5 suppliers amounted to RMB 867,935,898.74, which accounted for 81.82% of the total prepayments (2015: RMB 651,298,713.35, which accounted for 76.44% of the total amount).

#### 5. Interest receivable

Item	2016	2015
Time Deposit	19,318,138.89	15,295,866.67

#### 6. Dividends receivable

Item	2016	2015
Changan Ford Mazda Engine Co., Ltd	-	23,684,883.31

#### 7. Other receivables

- (1) Aging analysis of other receivables as at 31 December 2016 is as follows:

	2016	2015
Within 1 year	881,313,434.68	983,626,145.56
1 to 2 years	509,128,687.52	2,665,379.79
2 to 3 years	645,632.94	912,249.94
Over 3 years	16,431,705.62	18,542,901.26
Total	1,407,519,460.76	1,005,746,676.55
Provision	(4,120,282.27)	(4,261,431.15)
	1,403,399,178.49	1,001,485,245.40

Movements of provisions for other receivables are as follows:

	Beginning balance	Addition	Deduction		Ending balance
			Reversal	Write-off	
2016	4,261,431.15	1,190,098.91	145,673.79	1,185,574.00	4,120,282.27
2015	4,370,480.35	117,953.66	222,002.86	5,000.00	4,261,431.15

**7、 Other receivables (continued)**

(2) Analysis of other receivables by category as at 31 December 2016 is as follows:

Item	2016				2015			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	1,092,099,200.00	77.59	-	-	812,880,000.00	80.82	-	-
Other receivables analyzed as groups for provision								
Group 1. Other receivables analyzed for provision according to aging analysis	174,186,479.76	12.38	1,132,652.00	0.65	107,047,831.33	10.64	2,377,217.93	2.22
Group 2. Other receivables from related parties	138,246,150.73	9.82	-	-	83,934,632.00	8.35	-	-
Group subtotal	312,432,630.49	22.20	1,132,652.00	0.36	190,982,463.33	18.99	2,377,217.93	1.24
individually insignificant items but analyzed individually for provision	2,987,630.27	0.21	2,987,630.27	100	1,884,213.22	0.19	1,884,213.22	100
<b>Total</b>	<b>1,407,519,460.76</b>	<b>100</b>	<b>4,120,282.27</b>	<b>0.29</b>	<b>1,005,746,676.55</b>	<b>100</b>	<b>4,261,431.15</b>	<b>0.42</b>

In groups, other receivables were analyzed for provision by aging:

Aging	2016			2015		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	170,925,572.05	98.14	-	101,517,856.97	94.83	-
6 to 12 months	1,295,462.92	0.74	64,773.15	2,102,465.20	1.96	105,123.25
Within 1 year subtotal	172,221,034.97	98.88	64,773.15	103,620,322.17	96.79	105,123.25
1 to 2 years	803,497.37	0.46	80,349.74	980,114.30	0.92	98,011.43
2 to 3 years	227,858.77	0.13	68,357.63	99,781.94	0.09	29,934.58
3 to 4 years	-	-	-	297,156.91	0.28	148,578.46
4 to 5 years	74,585.84	0.04	59,668.67	274,429.01	0.26	219,543.21
Over 5 years	859,502.81	0.49	859,502.81	1,776,027.00	1.66	1,776,027.00
<b>Total</b>	<b>174,186,479.76</b>	<b>100</b>	<b>1,132,652.00</b>	<b>107,047,831.33</b>	<b>100</b>	<b>2,377,217.93</b>

As at 31 December 2016, there are no individually significant items analyzed individually for provision (2015: Nil).

(3) For the year ended 31 December 2016, provision for other receivables amounted to RMB 1,190,098.91 have been accrued (2015: RMB 117, 953.66). Provision for other receivables amounted to RMB 145,673.79 has been reversed (2015: RMB 222,002.86).

(4) For the year ended 31 December 2016, provision for impairment of other receivables amounted to RMB 1,185,574.00 has been written off (2015: RMB 5,000.00).

**7、 Other receivables (continued)**

(5) An analysis of the other receivables by nature is as follows:

Nature	2016	2015
Energy-saving and new	1,092,099,200.00	812,880,000.00

energy subsidy		
Petty Cash	69,412,492.44	40,094,907.47
Security Deposit	20,744,568.68	8,184,335.73
Export rebates	16,477,474.15	16,208,023.06
Others	204,665,443.22	124,117,979.14
<b>Total</b>	<b>1,403,399,178.49</b>	<b>1,001,485,245.40</b>

(6) As at 31 December 2016, top five debtors of other receivables are as follows:

Debtors	Amount	Nature	Aging	Proportion of total other receivables (%)	Provision
First	573,938,000.00	Energy-saving and new energy subsidy	Within two year	40.78	-
Second	492,802,800.00	New energy subsidy	Within two year	35.01	-
Third	82,947,788.84	Disposal of assets	Within one year	5.89	-
Fourth	50,687,982.45	Disposal of assets	one to two year	3.60	-
Fifth	25,358,400.00	New energy subsidy	Within one year	1.80	-
<b>Total</b>	<b>1,225,734,971.29</b>			<b>87.08</b>	<b>-</b>

As at 31 December 2015, top five debtors of other receivables are as follows:

Debtors	Amount	Nature	Aging	Proportion of total other receivables (%)	Provision
First	416,830,000.00	Energy-saving and new energy subsidy	Within one year	41.44	-
Second	396,050,000.00	New energy subsidy	Within one year	39.38	-
Third	80,000,000.00	Dispose of assets	Within one year	7.95	-
Fourth	8,897,507.26	Pretty Cash	Within one year	0.88	-
Fifth	4,259,166.10	Pretty Cash	Within one year	0.42	-
<b>Total</b>	<b>906,036,673.36</b>			<b>90.07</b>	<b>-</b>

(7) As at 31 December 2016, there is no government grant in due recorded in other receivables (2015: Nil).

(8) For the year ended 2016, there is no accounts receivable derecognized due to transfer of financial assets. (2015: Nil).



## 8. Inventories

### (1) Classification of inventories

Item	2016			2015		
	Balance	Provision	Net value	Balance	Provision	Net value
Raw materials	473,106,798.06	57,482,949.30	415,623,848.76	540,301,100.91	112,671,279.09	427,629,821.82
Material in transit	60,411,091.37	-	60,411,091.37	55,664,733.61	-	55,664,733.61
Work in progress	615,327,063.78	53,155,331.21	562,171,732.57	468,242,137.94	33,014,300.12	435,227,837.82
Finish goods	6,236,803,244.45	91,631,171.89	6,145,172,072.56	7,165,061,259.82	140,838,362.77	7,024,222,897.05
Consigned processing material	60,288,380.19	-	60,288,380.19	48,430,606.84	-	48,430,606.84
Consumables	60,439,697.16	-	60,439,697.16	137,899,234.78	-	137,899,234.78
Total	7,506,376,275.01	202,269,452.40	7,304,106,822.61	8,415,599,073.90	286,523,941.98	8,129,075,131.92

### (2) Provision for inventories

2016

Type	Beginning balance	Provision	Deduction	Ending balance
			Reversal Or Written off	
Raw materials	112,671,279.09	44,266,019.44	99,454,349.23	57,482,949.30
Work in progress	33,014,300.12	28,507,957.64	8,366,926.55	53,155,331.21
Finish goods	140,838,362.77	87,106,574.34	136,313,765.22	91,631,171.89
Total	286,523,941.98	159,880,551.42	244,135,041.00	202,269,452.40

2015

Type	Beginning balance	Provision	Deduction	Ending balance
			Reversal Or Written off	
Raw materials	43,047,494.14	88,029,180.46	18,405,395.51	112,671,279.09
Work in progress	72,883,429.99	11,771,059.78	51,640,189.65	33,014,300.12
Finish goods	38,664,885.02	137,496,279.09	35,322,801.34	140,838,362.77
Total	154,595,809.15	237,296,519.33	105,368,386.50	286,523,941.98

### (3) Note for inventory provision

The Group assesses whether the cost of inventory is higher than the net realizable value and makes provision of the difference. Net realizable value is the estimated by selling price in the ordinary course of business deduct estimated costs in further production to sell and estimated necessary distribution expense and tax expense. The reversal of inventory provisions are due to price reboundance of previous impaired inventories by net realizable value test, while written off of inventory provisions are due to selling off of previous impaired inventories in current year.

**8. Inventories (continued)**

Note for the inventory

As at 31 December 2016, 83,009 finished cars are transported to the dealers. According to the protocol signed among the Group, the bank and the dealer, corresponding car certificates are pledged in the bank, including: 5,195 cars in Huaxia Bank; 8,865 cars in China Citic Bank; 12,444 cars in China Everbright Bank; 8,209 cars in Bank of Communications Co., Ltd.; 41,188 cars in China South Industry Group Finance Co., Ltd; 2,849 cars in China Merchants Bank; and 4,259 cars in Industrial Bank Co., Ltd.

As at 31 December 2015, 80,122 finished cars are transported to the dealers. According to the protocol signed among the Group, the bank and the dealer, corresponding car certificates are pledged in the bank, including: 5,779 cars in Huaxia Bank; 13,175 cars in China Citic Bank; 12,527 cars in China Everbright Bank; 10,675 cars in Bank of Communications Co., Ltd.; 32,402 cars in China South Industry Group Finance Co., Ltd; 1,955 cars in China Merchants Bank; and 3,609 cars in Industrial Bank Co., Ltd.

**9. Other current assets**

Item	2016	2015
Input VAT to be deducted	925,275,929.61	7,802,783.59
Others	784,401.26	1,106,952.85
<b>Total</b>	<b>926,060,330.87</b>	<b>8,909,736.44</b>

**10. Available-for-sale financial assets**

Item	2016			2015		
	Book value	Provision	Net value	Book value	Provision	Net value
Available-for-sale equity instrument						
Measured at fair value	280,235,000.00	27,120,000.00	253,115,000.00	378,570,000.00	27,120,000.00	351,450,000.00
Measured at historical cost	179,361,274.00	-	179,361,274.00	179,361,274.00	-	179,361,274.00
<b>Total</b>	<b>459,596,274.00</b>	<b>27,120,000.00</b>	<b>432,476,274.00</b>	<b>557,931,274.00</b>	<b>27,120,000.00</b>	<b>530,811,274.00</b>

As at 31 December 2016, the available-for-sale equity securities instrument measured at fair value is 35.50 million ordinary shares of Southwest Securities Co., Ltd. (31 December 2015: 35.50 million ordinary shares of Southwest Securities Co., Ltd.).

**10. Available-for-sale financial assets (continued)**

Available-for-sale financial assets measured at fair value:

Item	2016	2015
Cost of equity instrument	50,000,000.00	50,000,000.00
Fair value	253,115,000.00	351,450,000.00
Accumulated amount of change in fair value recorded in other comprehensive income	230,235,000.00	328,570,000.00
Provision	27,120,000.00	27,120,000.00

Available-for-sale financial assets measured at historical cost:

2016

Item	Book value				Provision				Shareholding Ratio (%)	Cash dividend in current year
	Beginning balance	Addition	Disposal	Ending balance	Beginning balance	Addition	Disposal	Ending balance		
China South Industry Group Finance Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-	-	-	5.33	50,677,453.17
Chongqing Ante trading Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	-	10.00	-
Sichuan Glass Co., Ltd.	1,809,274.00	-	-	1,809,274.00	-	-	-	-	0.64	-
Zhong Fa Lian Investment Co., Ltd.	21,000,000.00	-	-	21,000,000.00	-	-	-	-	10.00	-
CAERI(Beijing) automobile Lightweight Technology Research Institution Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	-	6.89	-
Guoqi Automobile Power Cell Research Co., Ltd.	40,000,000.00	-	-	40,000,000.00	-	-	-	-	7.41	-
United Prosperity Investment (ShenZhen) Co., Ltd.	30,552,000.00	-	-	30,552,000.00	-	-	-	-	5.00	-
Total	179,361,274.00	-	-	179,361,274.00	-	-	-	-	-	50,677,453.17

2015

Item	Book value				Provision				Shareholding Ratio (%)	Cash dividend in current year
	Beginning balance	Addition	Disposal	Ending balance	Beginning balance	Addition	Disposal	Ending balance		
China South Industry Group Finance Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-	-	-	5.33	52,219,215.31
Chongqing Ante trading Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	-	10.00	-
Sichuan Glass Co., Ltd.	1,809,274.00	-	-	1,809,274.00	-	-	-	-	0.64	-
Zhong Fa Lian Investment Co., Ltd.	21,000,000.00	-	-	21,000,000.00	-	-	-	-	10.00	-
CAERI(Beijing) automobile Lightweight Technology Research Institution Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	-	6.89	-
Guoqi Automobile Power Cell Research Co., Ltd.	40,000,000.00	-	-	40,000,000.00	-	-	-	-	7.41	-
United Prosperity Investment finance lease (ShenZhen) Co., Ltd (Note)	-	30,552,000	-	30,552,000.00	-	-	-	-	5.00	-
Total	148,809,274.00	30,552,000	-	179,361,274.00	-	-	-	-	-	52,219,215.31

Note: 2 June 2016, United Prosperity Investment (ShenZhen) Co., Ltd changed its name to United Prosperity Investment Finance Lease (ShenZhen) Co., Ltd.

Provision for available-for-sale financial asstes	2016	2015
Balance at beginning and ending of the year	27,120,000.00	27,120,000.00

## 11. Long-term equity investments

2016

Investee	Beginning balance	Addition	Deduction	Investment income under equity method	Other comprehensive income	Other equity variation	Cash dividends declared	Provision	Book value ending balance	Provision ending balance
<b>Joint Venture</b>										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,211,881,807.44	-	-	16,949,536.68	-	2,005,532.73	-	-	1,230,836,876.85	-
Jiangling Holding Co., Ltd.	2,708,643,943.64	-	-	281,552,504.60	(166,479.23)	1,177,334.05	-	-	2,991,207,303.06	-
Changan Ford Automobile Co., Ltd.	5,504,416,392.18	-	-	9,029,392,427.50	-	-	(8,870,000,000.00)	-	5,663,808,819.68	-
Changan Mazda Automobile Co., Ltd.	1,998,126,415.64	-	-	998,214,084.78	-	-	(850,000,000.00)	-	2,146,340,500.42	-
Changan Ford Mazda Engine Co., Ltd.	781,796,686.36	-	-	126,734,131.00	-	184,883.31	-	-	908,715,700.67	-
Changan PSA Automobiles Co., Ltd.	1,462,904,374.63	-	-	(815,064,719.37)	-	-	-	-	647,839,655.26	-
<b>Associates</b>										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	7,511,430.77	-	-	45,017.65	-	-	-	-	7,556,448.42	-
Chongqing Changan Kuayue Automobile Co., Ltd.	76,219,385.83	-	-	7,187,078.33	-	-	-	-	83,406,464.16	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd. (note)	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an crescent taxi Co., Ltd. (note)	-	-	-	-	-	-	-	-	-	-
Changan Auto Finance Co., Ltd.	1,155,000,000.00	-	-	(91,344,758.49)	-	-	-	-	1,063,655,241.51	-
<b>Total</b>	<b>14,906,500,436.49</b>	<b>-</b>	<b>-</b>	<b>9,553,665,302.68</b>	<b>(166,479.23)</b>	<b>3,367,750.09</b>	<b>(9,720,000,000.00)</b>	<b>-</b>	<b>14,743,367,010.03</b>	<b>-</b>

Note: As at 31 December 2016, the Group is not responsible for extral loss from Chongqing Changan Kuayue Automobile Sales Co., Ltd. and Beijing Fang'an crescent taxi Co., Ltd.. Therefore, when excess losses of these two associates occurred, the Group just reduced its correspondent long-term equity investment to zero, and did not recognize contingent liabilities accordingly.

## 11. Long-term equity investments (continued)

2015

Investee	Beginning balance	Addition	Deduction	Investment income under equity method	Other comprehensive income	Other equity variation	Cash dividends declared	Provision	Book value ending balance	Provision ending balance
<b>Joint Venture</b>										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,408,273,674.47	-	-	(197,896,284.99)	-	1,504,417.96	-	-	1,211,881,807.44	-
Jiangling Holding Co., Ltd.	2,334,057,207.68	-	-	374,818,810.93	(966,718.09)	734,643.12	-	-	2,708,643,943.64	-
Changan Ford Automobile Co., Ltd.	4,617,363,993.97	-	-	8,687,052,398.21	-	-	(7,800,000,000.00)	-	5,504,416,392.18	-
Changan Mazda Automobile Co., Ltd.	1,672,590,730.82	-	-	825,535,684.82	-	-	(500,000,000.00)	-	1,998,126,415.64	-
Changan Ford Mazda Engine Co., Ltd.	720,178,224.15	-	-	85,303,345.52	-	-	(23,684,883.31)	-	781,796,686.36	-
Changan PSA Automobiles Co., Ltd.	1,795,746,892.81	-	-	(332,842,518.18)	-	-	-	-	1,462,904,374.63	-
<b>Associates</b>										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	9,220,184.59	-	-	(1,708,753.82)	-	-	-	-	7,511,430.77	-
Chongqing Changan Kuayue Automobile Co., Ltd.	66,558,691.97	-	-	9,660,693.86	-	-	-	-	76,219,385.83	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd. (note)	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an crescent taxi Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Chongqing Auto Finance Co., Ltd.	-	1,155,000,000.00	-	-	-	-	-	-	1,155,000,000.00	-
<b>Total</b>	<b>12,623,989,600.46</b>	<b>1,155,000,000.00</b>	<b>-</b>	<b>9,449,923,376.35</b>	<b>(966,718.09)</b>	<b>2,239,061.08</b>	<b>(8,323,684,883.31)</b>	<b>-</b>	<b>14,906,500,436.49</b>	<b>-</b>

**12. Investment property**

Cost Model

2016

Item	Buildings	
	2016	2015
<b>Original cost</b>		
Beginning	10,050,100.00	11,819,701.24
Transferred to others	-	1,769,601.24
Ending	10,050,100.00	10,050,100.00
<b>Accumulated depreciation and amortization</b>		
Beginning	2,040,404.04	2,359,556.20
Accrual	226,711.56	226,711.56
Transferred to others	-	545,863.72
Ending	2,267,115.60	2,040,404.04
<b>Impairment Provision</b>		
Beginning and Ending	-	-
<b>Carrying amount</b>		
Ending	7,782,984.40	8,009,695.96
Beginning	8,009,695.96	9,460,145.04

As at 31 December 2016, there is no investment property without property certificate (As at 31 December 2015: Nil).

### 13. Fixed assets

#### (1) Details of fixed assets

2016

Item	Buildings	Machinery	Vehicles	Other Equipments	Total
Original cost					
Beginning	6,025,351,237.91	12,918,726,114.92	102,607,140.62	3,971,051,290.13	23,017,735,783.58
Purchase	393,542,090.56	60,196,378.18	533,727,912.71	72,966,387.94	1,060,432,769.39
Transfer from Construction in progress	167,211,070.34	2,162,109,384.82	14,298,865.24	441,797,764.60	2,785,417,085.00
Disposal	1,079,185.33	484,081,800.90	14,763,522.56	231,388,636.60	731,313,145.39
Ending	6,585,025,213.48	14,656,950,077.02	635,870,396.01	4,254,426,806.07	26,132,272,492.58
Accumulated depreciation					
Beginning	1,096,331,550.20	5,393,122,603.16	47,611,603.57	1,757,434,742.08	8,294,500,499.01
Accrual	237,133,553.39	1,086,711,305.91	51,415,720.92	404,285,130.02	1,779,545,710.24
Disposal	381,197.77	281,133,910.16	5,080,001.60	143,841,352.41	430,436,461.94
Ending	1,333,083,905.82	6,198,699,998.91	93,947,322.89	2,017,878,519.69	9,643,609,747.31
Impairment provision					
Beginning	84,279,067.92	667,183,282.50	9,011,534.73	52,523,868.61	812,997,753.76
Accrual	-	171,963,505.59	180,486.25	120,340,376.85	292,484,368.69
Disposal	95,316.92	45,989,718.20	8,923,514.09	42,295,341.96	97,303,891.17
Ending	84,183,751.00	793,157,069.89	268,506.89	130,568,903.50	1,008,178,231.28
Carrying amount					
Ending	5,167,757,556.66	7,665,093,008.22	541,654,566.23	2,105,979,382.88	15,480,484,513.99
Beginning	4,844,740,619.79	6,858,420,229.26	45,984,002.32	2,161,092,679.44	13,910,237,530.81

**13. Fixed assets (Continued)**

## (1) Details of fixed assets (continued)

2015

Item	Buildings	Machinery	Vehicles	Other Equipments	Total
<b>Original cost</b>					
Beginning	5,720,929,022.47	12,456,413,124.25	105,085,124.78	3,754,783,606.38	22,037,210,877.88
Purchase	81,808,296.79	117,128,705.40	817,554.20	10,718,665.95	210,473,222.34
Transfer from Construction in progress	236,675,656.74	808,105,141.71	6,346,313.77	269,506,388.83	1,320,633,501.05
Transfer from Investment property	1,769,601.24	-	-	-	1,769,601.24
Disposal	15,831,339.33	462,920,856.44	9,641,852.13	63,957,371.03	552,351,418.93
Ending	6,025,351,237.91	12,918,726,114.92	102,607,140.62	3,971,051,290.13	23,017,735,783.58
<b>Accumulated depreciation</b>					
Beginning	869,651,467.05	4,499,116,329.67	43,232,776.35	1,463,102,408.02	6,875,102,981.09
Accrual	229,475,954.02	1,042,676,250.10	11,754,212.68	335,127,515.28	1,619,033,932.08
Transfer from Investment property	545,863.72	-	-	-	545,863.72
Disposal	3,341,734.59	148,669,976.61	7,375,385.46	40,795,181.22	200,182,277.88
Ending	1,096,331,550.20	5,393,122,603.16	47,611,603.57	1,757,434,742.08	8,294,500,499.01
<b>Impairment provision</b>					
Beginning	4,998,917.25	546,083,399.27	111,955.65	45,333,828.24	596,528,100.41
Accrual	79,803,326.20	297,876,350.68	8,948,638.94	10,929,580.39	397,557,896.21
Disposal	523,175.53	176,776,467.45	49,059.86	3,739,540.02	181,088,242.86
Ending	84,279,067.92	667,183,282.50	9,011,534.73	52,523,868.61	812,997,753.76
<b>Carrying amount</b>					
Ending	4,844,740,619.79	6,858,420,229.26	45,984,002.32	2,161,092,679.44	13,910,237,530.81
Beginning	4,846,278,638.17	7,411,213,395.31	61,740,392.78	2,246,347,370.12	14,565,579,796.38

## (2) Fixed assets that are temporarily unused

2016

Item	Original cost	Accumulated depreciation	Impairment provision	Carrying amount
Buildings	144,780,067.56	72,038,546.15	50,061,405.94	22,680,115.47
Machinery	1,874,723,564.81	1,241,667,363.44	632,956,493.54	99,707.83
Vehicles	11,119,022.00	2,245,833.95	8,873,188.05	-
Other Equipments	180,532,464.65	83,871,111.79	96,328,591.86	332,761.00
Total	2,211,155,119.02	1,399,822,855.33	788,219,679.39	23,112,584.30



**13. Fixed assets (continued)**

## (2) Fixed assets that are temporarily unused (continued)

2015

Item	Original cost	Accumulated depreciation	Impairment provision	Carrying amount
Buildings	76,173,039.74	26,050,123.71	26,369,104.88	23,753,811.15
Machinery	759,630,049.43	421,391,601.73	336,485,331.27	1,753,116.43
Vehicles	11,119,022.00	2,245,415.51	8,873,188.05	418.44
Other Equipments	70,845,194.36	33,072,928.44	37,461,079.13	311,186.79
Total	917,767,305.53	482,760,069.39	409,188,703.33	25,818,532.81

(3) As at 31 December 2016, there is no fixed assets which are rented out under operating leases (As at 31 December 2015: Nil).

(4) Fixed assets without property certificate as at 31 December 2016 are as follow:

Item	Carrying amount	Reason for incomplete certificate of title
Assemble plant	168,340,200.62	In process
Painting plant	159,082,199.01	In process
Yu Zui Auto City	123,637,346.94	Project not settled
Office building	79,949,017.03	In process
Welding plant	77,213,158.20	In process
Other facilities	63,212,155.11	In process
Other plant	59,066,214.17	In process
Stamping plant	51,627,378.09	In process
EA Casting workshop Phase I	41,058,337.53	In process
Second plant and public building	32,938,569.20	In process
Engine workshop	32,400,095.72	In process
Comercial vehicle workshop	29,532,632.52	In process
Staff cafeteria	16,206,486.87	In process
Technology center workshop	13,557,533.55	In process
Buildings in testing projects of Dianjiang	10,656,177.75	In process
Warehouse	6,718,281.88	In process

## 14. Construction in progress

### (1) Details of construction in progress

Item	2016			2015		
	Balance	Provision	Carrying amount	Balance	Provision	Carrying amount
Mini-bus production equipment	332,011,471.05	-	332,011,471.05	90,984,573.86	-	90,984,573.86
Yuzui motor city project	1,670,075,876.73	-	1,670,075,876.73	758,263,413.23	-	758,263,413.23
Car production equipment	68,289,153.08	-	68,289,153.08	42,051,572.59	-	42,051,572.59
Engine plant	749,552,604.51	-	749,552,604.51	1,324,035,600.35	-	1,324,035,600.35
Vehicle research institution	119,918,357.19	-	119,918,357.19	59,928,820.28	-	59,928,820.28
Vehicle moulds	446,423,242.75	-	446,423,242.75	250,678,762.19	-	250,678,762.19
Light vehicle technical transformation project of Baoding Changan bus	39,361,192.09	-	39,361,192.09	48,649,227.54	-	48,649,227.54
Plant for vehicle test project	16,109,878.08	-	16,109,878.08	45,137,091.95	-	45,137,091.95
Beijing vehicle construction project	47,364,971.59	-	47,364,971.59	85,977,811.61	-	85,977,811.61
Engine Base of Nanjing	809,483.55	-	809,483.55	3,543,517.10	-	3,543,517.10
Yuzui Refitting factory	29,200,422.80	-	29,200,422.80	25,998,204.34	-	25,998,204.34
Car production Project Of Hefei Changan	2,414,375.90	-	2,414,375.90	162,436,108.67	-	162,436,108.67
Nanjing Welding Technological transformation project	16,506,412.14	-	16,506,412.14	44,360,154.14	-	44,360,154.14
Yubei Factory	107,961,718.09	-	107,961,718.09	-	-	-
Others	175,704,671.23	-	175,704,671.23	121,829,149.07	-	121,829,149.07
<b>Total</b>	<b>3,821,703,830.78</b>	<b>-</b>	<b>3,821,703,830.78</b>	<b>3,063,874,006.92</b>	<b>-</b>	<b>3,063,874,006.92</b>

## 14. Construction in progress (continued)

### (2) Significant movements of construction in progress in 2016

Project	Budget (RMB0,000)	Beginning balance	Addition	Transfer to fixed assets	The project investments' proportion of budget	Progress of construction	Source of funds	Ending balance
Mini-bus production equipment	428,190.00	90,984,573.86	356,206,869.00	115,179,971.81	42%	42%	Raised	332,011,471.05
Yuzui motor city project	497,073.82	758,263,413.23	976,444,837.79	64,632,374.29	64%	64%	Raised and issued	1,670,075,876.73
Car production equipment	653,247.00	42,051,572.59	147,262,058.25	121,024,477.76	15%	15%	Raised	68,289,153.08
Engine plant	700,500.00	1,324,035,600.35	1,061,887,637.00	1,636,370,632.84	80%	80%	Raised and issued	749,552,604.51
Vehicle research institution	262,998.00	59,928,820.28	82,722,210.01	22,732,673.10	36%	36%	Raised	119,918,357.19
Vehicle moulds	147,242.00	250,678,762.19	355,209,442.54	159,464,961.98	98%	98%	Raised	446,423,242.75
Light vehicle technical transformation project of Baoding Changan Bus	38,145.00	48,649,227.54	63,458,917.37	72,746,952.82	99%	99%	Raised	39,361,192.09
Plant for vehicle test project	157,122.00	45,137,091.95	23,181,020.97	52,208,234.84	83%	83%	Raised	16,109,878.08
Beijing vehicle construction project	467,606.53	85,977,811.61	70,501,139.19	109,113,979.21	70%	70%	Raised	47,364,971.59
Engine Base of Nanjing	19,699.00	3,543,517.10	468,910.24	3,202,943.79	35%	35%	Raised	809,483.55
Yuzui Refitting factory	29,977.00	25,998,204.34	3,202,218.46	-	22%	22%	Raised	29,200,422.80
Car production project of Hefei Changan	172,917.72	162,436,108.67	91,011,524.85	251,033,257.62	23%	23%	Raised	2,414,375.90
Nanjing Welding Technological transformation project	9,700.00	44,360,154.14	19,720,944.18	47,574,686.18	94%	94%	Raised	16,506,412.14
Yubei Factory	56,223.00	-	108,239,598.43	277,880.34	19%	19%	Raised	107,961,718.09
Others	-	121,829,149.07	183,729,580.58	129,854,058.42	0%	0%	Raised	175,704,671.23
<b>Total</b>		<b>3,063,874,006.92</b>	<b>3,543,246,908.86</b>	<b>2,785,417,085.00</b>				<b>3,821,703,830.78</b>

#### 14. Construction in progress (continued)

##### (2) Significant movements of construction in progress in 2015:

Project	Budget (RMB0,000)	Beginning balance	Addition	Transfer to fixed assets	The project investments' proportion of budget	Progress of construction	Source of funds	Ending balance
Mini-bus production equipment	354,098.00	51,532,611.69	128,221,677.95	88,769,715.78	41%	41%	Raised	90,984,573.86
Yuzui motor city project	426,656.00	56,137,499.36	783,935,378.77	81,809,464.90	52%	52%	Raised	758,263,413.23
Car production equipment	119,196.00	21,154,399.12	77,695,238.73	56,798,065.26	71%	71%	Raised	42,051,572.59
Engine plant	574,945.00	390,640,806.71	1,057,159,126.46	123,764,332.82	79%	79%	Raised	1,324,035,600.35
Vehicle research institution	240,676.00	27,883,152.26	57,649,941.36	25,604,273.34	36%	36%	Raised	59,928,820.28
Vehicle moulds	143,000.00	264,739,352.00	108,223,646.46	122,284,236.27	75%	75%	Raised	250,678,762.19
Light vehicle technical transformation project of Baoding Changan Bus	36,838.15	29,974,950.86	67,980,073.31	49,305,796.63	85%	85%	Raised	48,649,227.54
Plant for vehicle test project	157,122.00	76,854.40	54,900,409.04	9,840,171.49	82%	82%	Raised	45,137,091.95
Beijing vehicle construction project	799,629.53	232,656,244.67	401,185,577.14	547,864,010.20	40%	40%	Raised	85,977,811.61
Engine Base of Nanjing	17,750.00	24,147,569.91	34,753,065.04	55,357,117.85	35%	35%	Raised	3,543,517.10
Yuzui Refitting factory	29,977.00	20,399,257.73	14,083,254.63	8,484,308.02	21%	21%	Raised	25,998,204.34
Car production project of Hefei Changan	94,001.00	15,630,398.56	154,445,026.33	7,639,316.22	18%	18%	Raised	162,436,108.67
Nanjing Welding Technological transformation project	6,000.00	23,004,985.36	27,687,982.47	6,332,813.69	74%	74%	Raised	44,360,154.14
Others	-	116,018,882.61	142,590,145.04	136,779,878.58			Raised	121,829,149.07
<b>Total</b>		<b>1,273,996,965.24</b>	<b>3,110,510,542.73</b>	<b>1,320,633,501.05</b>				<b>3,063,874,006.92</b>

**14. Construction in progress (continued)**

(3) Movement of provision for the impairment of construction in progress:

<b>Reform of production line with 100,000 capacity of Hefei Changan in previous years</b>	<b>2016</b>	<b>2015</b>
Beginning Balance	-	10,458,678.57
Addition	-	-
Deduction	-	10,458,678.57
Ending Balance	-	-

In the year of 2015, reform project of production line with 100,000 capacity of Hefei Changan were terminated due to adjustment of the company's strategy, therefore provision of the project was written off.

## 15. Intangible assets

### Details of intangible assets

2016

Item	Land use rights	Software use rights	Trademark use rights	Non-patent technology	Total
Original cost					
Beginning	2,137,762,363.93	370,981,530.88	211,784,400.00	1,974,487,952.33	4,695,016,247.14
Purchase	218,088,206.00	29,671,977.04	-	-	247,760,183.04
Internal research and development	-	-	-	883,038,119.48	883,038,119.48
Ending	2,355,850,569.93	400,653,507.92	211,784,400.00	2,857,526,071.81	5,825,814,549.66
Accumulated amortization					
Beginning	186,841,350.16	311,958,198.25	118,447,706.48	1,116,601,226.35	1,733,848,481.24
Accrual	46,124,144.45	52,261,887.97	17,502,880.14	388,357,867.86	504,246,780.42
Ending	232,965,494.61	364,220,086.22	135,950,586.62	1,504,959,094.21	2,238,095,261.66
Impairment provision					
Beginning	-	21,319,804.81	-	96,516,218.42	117,836,023.23
Accrual	-	-	-	24,932,589.74	24,932,589.74
Ending	-	21,319,804.81	-	121,448,808.16	142,768,612.97
Carrying amount					
Ending	2,122,885,075.32	15,113,616.89	75,833,813.38	1,231,118,169.44	3,444,950,675.03
Beginning	1,950,921,013.77	37,703,527.82	93,336,693.52	761,370,507.56	2,843,331,742.67

2015

Item	Land use rights	Software use rights	Trademark use rights	Non-patent technology	Total
Original cost					
Beginning	1,911,997,610.93	312,758,164.35	211,784,400.00	1,855,742,158.83	4,292,282,334.11
Purchase	225,764,753.00	58,723,774.65	-	1,087,360.41	285,575,888.06
Internal research and development	-	-	-	117,658,433.09	117,658,433.09
Disposal	-	500,408.12	-	-	500,408.12
Ending	2,137,762,363.93	370,981,530.88	211,784,400.00	1,974,487,952.33	4,695,016,247.14
Accumulated amortization					
Beginning	145,348,478.79	245,424,542.70	99,923,437.58	825,124,184.29	1,315,820,643.36
Accrual	41,492,871.37	66,985,348.68	18,524,268.90	291,477,042.06	418,479,531.01
Disposal	-	451,693.13	-	-	451,693.13
Ending	186,841,350.16	311,958,198.25	118,447,706.48	1,116,601,226.35	1,733,848,481.24
Impairment provision					
Beginning	-	21,319,804.81	-	76,176,660.79	97,496,465.60
Accrual	-	-	-	20,339,557.63	20,339,557.63
Ending	-	21,319,804.81	-	96,516,218.42	117,836,023.23
Carrying amount					
Ending	1,950,921,013.77	37,703,527.82	93,336,693.52	761,370,507.56	2,843,331,742.67
Beginning	1,766,649,132.14	46,013,816.84	111,860,962.42	954,441,313.75	2,878,965,225.15

**15. Intangible assets (continued)**

As at 31 December 2016, the intangible assets from internal research and development account for 35.74% of total intangible assets (as at 31 December 2015: 26.78%).

As at 31 December 2016, there is no intangible assets with no certificate (As at 31 December 2015: Nil).

**16. Development expenditure**

2016

Item	Beginning balance	Addition	Deduction		Ending balance
		Internal research and development	Recognized as intangible assets	Charged to income Statement of the current year	
Automobile Development	1,093,462,382.64	944,747,467.22	883,038,119.48	43,995,276.89	1,111,176,453.49

2015

Item	Beginning balance	Addition	Deduction		Ending balance
		Internal research and development	Recognized as intangible assets	Charged to income Statement of the current year	
Automobile Development	627,845,455.00	649,260,824.50	117,658,433.09	65,985,463.77	1,093,462,382.64

**17. Goodwill**

2016 and 2015

Investee	Beginning balance	Addition	Deduction		Ending balance
		Business combination under common control	Disposal		
Hebei Changan Automobile Co., Ltd.	9,804,394.00	-	-	-	9,804,394.00
Nanjing Changan Automobile Co., Ltd.	-	-	-	-	-
<b>Total</b>	<b>9,804,394.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,804,394.00</b>

**17. Goodwill (continued)**

Movement of provision for goodwill is as follow:

2016 and 2015

Investee	Beginning balance	Addition	Deduction	Ending balance
		Accrual	Disposal	
Nanjing Changan Automobile Co., Ltd.	73,465,335.00	-	-	73,465,335.00

Due to the accumulated losses of Nanjing Changan Automobile Co., Ltd., provision for related goodwill has been fully accrued amounted to RMB73,465,335.00.

**18. Long-term deferred expenses**

2016

Item	Beginning balance	Addition	Amortization	Ending balance
Long-term deferred expenses	8,028,811.27	8,191,450.04	2,771,851.68	13,448,409.63

2015

Item	Beginning balance	Addition	Amortization	Ending balance
Long-term deferred expenses	1,687,863.32	6,909,549.00	568,601.05	8,028,811.27

**19. Deferred tax assets and liabilities**

Item	2016		2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets provision	1,126,915,748.00	169,037,362.20	1,098,129,857.31	164,719,478.60
Accrued expenses and contingent liabilities	5,393,107,999.39	808,966,199.91	4,904,795,207.30	735,719,281.09
Unpaid tech development expense and advertisement expense	306,173,312.02	45,925,996.80	307,647,899.20	46,147,184.88
Deferred income	2,337,829,565.30	350,674,434.80	2,431,191,639.76	364,678,745.96
Unpaid salary and bonus and others	486,688,568.49	73,003,285.27	695,643,337.25	104,346,500.59
Total	9,650,715,193.20	1,447,607,278.98	9,437,407,940.82	1,415,611,191.12



**19. Deferred tax assets and liabilities (continued)**

Item	2016		2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Available-for-sale financial assets on the changes in fair value recorded in capital reserve	230,235,000.00	34,535,250.00	328,570,000.00	49,285,500.00

Uncognized deductible temporary differences and tax losses of unrecognized are as follows:

Item	2016	2015
The deductible temporary difference	1,043,531,482.32	2,178,503,714.94
The deductible tax loss	1,743,264,928.96	2,193,071,173.16
Total	2,786,796,411.28	4,371,574,888.10

Maturity period for unrecognized deductible temporary differences and tax losses:

Year	2016	2015
2016	-	2,238,639,425.96
2017	939,191,442.38	318,076,882.37
2018	399,124,647.90	523,032,727.65
2019	750,848,098.79	852,848,218.99
2020	338,184,432.94	333,792,463.33
from 2021 onwards	359,447,789.27	105,185,169.80
Total	2,786,796,411.28	4,371,574,888.10

Note: Due to the uncertainty of whether there will be enough taxable profit in future to utilize the above deductible loss, no deferred tax assets have been recognized accordingly.

**20. Provision for the impairment of assets**

2016

Item	Beginning	Addition	Deduction		Ending
			Reversal	Write-off	
I. Bad debt provision	69,120,291.07	5,263,615.41	1,309,093.69	38,008,404.24	35,066,408.55
II. Provision for inventory	286,523,941.98	159,880,551.42	12,400,630.42	231,734,410.58	202,269,452.40
III. Provision for fixed assets	812,997,753.76	292,484,368.69	-	97,303,891.17	1,008,178,231.28
IV. Provision for intangible assets	117,836,023.23	24,932,589.74	-	-	142,768,612.97
V. Provision for goodwill	73,465,335.00	-	-	-	73,465,335.00
Total	1,359,943,345.04	482,561,125.26	13,709,724.11	367,046,705.99	1,461,748,040.20

**20. Provision for the impairment of assets (contined)**

Note: Accrued provision for inventory is mainly due to the cost of some types of vehicles and engines is lower than the net realizable value.

Accrued provision for fixed assets is mainly due to the abandoned factory and impairment of machinery and moulds for the discontinued productions this year.

Accrued provision for intangible assets is mainly due to the impairment of the non-patent technology for the discontinued productions.

2015

Item	Beginning	Addition	Deduction		Ending
			Reversal	Write-off	
I. Bad debt provision	71,292,251.66	4,353,607.86	6,275,513.09	250,055.36	69,120,291.07
II. Provision for inventory	154,595,809.15	237,296,519.33	22,955,631.67	82,412,754.83	286,523,941.98
III. Provision for fixed assets	596,528,100.41	397,557,896.21	-	181,088,242.86	812,997,753.76
IV. Provision for intangible assets	97,496,465.60	20,339,557.63	-	-	117,836,023.23
V. Provision for construction in progress	10,458,678.57	-	-	10,458,678.57	-
VI. Provision for goodwill	73,465,335.00	-	-	-	73,465,335.00
Total	1,003,836,640.39	659,547,581.03	29,231,144.76	274,209,731.62	1,359,943,345.04

**21. Short-term loans**

Classification of short-term loans :

Item	2016	2015
Mortgage loans	150,000,000.00	50,000,000.00
Credit loans	25,000,000.00	-
Total	175,000,000.00	50,000,000.00

As at 31 December 2016, the interest rates of the above loans were 4.35%-5.44% (as at 31 December 2015: 5.35%).

As at 31 December 2016, there is no overdue short-term loan (as at 31 December 2015: Nil).

For the year ended 31 December 2016, the Group obtained short-term loan of RMB 150,000,000.00 and commercial acceptance bill of RMB 50,000,000.00 from China South Industry Group Finance Co., Ltd. The credit was secured by the land use rights amounted to RMB 27,573,761.27, buildings amounted to RMB 34,815,200.25, and accounts receivable amounted to RMB 585,632,645.22.

**21. Short-term loans (continued)**

For the year ended 31 December 2015, the Group obtained short-term loan of RMB 50,000,000.00 and commercial acceptance bill of RMB 50,000,000.00 from China South Industry Group Finance Co., Ltd. The credit was secured by the land use rights amounted to RMB 5,394,177.78, buildings amounted to RMB 28,828,344.87, and accounts receivable amounted to RMB 459,208,818.75.

**22. Notes payable**

Item	2016	2015
Commercial acceptance bill	2,040,438,358.00	53,240,000.00
Bank acceptance bill	18,911,666,447.58	18,609,660,601.34
Total	20,952,104,805.58	18,662,900,601.34

As at 31 December 2016, there is no overdue unpaid notes payable (as at 31 December 2015: Nil)

**23. Accounts payable**

## (1) Accounts payable

Item	2016	2015
Accounts payable	19,880,580,102.39	14,973,826,566.55

(2) As at 31 December 2016, there is no significant accounts payable aged over one year.

**24. Advances from customers**

## (1) Advances from customers

Item	2016	2015
Advances from customers	6,854,337,365.01	7,326,612,631.20

(2) As at 31 December 2016, advances from customers of RMB 200,541,311.34 aged over one year is mainly credit guarantee charged to dealers.

**25. Payroll payable**

2016

Item	Beginning	Addition	Deduction	Ending
Short term salary benefits	1,429,426,563.28	5,297,598,085.78	4,948,679,459.98	1,778,345,189.08
Defined contribution plans	65,948,316.50	589,883,072.75	596,624,103.10	59,207,286.15
Early retirement benefits	4,239,000.00	162,754.00	2,006,754.00	2,395,000.00
Total	1,499,613,879.78	5,887,643,912.53	5,547,310,317.08	1,839,947,475.23

**25. Payroll payable (continued)**

2015

Item	Beginning	Addition	Deduction	Ending
Short term salary benefits	953,842,876.88	4,826,693,389.42	4,351,109,703.02	1,429,426,563.28
Defined contribution plans	62,967,787.92	424,274,503.64	421,293,975.06	65,948,316.50
Early retirement benefits	5,559,000.00	11,195,438.00	12,515,438.00	4,239,000.00
<b>Total</b>	<b>1,022,369,664.80</b>	<b>5,262,163,331.06</b>	<b>4,784,919,116.08</b>	<b>1,499,613,879.78</b>

Short term salary benefits:

2016

Item	Beginning	Addition	Deduction	Ending
Salary, bonus, allowance and subsidy	1,106,536,422.36	4,306,054,239.92	3,990,153,109.88	1,422,437,552.40
Employee benefit	161,138,872.11	312,163,863.48	274,167,813.65	199,134,921.94
Social insurance	(6,121,466.85)	269,622,349.86	262,589,092.54	911,790.47
Medical insurance	(7,093,640.84)	240,476,817.18	233,302,790.13	80,386.21
Industrial injury insurance	(844,065.90)	15,934,140.81	15,604,084.26	(514,009.35)
Maternity insurance	1,816,239.89	13,211,391.87	13,682,218.15	1,345,413.61
Housing accumulation fund	116,439,265.39	296,922,573.42	331,137,206.49	82,224,632.32
Labor fund and employee education fund	51,433,470.27	112,835,059.10	90,632,237.42	73,636,291.95
<b>Total</b>	<b>1,429,426,563.28</b>	<b>5,297,598,085.78</b>	<b>4,948,679,459.98</b>	<b>1,778,345,189.08</b>

2015

Item	Beginning	Addition	Deduction	Ending
Salary, bonus, allowance and subsidy	692,255,777.18	3,908,889,433.90	3,494,608,788.72	1,106,536,422.36
Employee benefit	170,566,171.82	362,532,273.86	371,959,573.57	161,138,872.11
Social insurance	(7,196,563.33)	223,136,354.88	222,061,258.40	(6,121,466.85)
Medical insurance	(7,728,238.19)	197,660,046.81	197,025,449.46	(7,093,640.84)
Industrial injury insurance	(1,298,370.98)	14,471,859.72	14,017,554.64	(844,065.90)
Maternity insurance	1,830,045.84	11,004,448.35	11,018,254.30	1,816,239.89
Housing accumulation fund	87,857,996.99	238,104,385.29	209,523,116.89	116,439,265.39
Labor fund and employee education fund	10,359,494.22	94,030,941.49	52,956,965.44	51,433,470.27
<b>Total</b>	<b>953,842,876.88</b>	<b>4,826,693,389.42</b>	<b>4,351,109,703.02</b>	<b>1,429,426,563.28</b>

**25. Payroll payable (continued)**

Defined contribution plans:

2016

Item	Beginning	Addition	Deduction	Ending
Basic retirement security	58,211,141.01	571,276,349.01	578,144,846.77	51,342,643.25
Unemployment insurance	7,737,175.49	18,606,723.74	18,479,256.33	7,864,642.90
Total	65,948,316.50	589,883,072.75	596,624,103.10	59,207,286.15

2015

Item	Beginning	Addition	Deduction	Ending
Basic retirement security	57,806,919.53	401,261,518.06	400,857,296.58	58,211,141.01
Unemployment insurance	5,160,868.39	23,012,985.58	20,436,678.48	7,737,175.49
Total	62,967,787.92	424,274,503.64	421,293,975.06	65,948,316.50

The salary, bonus, allowance and subsidy, employee benefits and other social insurances mentioned above are paid in time according to related laws and regulations and sets of the Group.

## 26. Taxes payable

Item	2016	2015
Value-added tax	61,599,556.40	(360,750,164.89)
Consumption tax	331,988,223.84	311,777,113.20
Corporate income tax	117,965,863.43	365,940,064.81
Individual Income tax	3,009,136.60	5,211,932.14
City maintenance and construction tax	17,543,881.51	16,162,814.08
Education surcharge	15,117,014.02	10,880,123.71
Others	8,457,813.36	7,527,313.44
Total	555,681,489.16	356,749,196.49

## 27. Interest payable

Item	2016	2015
Corporate bonds interest	73,458,000.00	73,458,000.00

## 28. Dividend payable

Item	2016	2015
Dividend payable – Hebei Changan minority interests	79,742.80	79,742.80

**29. Other payables**

Item	2016	2015
Deposits of dealer and supplier	62,903,407.42	90,495,974.80
Maintenance fees	192,922,034.17	144,637,609.14
Sales rewards	34,504,273.00	25,811,691.00
Advertisement fees	362,870,963.91	311,636,628.96
Warehousing and transport fees	102,452,830.88	291,730,945.64
Integrated service charges and miscellaneous expenses	144,749,843.68	134,906,227.28
Project funds	406,491,895.86	628,894,264.49
Others	142,133,347.05	134,761,516.74
Total	1,449,028,595.97	1,762,874,858.05

**30. Contingent liabilities**

2016

Item	Beginning	Addition	Deduction	Ending
Warranty	1,641,676,220.15	963,436,544.44	594,958,812.72	2,010,153,951.87

2015

Item	Beginning	Addition	Deduction	Ending
Warranty	1,221,114,880.50	948,932,623.12	528,371,283.47	1,641,676,220.15

Note: Warranty is the estimated repair expenses for the sold vehicles within warranty period.

**31. Other current liabilities**

Item	2016	2015
Accrued utilities	38,792,016.31	36,290,509.84
Accrued transportation fee	640,217,259.02	647,225,692.02
Accrued labor service fee	59,225,911.17	59,077,891.33
Accrued technology royalty	90,722,615.32	136,205,899.23
Accrued commercial discount payable	2,949,334,782.23	2,351,905,956.34
Accrued market development expense and others	433,277,614.83	700,193,012.39
Total	4,211,570,198.88	3,930,898,961.15

**32. Current portion of non-current liabilities**

Item	2016	2015
Corporate bonds within 1 year(NoteV.33)	1,979,020,519.81	-
Long-term loan within 1 year(NoteV.34)	13,320,608.00	-
Total	1,992,341,127.81	-

**33. Bonds payables**

Item	2016	2015
Corporate bonds	-	1,975,102,599.85

With approval of circular Zheng Jian Xu Ke [2012] No. 388 issued by China Securities Regulatory Commission, the Company issued bonds with the face value of RMB1,980,000,000.00 to the public. The face interest rate is fixed at 5.30% and the interests shall be repaid annually on 23 April each year. The final redemption date is 23 April 2017. After the deduction of issuance costs amounted to RMB19,589,600.00, the Company raised RMB1,960,410,400.00 totally. The bond is guaranteed by China Changan unconditionally and irrevocably.

Bonds payable is measured at amortized cost using the effective interest.

As at 31 December 2016, movement of bonds payables is as follows:

	Beginning	Accrued interest	Amortization	Paid interest	Ending (note)
Bonds payable	1,975,102,599.85	104,940,000.00	3,917,919.96	104,940,000.00	1,979,020,519.81

Note: The ending balance of bonds payable is recorded in current portion of non-current liabilities at year end.

As at 31 December 2015, movement of bonds payables is as follows:

	Beginning	Accrued interest	Amortization	Paid interest	Ending
Bonds payable	1,971,184,679.89	104,940,000.00	3,917,919.96	104,940,000.00	1,975,102,599.85

**34. Long-term Loan**

Item	2016	2015
Credit loan	33,301,520.00	-
Deduction: Loan within 1 year	(13,320,608.00)	-
Total	19,980,912.00	-

As at 31 December 2016, the interest rates of the above loans were 3.044% (as at 31 December 2015: Nil).

As at 31 December 2016, there is no overdue long-term loans (as at 31 December 2015: Nil).

**35. Long-term payroll payable**

Item	2016	2015
Net obligation of defined benefit plan	96,591,000.00	93,775,000.00
Early retirement	8,541,000.00	12,847,000.00
Total	105,132,000.00	106,622,000.00

In addition to basic retirement security and unemployment insurance, which are managed by local government, the Group offers different kinds of overall pension and annual compensation to some retired employees until their death. The group provides subsidies to former military personnel who participated in specific wars and offers large medical treatment insurance for all retired personnel. The group also offered early-retired salary, social insurances and housing accumulation fund with different standards until their formal retirement (Male: Age 60; Female: Age 50 or 55). These amounts of social insurances and housing accumulation fund are based on cost base and statutory proportion.

The present value of the defined benefits plan is valued by expected cumulative welfare units determination, which was ensured by Mercer, a member of Actuarial Society of Hongkong as at 31 December 2016.

As at balance sheet day, key actuarial assumptions are as follows:

	2016	2015
Discount rate		
Retirement Staff	3.3%-3.5%	3.0%-3.3%
Early retirement staff	2.7%-3.0%	2.3%-2.6%
Retirement age		
Male	60	60
Female	50/55	50/55
Increase rate of key benefits		
Retired employees	0.0%-6.0%	0.0%-6.0%
Early retired employees	0.0%-4.0%	0.0%-4.0%

The future mortality rate is based on China experience life table of life insurance (2000-2003) “CL (2000-2003)”, the table is a public statistics in PRC.



**35. Long-term payroll payable (continued)**

The sensitive analyses of key assumption are as follows:

2016

	Increase %	Increase/(Decrease) in the obligation of defined benefits plan	Decrease %	Increase/(Decrease) in the obligation of defined benefits plan
Discount rate	0.5%	(6,280,000.00)	0.5%	6,330,000.00
Increase rate of key benefits	0.5%	6,300,000.00	0.5%	(6,240,000.00)
Mortality rate	5%	(2,138,000.00)	5%	2,139,000.00

2015

	Increase %	Increase/(Decrease) in the obligation of defined benefits plan	Decrease %	Increase/(Decrease) in the obligation of defined benefits plan
Discount rate	0.5%	(5,841,000.00)	0.5%	5,999,000.00
Increase rate of key benefits	0.5%	5,903,000.00	0.5%	(4,818,000.00)
Mortality rate	5%	(2,034,000.00)	5%	2,036,000.00

The sensitive analysis above is based on the deduction to reasonable change of key assumption as at the balance sheet date. Sensitive analysis is resulted from fluctuation of main assumptions with other assumptions unchanged. As all assumptions are not isolated from each other, sensitive analysis shall not represent actual result of obligation of defined benefits plan.

The related costs of the defined benefit plan charged to income statement are as follows:

	2016	2015
Service costs- current period	52,000.00	57,000.00
Service costs- prior period	302,000.00	60,381,000.00
Net interest	3,005,000.00	4,478,000.00
Post employment benefits, net	3,359,000.00	64,916,000.00
Recorded in general administrative expenses	3,359,000.00	64,916,000.00

Movement of present value of defined benefits plan is as follows:

	Defined Benefit Plan Obligation	
	2016	2015
Beginning balance	93,775,000.00	31,249,000.00
Charged to income Statement of the current period		
Service costs- current period	52,000.00	57,000.00
Service costs- prior period	302,000.00	60,381,000.00
Interest expense, net	3,005,000.00	4,478,000.00
Actuarial losses charged to other comprehensive income	4,676,000.00	2,956,000.00
Benefits Payment	(5,219,000.00)	(5,346,000.00)
Ending balance	96,591,000.00	93,775,000.00

**36. Special payables**

2016

Item	Beginning	Addition	Deduction	Ending
Project 863	2,627,172.95	-	23,700.00	2,603,472.95
Test on key technology of hybrid electric vehicles	2,324,391.07	-	912,185.50	1,412,205.57
New vehicle product	6,663,072.47	-	841,189.46	5,821,883.01

Automobile product chain sharing platform	6,530,459.44	-	639,485.69	5,890,973.75
Gasoline Engine Development	2,033,834.26	160,000.00	553,319.21	1,640,515.05
Development and industrialization of the embedded software platform for automotive electronic controllers	263,547.70	-	-	263,547.70
Changan automobile E class Gasoline engine cylinder block, cylinder head production line project	60,357,617.64	-	10,400.00	60,347,217.64
Land relocation compensation	55,350,709.40	-	-	55,350,709.40
Project 973	161,820.82	-	-	161,820.82
Automotive order to delivery system project	3,175,689.00	1,790,000.00	2,133,000.00	2,832,689.00
Industrialization of patented technologies	8,670,532.59	-	6,791,214.07	1,879,318.52
Vehicle network intelligent information terminal middleware key technologies research and application	(237,413.99)	2,580,000.00	484,132.58	1,858,453.43
Development and industrialization of C206 pure electric cars	(28,922,057.58)	-	3,744,171.13	(32,666,228.71)
System development of electromagnetic compatibility of key accessories on electric cars	3,120,683.25	2,338,500.00	327,874.59	5,131,308.66
Intelligent manufacturing project	29,912,733.30	45,000,000.00	13,386,441.54	61,526,291.76
Lightweight design of automobile structure	(94,602.64)	49,300,000.00	19,130,162.91	30,075,234.45
Others	12,183,590.37	4,604,600.00	3,420,062.57	13,368,127.80
<b>Total</b>	<b>164,121,780.05</b>	<b>105,773,100.00</b>	<b>52,397,339.25</b>	<b>217,497,540.80</b>

**36. Special payables (continued)**

2015

Item	Beginning	Addition	Deduction	Ending
Project 863	2,001,536.98	1,980,000.00	1,354,364.03	2,627,172.95
Test on key technology of hybrid electric vehicles	4,574,023.58	-	2,249,632.51	2,324,391.07
New vehicle product	5,927,576.20	800,000.00	64,503.73	6,663,072.47
Automobile product chain sharing platform	4,753,127.54	2,600,000.00	822,668.10	6,530,459.44
Gasoline Engine Development	5,422,741.44	480,000.00	3,868,907.18	2,033,834.26
Development and industrialization of the embedded software platform for automotive electronic controllers	263,547.70	-	-	263,547.70
Changan automobile E class Gasoline engine cylinder block, cylinder head production line project	60,460,522.64	-	102,905.00	60,357,617.64
Land relocation compensation	55,350,709.40	-	-	55,350,709.40
Project 973	161,820.82	-	-	161,820.82
Automotive order to delivery system project	475,689.00	2,700,000.00	-	3,175,689.00
Industrialization of patented technologies	1,346,080.00	9,065,000.00	1,740,547.41	8,670,532.59
Vehicle network intelligent information terminal middleware key technologies research and application	(56,906.30)	-	180,507.69	(237,413.99)
Development and industrialization of C206 pure electric cars	(8,034,846.50)	2,850,759.00	23,737,970.08	(28,922,057.58)
System development of electromagnetic compatibility of key accessories on electric cars	234,897.06	3,111,500.00	225,713.81	3,120,683.25
Intelligent manufacturing project	-	30,000,000.00	87,266.70	29,912,733.30
Others	13,755,415.57	6,026,177.66	7,692,605.50	12,088,987.73
<b>Total</b>	<b>146,635,935.13</b>	<b>59,613,436.66</b>	<b>42,127,591.74</b>	<b>164,121,780.05</b>

**37. Deferred income**

2016

Item	Beginning	Addition	Deduction	Ending
Government grants related to assets	2,662,177,255.96	280,035,500.00	179,280,973.50	2,762,931,782.46
Others	4,366,152.86	18,587,691.05	-	22,953,843.91
<b>Total</b>	<b>2,666,543,408.82</b>	<b>298,623,191.05</b>	<b>179,280,973.50</b>	<b>2,785,885,626.37</b>

2015

Item	Beginning	Addition	Deduction	Ending
Government grants related to assets	2,687,392,181.26	112,341,999.62	137,556,924.92	2,662,177,255.96
Others	-	4,366,152.86	-	4,366,152.86
<b>Total</b>	<b>2,687,392,181.26</b>	<b>116,708,152.48</b>	<b>137,556,924.92</b>	<b>2,666,543,408.82</b>

**37. Deferred income (continued)**

As at 31 December 2016, details of liabilities related to government grants are as follows:

Item	Beginning	Addition	Recorded to non-operating income	Ending	Relates to asset/gain
Subsidies for the automobile comprehensive testing ground project	544,301,916.66	-	28,199,166.64	516,102,750.02	Relates to asset
Funds for Yuzui motor city project	250,081,632.64	-	5,683,673.52	244,397,959.12	Relates to asset
Funds for Beijing Changan project	1,065,749,966.56	50,000,000.00	33,593,110.43	1,082,156,856.13	Relates to asset
Funds for technology innovation	16,150,000.00	-	-	16,150,000.00	Relates to asset
Funds for expansion of production capacity of auto mold	17,420,000.00	-	580,666.68	16,839,333.32	Relates to asset
Funds for H series engine	48,000,000.05	-	5,333,333.33	42,666,666.72	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	124,585,694.48	-	15,965,833.31	108,619,861.17	Relates to asset
Expansion of production capacity project	51,506,332.01	-	4,686,606.84	46,819,725.17	Relates to asset
Subsidies for the construction of Hebei new plant	19,960,000.00	-	2,740,000.00	17,220,000.00	Relates to asset
Funds for the project of Ministry of Industry and Information Technology	5,000,000.00	-	-	5,000,000.00	Relates to asset
Subsidies for engine produce base of Nanjing Changan	9,380,223.70	-	198,873.96	9,181,349.74	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	148,800,647.00	-	6,820,018.49	141,980,628.51	Relates to asset
Subsidies for the construction of Hefei new plants	210,200,213.38	210,741,400.00	45,414,503.82	375,527,109.56	Relates to asset
Premium rebate from Dingzhou local bureau of finance	10,900,818.41	-	218,016.34	10,682,802.07	Relates to asset
Hebei M201 bus production plant project	3,527,777.78	-	333,333.33	3,194,444.45	Relates to asset
Productization of automobile lightweight components	15,278,642.84	-	15,278,642.84	-	Relates to asset
Development and industrial application of high-effective and clean turbocharged direct injection gasoline engine	11,347,874.15	-	6,863,454.24	4,484,419.91	Relates to asset
Development and industrial application of the intelligent vehicle terminal with Beidou compatible GPS	4,340,516.34	-	4,340,516.34	-	Relates to asset
Engine production restructure program	100,000,000.00	-	-	100,000,000.00	Relates to asset
Changan Yuzui infrastructure subsidy	5,380,000.00	-	-	5,380,000.00	Relates to asset
Coal boiler retrofit project	264,999.96	-	20,000.03	244,999.93	Relates to asset
New industrialization subsidy funds	-	19,294,100.00	3,011,223.36	16,282,876.64	Relates to asset
<b>Total</b>	<b>2,662,177,255.96</b>	<b>280,035,500.00</b>	<b>179,280,973.50</b>	<b>2,762,931,782.46</b>	

**37. Deferred income (continued)**

As at 31 December 2015, details of liability related to government grants are as follows:

Item	Beginning	Addition	Recorded to non-operating income	Ending	Relates to asset/gain
Subsidies for the automobile comprehensive testing ground project	571,317,416.66	-	27,015,500.00	544,301,916.66	Relates to asset
Funds for Yuzui motor city project	255,765,306.12	-	5,683,673.48	250,081,632.64	Relates to asset
Funds for Beijing Changan project	1,096,809,079.12	-	31,059,112.56	1,065,749,966.56	Relates to asset
Funds for technology innovation	16,150,000.00	-	-	16,150,000.00	Relates to asset
Funds for expansion of production capacity of auto mold	17,420,000.00	-	-	17,420,000.00	Relates to asset
Funds for H series engine	53,333,333.38	-	5,333,333.33	48,000,000.05	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	140,551,527.80	-	15,965,833.32	124,585,694.48	Relates to asset
Expansion of production capacity project	56,192,938.84	-	4,686,606.83	51,506,332.01	Relates to asset
Subsidies for the construction of Hebei new plant	22,700,000.00	-	2,740,000.00	19,960,000.00	Relates to asset
Funds for the project of Ministry of Industry and Information Technology	5,000,000.00	-	-	5,000,000.00	Relates to asset
Subsidies for engine produce base of Nanjing Changan	9,545,952.00	-	165,728.30	9,380,223.70	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	150,500,647.00	5,000,000.00	6,700,000.00	148,800,647.00	Relates to asset
Subsidies for the construction of Hefei new plants	238,546,198.06	-	28,345,984.68	210,200,213.38	Relates to asset
Premium rebate from Dingzhou local bureau of finance	10,900,818.41	-	-	10,900,818.41	Relates to asset
Hebei M201 bus production plant project	3,861,111.11	-	333,333.33	3,527,777.78	Relates to asset
Productization of automobile lightweight components	23,697,013.51	-	8,418,370.67	15,278,642.84	Relates to asset
Development and industrial application of high-effective and clean turbocharged direct injection gasoline engine	10,022,200.00	1,750,000.00	424,325.85	11,347,874.15	Relates to asset
Development and industrial application of the intelligent vehicle terminal with Beidou compatible GPS	4,990,638.87	-	650,122.53	4,340,516.34	Relates to asset
Development of the key technology of the laser micro texture on the surface of energy-efficient and anti-friction internal combustion	88,000.38	(88,000.38)	-	-	Relates to asset
Engine production restructure program	-	100,000,000.00	-	100,000,000.00	Relates to asset
Changan Yuzui infrastructure subsidy	-	5,380,000.00	-	5,380,000.00	Relates to asset
Coal boiler retrofit project	-	300,000.00	35,000.04	264,999.96	Relates to asset
<b>Total</b>	<b>2,687,392,181.26</b>	<b>112,341,999.62</b>	<b>137,556,924.92</b>	<b>2,662,177,255.96</b>	

**38. Share capital**

2016

		31 December 2015	Movement				Sub-total	31 December 2016
			Issuance of shares	Stock dividend	Transfer of reserve to common shares	Others		
<b>I.</b>	<b>Restricted shares</b>							
1	State-owned shares	-	-	-	-	-	-	-
2	Shares held by state-owned legal persons	373,358,342	139,762,403	-	-	(373,358,342)	(233,595,939)	139,762,403
3	Other domestic shares	-	-	-	-	-	-	-
	Including:							
	Shares held by non-state-owned legal persons	-	-	-	-	-	-	-
	Shares held by domestic natural person	18,900	-	-	-	-	-	18,900
4	Foreign Shares	-	-	-	-	-	-	-
	Including:							
	Shares held by foreign legal persons	-	-	-	-	-	-	-
	Shares held by foreign natural persons	-	-	-	-	-	-	-
	Total of restricted shares	373,377,242	139,762,403	-	-	(373,358,342)	(233,595,939)	139,781,303
<b>II.</b>	<b>Unrestricted shares</b>							
1	RMB ordinary shares	3,387,522,724	-	-	-	373,358,342	373,358,342	3,760,881,066
2	Foreign-funded shares listed domestically	901,986,142	-	-	-	-	-	901,986,142
3	Foreign-funded shares listed overseas	-	-	-	-	-	-	-
4	Others	-	-	-	-	-	-	-
	Total of unrestricted shares	4,289,508,866	-	-	-	373,358,342	373,358,342	4,662,867,208
<b>III.</b>	<b>Total shares</b>	4,662,886,108	139,762,403	-	-	-	139,762,403	4,802,648,511

**38. Share capital (continued)**

2015

		31 December 2015	Movement					Sub-total	31 December 2016
			Issuance of shares	Stock dividend	Transfer of reserve to common shares	Repurchase	Others		
<b>I.</b>	<b>Restricted shares</b>								
1	State-owned shares	-	-	-	-	-	-	-	-
2	Shares held by state-owned legal persons	373,358,342	-	-	-	-	-	-	373,358,342
3	Other domestic shares	-	-	-	-	-	-	-	-
	Including:								
	Shares held by non-state-owned legal persons	-	-	-	-	-	-	-	-
	Shares held by domestic natural person	23,211	-	-	-	-	(4,311)	(4,311)	18,900
4	Foreign Shares								
	Including:	-	-	-	-	-	-	-	-
	Shares held by foreign legal persons	-	-	-	-	-	-	-	-
	Shares held by foreign natural persons								
	Total of restricted shares	373,381,553	-	-	-	-	(4,311)	(4,311)	373,377,242
<b>II.</b>	<b>Unrestricted shares</b>								
1	RMB ordinary shares	3,387,518,413	-	-	-	-	4,311	4,311	3,387,522,724
2	Foreign-funded shares listed domestically	901,986,142	-	-	-	-	-	-	901,986,142
3	Foreign-funded shares listed overseas	-	-	-	-	-	-	-	-
4	Others	-	-	-	-	-	-	-	-
	Total of unrestricted shares	4,289,504,555	-	-	-	-	4,311	4,311	4,289,508,866
<b>III.</b>	<b>Total shares</b>	4,662,886,108	-	-	-	-	-	-	4,662,886,108

**39. Capital reserves**

2016

Item	Beginning	Addition	Deduction	Ending
Share premium	3,125,122,572.65	1,844,096,311.72	-	4,969,218,884.37
Share-based payment	-	13,715,900.00	-	13,715,900.00
Capital reserve transferred arising from the old standards	44,496,899.00	-	-	44,496,899.00
Restricted capital reserve of equity investments	17,015,985.20	-	-	17,015,985.20
Others	40,853,863.98	-	-	40,853,863.98
<b>Total</b>	<b>3,227,489,320.83</b>	<b>1,857,812,211.72</b>	<b>-</b>	<b>5,085,301,532.55</b>

2015

Item	Beginning	Addition	Deduction	Ending
Share premium	3,125,122,572.65	-	-	3,125,122,572.65
Capital reserve transferred arising from the old standards	44,496,899.00	-	-	44,496,899.00
Restricted capital reserve of equity investments	17,015,985.20	-	-	17,015,985.20
Others	40,853,863.98	-	-	40,853,863.98
<b>Total</b>	<b>3,227,489,320.83</b>	<b>-</b>	<b>-</b>	<b>3,227,489,320.83</b>

**40. Other comprehensive income**

Accumulated other comprehensive income in balance sheet attributable to parent company is as follows:

	1 January 2015	Movement	31 December 2015	Movement	31 December 2016
Change in net liability or asset from defined benefit plan	556,000.00	2,956,000.00	3,512,000.00	4,676,000.00	8,188,000.00
Comprehensive income which can not be reclassified into profit and loss under equity method	-	(966,718.09)	(966,718.09)	(166,479.23)	(1,133,197.32)
Fair value change generated from available for sale financial assets	316,852,374.99	(37,567,875.00)	279,284,499.99	(83,584,750.00)	195,699,749.99
Foreign currency translation difference	(25,394,977.75)	(14,323,959.61)	(39,718,937.36)	(21,554,707.08)	(61,273,644.44)
<b>Total</b>	<b>292,013,397.24</b>	<b>(49,902,552.70)</b>	<b>242,110,844.54</b>	<b>(100,629,936.31)</b>	<b>141,480,908.23</b>



**40. Other comprehensive income (continued)**

Current occurrence amount of other comprehensive income in income statement attributable to parent company:

2016

	Amount before tax	Deduct: amounts transferred to income statement which were recognized in other comprehensive income in prior period	Deduct: Income tax	Amount attributable to owners	Amount attributable to minority interests
Other comprehensive income not to be reclassified to profit or loss in subsequent period					
Change in net liability or asset from defined benefit plan	4,676,000.00	-	-	4,676,000.00	-
Comprehensive income which can not be reclassified into profit and loss under equity method	(166,479.23)	-	-	(166,479.23)	-
Subtotal	4,509,520.77	-	-	4,509,520.77	-
Other comprehensive income will be reclassified to profit or loss in subsequent period					
Fair value change of available for sale financial assets	(98,335,000.00)	-	(14,750,250.00)	(83,584,750.00)	-
Foreign currency translation difference	(21,554,707.08)	-	-	(21,554,707.08)	-
Subtotal	(119,889,707.08)	-	(14,750,250.00)	(105,139,457.08)	-
Total	(115,380,186.31)	-	(14,750,250.00)	(100,629,936.31)	-

2015

	Amount before tax	Deduct: amounts transferred to income statement which were recognized in other comprehensive income in prior period	Deduct: Income tax	Amount attributable to owners	Amount attributable to minority interests
Other comprehensive income not to be reclassified to profit or loss in subsequent period					
Change in net liability or asset from defined benefit plan	2,956,000.00	-	-	2,956,000.00	-
Comprehensive income which can not be reclassified into profit and loss under equity method	(966,718.09)	-	-	(966,718.09)	-
Subtotal	1,989,281.91	-	-	1,989,281.91	-
Other comprehensive income will be reclassified to profit or loss in subsequent period					-
Fair value change of available for sale financial assets	(44,197,500.00)	-	(6,629,625.00)	(37,567,875.00)	-
Foreign currency translation difference	(14,323,959.61)	-	-	(14,323,959.61)	-
Subtotal	(58,521,459.61)	-	(6,629,625.00)	(51,891,834.61)	-
Total	(56,532,177.70)	-	(6,629,625.00)	(49,902,552.70)	-

**41. Special reserves**

2016

Item	Beginning	Addition	Deduction	Ending
Safety fund	22,036,479.54	83,471,643.34	89,158,637.23	16,349,485.65

2015

Item	Beginning	Addition	Deduction	Ending
Safety fund	7,864,849.94	72,231,495.81	58,059,866.21	22,036,479.54

The Group accrued safety fund according to the circular of <the Guidance of Safety Fund Accual and Usage> (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the State Administration of work safety on 14 February 2012.

## 42. Surplus reserves

2016

Item	Beginning	Addition	Deduction	Ending
Statutory surplus	2,331,443,054.00	69,881,201.50	-	2,401,324,255.50

2015

Item	Beginning	Addition	Deduction	Ending
Statutory surplus	2,331,443,054.00	-	-	2,331,443,054.00

The Company appropriated statutory surplus reserves based on profit after tax. When statutory surplus reserves account for 50% of paid-in capital, no further surplus reserve will be appropriated.

## 43. Retained earnings

Item	2016	2015
Retained earnings at beginning of the year	23,899,223,263.45	15,115,601,819.79
Add: Profits attributable to parent company for the current year	10,285,284,120.57	9,952,714,168.09
Less: Appropriation to statutory surplus reserves	(69,881,201.50)	-
Less: Ordinary share dividend of cash	(2,987,918,471.58)	(1,169,092,724.43)
Retained earnings at the end of year	31,126,707,710.94	23,899,223,263.45

According to the resolution of the 17th meeting of the seventh session of the Board of Directors, the profit distribution plan of 2016 is as follows: on the base of the existing share capital of 4,802,648,511 shares, the Group will issue cash dividends of RMB6.42 per 10 shares, RMB 3,083,300,344.06 in total (tax included). This profit distribution plan should be approved by the annual general meeting.

## 44. Operating revenue and cost

(1) Operating revenue and cost

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Main business	77,542,340,592.35	63,693,696,179.47	65,894,740,546.82	52,576,483,281.23
Other business	1,000,101,164.84	793,909,729.11	876,839,980.84	830,227,426.37
Total	78,542,441,757.19	64,487,605,908.58	66,771,580,527.66	53,406,710,707.60

(2) Operating revenue listed as follows:

Item	2016	2015
Sale of goods	78,506,025,516.77	66,522,990,662.22
Outsourcing processing	36,416,240.42	248,589,865.44
Total	78,542,441,757.19	66,771,580,527.66

## 45. Tax and surcharges

Item	2016	2015
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Consumption tax	2,874,356,589.50	2,496,226,010.97
City maintenance and construction tax	364,924,745.16	290,865,081.81
Educational surcharge	269,828,642.30	139,168,646.83
Others	120,509,063.97	15,317,964.11
<b>Total</b>	<b>3,629,619,040.93</b>	<b>2,941,577,703.72</b>

#### 46. Operating expenses

Item	2016	2015
Payroll and welfare	325,742,448.77	308,645,692.43
Promotion and advertisement fee	1,495,014,058.25	1,150,625,749.98
Transportation expenses	2,144,357,371.63	1,809,370,442.79
Travelling expenses	79,542,362.17	75,215,077.57
Package expenses	16,389,134.58	13,726,348.63
Administrative expenses	17,496,915.23	15,908,804.73
Selling service fee	544,689,424.65	919,754,386.93
Sales discount	571,737,219.56	608,531,843.69
Others	98,775,765.79	52,743,791.10
<b>Total</b>	<b>5,293,744,700.63</b>	<b>4,954,522,137.85</b>

**47. General and administrative expenses**

Item	2016	2015
Payroll and welfare	1,604,552,623.54	1,716,675,340.42
Technology research expenses	2,257,769,157.44	1,948,582,554.29
Administrative expenses	263,382,701.10	232,094,422.96
Depreciation and amortization	608,414,749.54	521,120,709.41
Miscellaneous service charges	77,122,898.53	42,918,415.62
Tax fee	110,102,918.29	272,729,126.50
Traffic expenses	57,142,203.37	43,393,841.32
Travelling expenses	32,078,342.44	25,446,797.16
Entertainment expenses	3,814,801.49	4,434,941.85
Others	114,475,989.44	91,815,947.53
<b>Total</b>	<b>5,128,856,385.18</b>	<b>4,899,212,097.06</b>

**48. Financial income**

Item	2016	2015
Interest expense	122,341,936.68	114,897,873.84
Less: interest income	409,583,961.44	295,583,607.61
Foreign exchange gain or loss	(39,782,187.89)	6,262,874.12
Others	21,633,297.36	23,617,229.46
<b>Total</b>	<b>(305,390,915.29)</b>	<b>(150,805,630.19)</b>

**49. Impairment loss on assets**

Item	2016	2015
I. Bad debt loss	3,954,521.72	(1,921,905.23)
II. Impairment of inventory	147,479,921.00	214,340,887.66
III. Impairment of fixed assets	292,484,368.69	397,557,896.21
IV. Impairment of intangible assets	24,932,589.74	20,339,557.63
<b>Total</b>	<b>468,851,401.15</b>	<b>630,316,436.27</b>

**50. Investment income**

Item	2016	2015
Long-term equity investment income under equity method	9,563,723,801.40	9,439,864,877.63
Investment income during holding period from available-for-sale financial assets	55,292,453.17	57,544,215.31
<b>Total</b>	<b>9,619,016,254.57</b>	<b>9,497,409,092.94</b>

**51. Non-operating income**

Item	2016	2015	Amount recognized in 2016 as non-recurring profit and loss
Gain on the disposal of non-current assets	7,658,376.74	1,709,968.83	7,658,376.74
Government grants	864,258,952.35	441,926,607.20	864,258,952.35
Fines and penalties	104,159,525.68	48,304,771.09	104,159,525.68
Others	7,042,475.73	22,979,210.85	7,042,475.73
<b>Total</b>	<b>983,119,330.50</b>	<b>514,920,557.97</b>	<b>983,119,330.50</b>

**51. Non-operating income (continued)**

Government grants recognized as current income is as follows:

Item	2016	2015	Relates to asset/gain
Subsidies for the construction of Hefei new plants	45,414,503.82	28,345,984.68	Relates to asset
Funds for Beijing Changan project	33,593,110.43	31,059,112.56	Relates to asset
Comprehensive testing field program	28,199,166.64	27,015,500.00	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	15,965,833.31	15,965,833.32	Relates to asset
Productization of automobile lightweight components	15,278,642.84	8,418,370.67	Relates to asset
Development and industrial application of high-effective and clean turbocharged direct injection gasoline engine	6,863,454.24	424,325.85	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	6,820,018.49	6,700,000.00	Relates to asset
Funds for Yuzui motor city project	5,683,673.52	5,683,673.48	Relates to asset
Funds for H series engine	5,333,333.33	5,333,333.33	Relates to asset
Expansion of production capacity project	4,686,606.84	4,686,606.83	Relates to asset
Development and industrial application of the intelligent vehicle terminal with Beidou compatible GPS	4,340,516.34	650,122.53	Relates to asset
New industrialization subsidy funds	3,011,223.36	-	Relates to asset
Subsidies for the construction of Hebei new plant	2,740,000.00	2,740,000.00	Relates to asset
finance fund for Automobile mold expansion technology project	580,666.68	-	Relates to asset
Production line remodeling project	333,333.33	333,333.33	Relates to asset
Premium rebate from Dingzhou local bureau of finance	218,016.34	-	Relates to asset
Funds for the project of Ministry of Industry and Information Technology	198,873.96	165,728.30	Relates to asset
Coal boiler retrofit project	20,000.03	35,000.04	Relates to asset
Subtotal	179,280,973.50	137,556,924.92	
Hefei Changan R & D funding subsidies	360,000,000.00	-	Relates to gain
Government grants for technology research expenses	100,300,000.00	132,080,000.00	Relates to gain
Enterprise development fund	63,477,200.00	69,490,000.00	Relates to gain
New product subsidy	50,000,000.00	-	Relates to gain
Production subsidy bonus	26,100,000.00	-	Relates to gain
Tax return	22,890,000.00	-	Relates to gain
Subsidies and rewards for career training	22,433,695.46	16,324,166.89	Relates to gain
Employment allowance	6,000,000.00	-	Relates to gain
Energy saving subsidies	380,000.00	-	Relates to gain
Development fund for energy saving demonstration program	100,000.00	24,059,424.54	Relates to gain
Baoding Changan enterprise preferential policies reward fund	-	20,190,000.00	Relates to gain
Hefei Changan production reward	-	20,000,000.00	Relates to gain
Hefei Changan new industrialization fund	-	10,000,000.00	Relates to gain
Hefei Changan high-growth premium enterprise reward	-	4,900,000.00	Relates to gain
Others	33,297,083.39	7,326,090.85	Relates to gain
Subtotal	684,977,978.85	304,369,682.28	
Total	864,258,952.35	441,926,607.20	

**52. Non-operating expenses**

Item	2016	2015	Amount recognized as non-recurring profit and loss
Loss on the disposal non-current assets	33,834,450.18	36,024,036.17	33,834,450.18
Donation	28,925,237.53	9,817,950.00	28,925,237.53
Vehicle premium	5,518,650.03	4,719,040.00	5,518,650.03
Fines and penalties	18,290,396.10	28,355,830.87	18,290,396.10
Others	4,897,306.99	11,574,864.96	4,897,306.99
<b>Total</b>	<b>91,466,040.83</b>	<b>90,491,722.00</b>	<b>91,466,040.83</b>

**53. Income tax expense**

Item	2016	2015
Current income tax expense	105,226,209.27	344,357,886.72
Deferred income tax expense	(31,996,087.86)	(255,026,418.54)
<b>Total</b>	<b>73,230,121.41</b>	<b>89,331,468.18</b>

The relationship between income tax expense and profit before tax is as follows:

Item	2016	2015
<b>Profit before tax</b>	<b>10,349,824,780.25</b>	<b>10,011,885,004.26</b>
Tax at the applicable tax rate (Note)	2,069,964,956.06	2,002,377,000.85
Impact of different tax rates of branches and subsidiaries	171,038,664.51	180,082,430.52
Adjustments to current income tax of previous period	(93,027,283.86)	(118,379,214.78)
Profit or loss attributable to joint ventures and associates	(1,912,744,760.28)	(1,887,972,975.52)
Non-taxable income	(14,685,010.51)	(14,388,485.65)
Non-deductible tax expense	17,320,501.98	14,175,450.24
Usage previous deductible losses	(85,175,861.29)	(17,153,517.76)
Unrecognized deductible temporary differences and deductible losses	73,237,011.98	73,670,301.62
Additional deduction arising from research and development expense	(152,698,097.18)	(143,079,521.34)
Tax expense under actual tax rate of the Group	73,230,121.41	89,331,468.18

Note: The Group accrues the income tax according to the estimated taxable income acquired within PRC and offshore and suitable tax rate. The applicable tax rate for the Company is 15% (Note IV), the applicable tax rate for the Company's Branch Changan Automobile (Beijing) Company is 25%. As the Company and the branch are located in areas with different tax rates, according to the Circular of the State Administration of Taxation on Issues concerning the Collection and Administration of Consolidated Payments of Enterprise Income Tax by Trans-regional Enterprises (Guo Shui Han [2009] No. 221), the consolidated income tax should be filed by the Company, and the actual applicable tax rate for is 20%.

**54. Earnings per share (“EPS”)**

The basic EPS is calculated by dividing the net profit of the current period attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares. In accordance with the specific terms and clauses of the issuance contract, the number of newly issued ordinary shares shall be calculated and determined as of the date of receiving the consideration (generally the date of issuance).

The Company has no dilutive potential ordinary shares.

	2016	2015
Earnings		
Net profit attributable to ordinary shareholders	10,285,284,120.57	9,952,714,168.09
Shares		
Weighted average ordinary shares	4,686,179,842.00	4,662,886,108.00

Note: In October 2016, the Company issued 139,762,403 non-public common shares (A share), which increased the total share capital to 4,802,648,511 shares. Therefore, the EPS for reporting period is calculated based on adjusted number of shares.

From the balance sheet day and to the approval date of reporting, there is no event that may causes changes in ordinary shares or potential ordinary shares.



**55. Notes to cash flow statement**

(1) Items of cash received relating to other operating activities are as follows:

Item	2016	2015
Interest income	405,561,689.22	302,370,935.38
Government grants related to operating activities	790,751,078.85	363,983,118.94
Others	159,204,872.93	214,554,182.09
Total	1,355,517,641.00	880,908,236.41

(2) Items of cash paid relating to other operating activities are as follows:

Item	2016	2015
Selling expense	4,513,624,277.60	3,117,590,214.80
Administrative expense	1,704,616,140.17	1,645,844,653.48
Others	404,370,598.98	570,075,548.14
Total	6,622,611,016.75	5,333,510,416.42

(3) Items of cash received relating to other investing activities are as follows:

Item	2016	2015
Government grants related to assets	280,035,500.00	112,430,000.00

(4) Items of cash paid relating to other investing activities are as follows:

Item	2016	2015
Others	-	88,000.38

(5) Items of cash received relating to other financing activities are as follows:

Item	2016	2015
Withdraw for deposit of bill	1,109,969.63	48,806,228.67

(6) Items of cash paid relating to other financing activities are as follows:

Item	2016	2015
Payment for deposit of bill	1,480,994,122.03	45,238,112.37
Others	1,214,927.68	-
Total	1,482,209,049.71	45,238,112.37

**56. Supplementary information of cash flow statement**

## (1) Supplementary information of cash flow statement

Supplementary information	2016	2015
<b>1. Cash flows from operating activities calculated by adjusting the net profit</b>		
Net profit	10,276,594,658.84	9,922,553,536.08
Add: impairment provision for assets	468,851,401.15	630,316,436.27
Depreciation of fixed assets	1,779,545,710.24	1,619,033,932.08
Depreciation and amortization of investment property	226,711.56	226,711.56
Amortization of intangible assets	504,246,780.42	418,479,531.01
Amortization of long-term deferred expense	2,771,851.68	568,601.05
Amortization of deferred income	(179,280,973.50)	(137,556,924.92)
Disposal loss on fixed assets, intangible assets and others long-term assets	26,176,073.44	34,314,067.34
Financial expense	122,341,936.68	114,897,873.84
Investment income	(9,619,016,254.57)	(9,497,409,092.94)
Increase in deferred tax assets	(31,996,087.86)	(255,026,418.54)
Decrease(Increase) in inventory	687,546,887.03	(1,781,288,036.79)
Increase in operating receivables	(8,528,097,899.38)	(5,668,286,118.17)
Increase in operating payables	6,772,191,515.29	10,001,652,965.45
Others	4,448,994.18	12,413,706.18
Net cash flows from operating activities	2,286,551,305.20	5,414,890,769.50
<b>2. Movement of cash and cash equivalents</b>		
Ending balance of cash	22,993,432,067.05	17,725,921,341.22
Less: beginning balance of cash	17,725,921,341.22	9,362,853,917.71
Increase in cash and cash equivalents	5,267,510,725.83	8,363,067,423.51

## (2) The major non-cash investing and financing activities:

Item	2016	2015
Endorsed bank acceptance received by sales and providing service	5,118,402,768.50	6,650,743,817.63

**56. Supplementary information of cash flow statement (continued)****(3) Cash and cash equivalents**

Item	2016	2015
I. Cash		
Including: Cash on hand	29,559.40	43,967.74
Bank deposits that can be readily used	22,993,402,507.65	17,725,877,373.48
II. Cash equivalents	-	-
III. Ending balance of cash and cash equivalents	22,993,432,067.05	17,725,921,341.22

Note: The restricted cash and cash equivalents of the Group are not included in the cash and cash equivalents.

**57. The assets with ownership or right restricted**

Item	2016	2015	Notes
Cash and cash equivalents	1,789,072,485.39	309,188,332.99	Note 1
Accounts receivable	585,632,645.22	459,208,818.75	Note 2
Notes receivable	1,029,541,142.00	140,256,135.43	Note 3
Fixed assets	34,815,200.25	28,828,344.87	Note 2
Intangible assets	27,573,761.27	5,394,177.78	Note 2

Note 1: As at 31 December 2016, the Group has restricted cash at banks for the issuance of bank acceptance bill.

Note 2: As at 31 December 2016, accounts receivable with a book value of RMB 585,632,645.22 has been pledged, collateral with buildings and land use right with book value of RMB 34,815,200.25 and RMB 27,573,761.27 respectively to obtain RMB 150,000,000.00 short-term loan and issue RMB 50,000,000.00 bank acceptance bills from China South Industry Group Finance Co., Ltd. The amortization of the land use right in 2016 is RMB 629,637.65.

As at 31 December 2015, accounts receivable with a book value of RMB 459,208,818.75 has been pledged, collateral with buildings and land use right with book value of RMB 28,828,344.87 and RMB 5,394,177.78 respectively to obtain RMB 50,000,000.00 short-term loan and issue RMB 50,000,000.00 bank acceptance bills from China South Industry Group Finance Co., Ltd. The amortization of the land use right in 2015 is RMB 149,838.24.

Note 3: As at 31 December 2016, notes receivable with a book value of RMB 1,029,541,142.00 (31 December 2015: RMB 140,256,135.43) has been pledged to issue bank acceptance bills.

## 58. Foreign Monetary Item

Item	2016			2015		
	Original Currency	Exchange Rate	Translated to RMB	Original Currency	Exchange Rate	Translated to RMB
Cash						
USD	6,280,348.46	6.9370	43,566,777.27	2,975,805.53	6.4936	19,323,690.79
GBP	14,272,345.00	8.5094	121,449,092.54	8,700,777.66	9.6159	83,665,807.90
EUR	2,586,925.09	7.2372	18,722,094.26	1,071,937.06	7.0952	7,605,607.83
JPY	37,152,598.00	0.0596	2,214,294.84	28,003,927.00	0.0539	1,509,411.67
SUR	14,674,783.44	0.1154	1,693,470.01	105,768,687.18	0.0883	9,339,375.08
BRL	505,779.50	2.1357	1,080,193.28	567,548.71	4.5539	2,584,560.07
Accounts receivable						
USD	37,711,420.75	6.9370	261,604,125.74	21,516,970.87	6.4936	139,722,602.04
GBP	5,836,112.00	8.5094	49,661,811.45	6,511,304.00	9.6159	62,612,048.13
EUR	5,543,420.00	7.2372	40,118,839.22	2,620,000.00	7.0952	18,589,424.00
Other receivables						
USD	-	-	-	164,896.50	6.4936	1,070,771.91
JPY	11,548,320.00	0.0596	688,279.87	14,217,484.00	0.0539	766,322.39
EUR	2,262,091.00	7.2372	16,371,204.99	1,439,001.00	7.0952	10,209,999.90
SUR	194,452.54	0.1154	22,439.82	-	-	-
Accounts Payable						
USD	23,715,173.20	6.9370	164,512,156.49	9,276,856.20	6.4936	60,240,193.42
JPY	-	-	-	15,135,076.00	0.0539	815,780.60
EUR	1,825,264.47	7.2372	13,209,804.02	1,534,818.00	7.0952	10,889,840.67
GBP	874,896.00	8.5094	7,444,840.02	1,161,980.00	9.6159	11,173,483.48
Other Payables						
USD	14,170.00	6.9370	98,297.29	20,615.00	6.4936	133,865.56
EUR	574.00	7.2372	4,154.15	35,236.00	7.0952	250,006.47
GBP	89,340.00	8.5094	760,229.80	19,421,035.00	9.6159	186,750,730.46

## VI Changes in the scope of consolidation

Changes in the scope of consolidation for other reasons

Subsidiary formed by establish during reporting period

Company name	Date of incorporation	Nature of business	Registered place	Registered capital (0,000)	Total proportion of shareholders (%)
Shenzhen Changan New Energy Automobile Service Co., Ltd.	May 24 2016	Sales	Shenzhen	5,000	100%
Hangzhou Changan Yixing Technology Co., Ltd.	May 26 2016	Car Lease	Hangzhou	500	100%
Hefei Changan Yixing Technology Co., Ltd.	July 26 2016	Car Lease	Hefei	500	100%
Nanjing Changan Connected Car Technology Co., Ltd.	August 16 2016	Car Lease	Nanjing	500	100%

Note: Above newly established subsidiaries are included in the scope of consolidated financial statements from the date of their establishment.

## VII Shares in other entities

### 1. Shares in subsidiaries

The subsidiaries of the Company are as follows:

Company name	Main operating	Registered place	Nature of	Registered	Total proportion of
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	place		business	capital (0,000)	shareholders (%)	
					direct	indirect
<b>I. The subsidiary formed by establish or investment</b>						
Hebei Changan Automobile Co., Ltd. (note 1)	Dingzhou	Dingzhou	Manufacturing	46,469	94.22	-
Chongqing Changan International Automobile Sales Co., Ltd.	Chongqing	Chongqing	sales	1,376	95.00	-
Chongqing Changan Connected Car Technology Co., Ltd.(note 2)	Chongqing	Chongqing	lease	8,850	100.00	-
Chongqing Changan Special Automobile Co., Ltd (note 3)	Chongqing	Chongqing	sales	500	50.00	-
Chongqing Changan Automobile Supporting Service Co., Ltd.	Chongqing	Chongqing	sales	3,000	99.00	1.00
Chongqing Changan New Energy Automobile Co. Ltd.	Chongqing	Chongqing	R&D	2,900	65.00	-
Chongqing Changan Europe Design Academy Co., Ltd.	Turin, Italy	Turin, Italy	R&D	EUR1,644.36	100.00	-
Changan United Kingdom R&D Center Co., Ltd.	Nottingham, United Kingdom	Nottingham, United Kingdom	R&D	GBP2,482	100.00	-
Beijing Changan R&D Center Co., Ltd.	Beijing	Beijing	R&D	100	100.00	-
Harbin Changan R&D Center Co., Ltd.	Habin	Habin	R&D	100	100.00	-
Shanghai Changan R&D Center Co., Ltd.	Shanghai	Shanghai	R&D	100	100.00	-
Changan Japan Designing Center Co.,Ltd.	Yokohama, Japan	Yokohama, Japan	R&D	JPY2,000	100.00	-
Changan United States R&D Center Co., Ltd.	Troy, United states	Detriot, United states	R&D	USD20	100.00	-
Changan Automobile Russia Co., Ltd.	Moscow, Russia	Moscow, Russia	Sales	USD20	100.00	-
Changan Brazil Holdings Limited	St. Paul, Brazil	St. Paul, Brazil	Sales	BRL100	100.00	-
Shenzhen Changan New energy automobile service Co., Ltd.	Shenzhen	Shenzhen	Sales	5000	100.00	-
Hangzhou Changan Yixing Technology Co., Ltd.	Hangzhou	Hangzhou	Lease	500	100.00	-
Hefei Changan Yixing Technology Co., Ltd.	Hefei	Hefei	Lease	500	100.00	-
Nanjing Changan Connected Car Technology Co., Ltd.	Nanjing	Nanjing	Lease	500	100.00	-
<b>II. The subsidiary formed by business combination not under common control</b>						
Nanjing Changan Automobile Co., Ltd.(note1)	Nanjing	Nanjing	Manufacturing	60,181	84.73	-
<b>III. The subsidiary formed by business combination under common control</b>						
Chongqing Changan Automobile sales subsidiaries	China	China	Sales	600	100.00	-
Hebei Baoding Changan Bus Co., Ltd.	Dingzhou	Dingzhou	Manufacturing	3,000	100.00	-
Hefei Changan Automobile Co.,Ltd.	Hefei	Hefei	Manufacturing	77,500	100.00	-

**1. Rights in subsidiaries (continued)**

Note 1: the Company owns 93.79% and 95.70% of voting shares of Nanjing Changan Automobile Co., Ltd. and Hebei Changan Automobile Co., Ltd. respectively, the discrepancy between proportion of voting shares and proportion of shares held is due to the voting right consigned from minority shareholders.

Note 2: On 5 April 2016, Chongqing Changan Automobile Sales Co., Ltd. changed its name to Chongqing Changan Connected Car Technology Co., Ltd.

Note 3: The remaining shareholders of Chongqing Changan Special Automobile Co., Ltd. made an agreement with the Company that the remaining shareholders are to vote in accordance with the Company. The main financial and operating policies have been controlled by the Company, so it is included in the scope of consolidated financial statements.

As at 31 December 2016, the Group has no subsidiaries with important minority interests.

## 2. Shares in joint ventures and associates

Company name	Main operating place	Registered place	Nature of business	Registered capital (0,000)	Total proportion of shareholders (%)		Accounting treatment
					direct	indirect	
<b>I. Joint ventures</b>							
Chongqing Changan Suzuki Automobile Co., Ltd.	Chongqing	Chongqing	Manufacture and sale of automobiles, and components	USD19,000	50.00	-	Equity
Jiangling Holding Co., Ltd.	Nanjing	Nanjing	Manufacture and sale of automobiles, and components	200,000	50.00	-	Equity
Changan Ford Automobile Co., Ltd.	Chongqing	Chongqing	Manufacture and sale of automobiles, and components	USD24,100	50.00	-	Equity
Changan Mazda Automobile Co., Ltd.	Nanjing	Nanjing	Manufacture and sale of automobiles, and components	USD11,097	50.00	-	Equity
Changan Ford Mazda Engine Co., Ltd.	Nanjing	Nanjing	Manufacture and sale of automobiles, and components	USD20,996	50.00	-	Equity
Changan PSA Automobiles Co., Ltd. (Note)	Shenzhen	Shenzhen	Manufacture and sale of automobiles, and components	400,000	50.00	-	Equity
<b>II. Associates</b>							
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	Chongqing	Chongqing	Develop, manufactory, sale of linkage rod	1,900	40.00	-	Equity
Chongqing Changan Kuayue Automobile Co., Ltd.	Chongqing	Chongqing	Develop, product and sale of automobile and components; import and export goods.	6,533	34.30	-	Equity
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	Chongqing	Chongqing	Sale of Changan Kuayue's automobile and agricultural cars and components. Technical advisory services for automobile	300	34.30	-	Equity
Beijing Fang'an crescent taxi Co., Ltd. (Note1)	Beijing	Beijing	Regional taxi operation	2,897.96	20.70	-	Equity
Changan Automobile Finacing Co., Ltd. (Note2)	Chongqing	Chongqing	Provide car loan; provide vehicle loans and operating equipment loans to car dealers, including the construction loans of exhibition hall, spare parts loans and maintenance equipment loans, etc.	250,000	35.00	-	Equity

Note1: In November 2016, Beijing Fang'an Taxi Co.,Ltd. adopted the resolutions of Shareholders' Meeting, agreed the introduction of the new controlling shareholder Beijing Crescent United Motors Corporation (shareholding ratio is 51% after Capital increased). Registered capital increased from RMB 14,200,000 to RMB28,979,600, increasing by RMB14,779,600. After the completion of the capital increase, the shareholding ratio of the Company changed from 42.25% to 20.7%, while Beijing Fang'an Taxi Co.,Ltd changed its name to Beijing Fang'an crescent taxi Co., Ltd.

Note2: 19, August 2016, Chongqing Automobile Finacing Co., Ltd changed its name to Changan automobile financing Co.,Ltd.

## 2. Shares in joint ventures and associates(continued)

Changan Ford Automobile Co., Ltd. is the important joint venture to the Group and makes great influence in the share of profit and loss in joint venture and associates, the Group adopts equity method to deal with the investment to it.

The table below shows the financial status of Changan Ford Automobile Co., Ltd., and all the information has been adjusted to eliminate the difference of the accounting policies.

	2016	2015
Current assets	25,086,720,176.00	23,895,284,929.00
Of which: cash and cash equivalent	15,063,726,383.00	12,868,829,737.00
Non-current assets	26,866,945,974.00	26,576,982,913.00
Total assets	51,953,666,150.00	50,472,267,842.00
Current liabilities	38,087,643,270.00	37,017,676,355.00
Non-current liabilities	2,367,240,505.00	2,291,992,698.00
Total liabilities	40,454,883,775.00	39,309,669,053.00
Minority interests	54,873,155.00	44,936,424.00
Equity attributable to owners	11,443,909,220.00	11,117,662,365.00
Net asset owned according to share proportion	5,721,954,610.00	5,558,831,182.50
Adjustment	(58,145,790.32)	(54,414,790.32)
Book value of investment	5,663,808,819.68	5,504,416,392.18
Operating revenue	126,451,681,660.00	117,550,892,745.00
Financial expenses- interest income	187,486,263.00	156,949,479.00
Financial expenses- interest expense	4,394,559.00	1,471,781.00
Income tax expense	3,567,237,373.00	3,204,463,800.00
Net profit	18,165,176,384.00	17,468,727,636.00
Other comprehensive income	-	-
Total comprehensive income	18,165,176,384.00	17,468,727,636.00
Dividend	8,870,000,000.00	7,800,000,000.00



## 2. Shares in joint ventures and associates (continued)

The table below shows the financial status of the less important joint ventures and associates:

	2016	2015
<b>Joint venture</b>		
Total book value of the investment	7,924,940,036.26	8,163,353,227.71
Total amount calculated by shareholding proportion		
Net profit	618,444,036.41	744,860,539.38
Other comprehensive income	(166,479.23)	(966,718.09)
Total comprehensive income	618,277,557.18	743,893,821.29
<b>Joint venture</b>		
Total book value of the investment	1,154,618,154.09	1,238,730,816.60
Total amount calculated by shareholding proportion		
Net profit	(84,112,662.51)	7,951,940.04
Other comprehensive income	-	-
Total comprehensive income	(84,112,662.51)	7,951,940.04

As at 31 December 2016, since the Group has no obligation to undertake the extra loss of Chongqing Changan Kuayue Automobile Sales Co., Ltd and Beijing Fang'an crescent taxi Co., Ltd, when extra loss occurs, the Group writes down the long-term investment to zero without recognizing the extra loss.

## VIII. Risks associated with financial instruments

### 1. Classification of financial instruments

As at balance sheet day, the book values of financial instruments are as follows:

#### Financial assets

2016	Loans and accounts receivable	Available-for-sale financial assets	Total
Cash	24,782,504,552.44	-	24,782,504,552.44
Notes receivable	29,002,539,261.26	-	29,002,539,261.26
Accounts receivable	1,498,837,041.54	-	1,498,837,041.54
Other receivables	1,403,399,178.49	-	1,403,399,178.49
Available-for-sale financial assets	-	432,476,274.00	432,476,274.00
Interest receivable	19,318,138.89	-	19,318,138.89
<b>Total</b>	<b>56,706,598,172.62</b>	<b>432,476,274.00</b>	<b>57,139,074,446.62</b>

2015	Loans and accounts receivable	Available-for-sale financial assets	Total
Cash	18,035,109,674.21	-	18,035,109,674.21
Notes receivable	22,683,096,211.46	-	22,683,096,211.46
Accounts receivable	875,479,556.55	-	875,479,556.55
Other receivables	1,001,485,245.40	-	1,001,485,245.40
Available-for-sale financial assets	-	530,811,274.00	530,811,274.00
Interest receivable	15,295,866.67	-	15,295,866.67
<b>Total</b>	<b>42,610,466,554.29</b>	<b>530,811,274.00</b>	<b>43,141,277,828.29</b>

#### Financial liabilities

	Other financial liabilities	
	2016	2015
Short-term loans	175,000,000.00	50,000,000.00
Notes payable	20,952,104,805.58	18,662,900,601.34
Accounts payable	19,880,580,102.39	14,973,826,566.55
Interest payable	73,458,000.00	73,458,000.00
Dividend payable	79,742.80	79,742.80
Other payables	1,449,028,595.97	1,762,874,858.05
Bonds payable	1,979,020,519.81	1,975,102,599.85
Long-term loan	33,301,520.00	-
<b>Total</b>	<b>44,542,573,286.55</b>	<b>37,498,242,368.59</b>

## 2. Transfer of financial assets

### The transferred financial assets that entirely derecognized but continuing involved

As at 31 December 2016, the Group has endorsed bank acceptance bill with a carrying amount of RMB 1,543,480,581.00 (2015: RMB 2,003,975,070.03) to suppliers to settle the accounts payable. The maturities of the notes are between 1 to 6 months. According to the relevant provisions of the "law of negotiable instruments", if the banks refuse the payment, the holder has the right of recourse to the Group (the "continuing involvement"). The Group holds the view that almost all the risks and rewards concerned have been transferred; therefore, the book value of the accounts payable should be derecognized. The maximum loss and the undiscounted cash flow of the continuing involvement and repurchase is equal to its book value, the Group regards the fair value of the continuing involvement is not significant.

In 2016, the Group didn't recognize profit or loss on the transferring date. No revenue or expense should be recognized in accordance with the continuing involvement in the current period. The indorsement occurred flatly in this period.

## 3. Risks of financial instruments

The Group's principal financial instruments, except for derivatives, include bank loans, bonds payable, cash, etc. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Group's risk management policies are summarized below:

### **Credit risk**

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the special department of credit control.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets, other receivables, dividend receivables and certain derivatives financial instruments, the Group's exposure to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, listed as book value of financial assets in consolidated financial statements. In 2016, there was no credit risk arising from financial guarantee.

### 3. Risks of financial instruments (continued)

#### Credit risk (continued)

No gage is required since the Group trades only with recognized, creditworthy third parties. Credit risks are managed by clients and industries collectively. As at 31 December 2016, among the Group's collections with specific credit risk, 35.59% (2015: 24.09%) of accounts receivables of the Group are due from top five clients. The Group does not hold any gage from or enhance credit limit to these clients.

As at the end of the year, the maturity analysis for the Group's financial assets not impaired is as follows:

2016

	Total	Neither overdue nor impaired	Overdue but not impaired		
			Within 3 months	3 months to 1 year	Over 1 year
Accounts receivable	1,498,837,041.54	1,471,682,404.32	9,411,389.87	14,538,978.64	3,204,268.71
Other receivables	1,403,399,178.49	1,401,270,922.78	1,326,128.21	354,108.97	448,018.53
Notes receivable	29,002,539,261.26	29,002,539,261.26	-	-	-
Available for sale financial assets	432,476,274.00	432,476,274.00	-	-	-
Interest receivables	19,318,138.89	19,318,138.89	-	-	-

2015

	Total	Neither overdue nor impaired	Overdue but not impaired		
			Within 3 months	3 months to 1 year	Over 1 year
Accounts receivable	875,479,556.55	810,029,088.86	19,594,830.23	39,293,272.47	6,562,364.99
Other receivables	1,001,485,245.40	998,332,488.97	1,997,341.95	882,102.87	273,311.61
Notes receivable	22,683,096,211.46	22,683,096,211.46	-	-	-
Available for sale financial assets	530,811,274.00	530,811,274.00	-	-	-
Interest receivables	15,295,866.67	15,295,866.67	-	-	-

As at 31 December 2016 and 2015, the balance of accounts receivable which is neither overdue nor impaired is mainly due to the customers who have no default records recently.

### 3. Risks of financial instruments (continued)

#### Credit risk (continued)

As at 31 December 2016 and 2015, overdue but not impaired accounts receivable are related to independent clients with satisfactory transaction records with the Group. Based on previous experience, since credit quality has no significant changes and the receivables can be fully recovered, the Group considers no impairment provision should be made to them. The Group does not hold any gage from or enhance credit limit to these clients.

#### Liquidity risk

The Group adopts cycle liquidity planning instrument to manage capital shortage risks. The instrument takes into consideration the maturity date of financial instruments plus estimated cash flow from the Group's operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility and sufficient cash to support operating capital through financing functions by the use of bank loans, debentures, etc.

The table below summarizes the maturity profile of the Group's financial liabilities based on the non-discounted cash flow of the contracts:

2016

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Short-term loans	5,631,132.88	156,052,405.86	15,353,922.90	-	177,037,461.64
Notes payable	3,136,065,384.48	6,707,746,699.60	11,108,292,721.50	-	20,952,104,805.58
Accounts payable	1,996,590,348.88	15,119,807,231.91	2,764,182,521.60	-	19,880,580,102.39
Interest payable	-	-	73,458,000.00	-	73,458,000.00
Dividend payable	79,742.80	-	-	-	79,742.80
Other payable	268,803,158.68	992,947,531.56	187,277,905.73	-	1,449,028,595.97
Bonds payable	-	-	2,011,482,000.00	-	2,011,482,000.00
Long-term loan	86,096.62	6,799,169.51	7,194,103.03	20,356,404.35	34,435,773.51
Total	5,407,255,864.34	22,983,353,038.44	16,167,241,174.76	20,356,404.35	44,578,206,481.89

2015

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Short-term loans	219,863.01	50,285,821.92	-	-	50,505,684.93
Notes payable	3,543,730,187.83	6,004,071,237.21	9,115,099,176.30	-	18,662,900,601.34
Accounts payable	2,968,335,828.87	9,174,674,038.38	2,830,816,699.30	-	14,973,826,566.55
Interest payable	-	-	73,458,000.00	-	73,458,000.00
Dividend payable	79,742.80	-	-	-	79,742.80
Other payable	367,585,584.05	488,933,347.32	906,355,926.68	-	1,762,874,858.05
Bonds payable	-	-	31,482,000.00	2,084,940,000.00	2,116,422,000.00
Total	6,879,951,206.56	15,717,964,444.83	12,957,211,802.28	2,084,940,000.00	37,640,067,453.67

### 3. Risks of financial instruments (continued)

#### Market risk

##### Interest rate risk

The Group's revenue and operating cash flows are seldomly influenced by the interest fluctuation. As at 31 December 2016, the Group's loans are bearing fixed interest rate and the Group is not hedging the risk currently.

##### Foreign currency risk

The Group's exposures to fluctuation in foreign currency exchange rate mainly arise from operating activities where transactions are settled in currencies other than the units' functional currency and net investment to offshore subsidiary.

In 2016, the Group only has transactional currency exposures of 0.98% (2015: 0.71%) of its total revenue that is valued in currencies other than the units' functional currency. Since most of the Group's businesses are operated in China mainland, the estimated influence of fluctuation of foreign currency is insignificant; therefore, the Group hasn't carried out large amount of hedging to reduce the risk.

##### Equity instruments investment price risk

The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (Note V 10) as at 31 December 2016. The Group's listed investments are listed on the Shanghai stock exchanges and valued at quoted market prices at the end of the reporting period. The following table demonstrates the sensitivity to every 5% change (based on the carrying amount as at the end of reporting period) in the Group's net profit and fair value of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments	Change in fair value	Increase/(decrease) in net profit	Increase/(decrease) in equity
<b>2016</b>				
Shanghai- Available for sale	253,115,000.00	5%	12,655,750.00	12,655,750.00
Shanghai- Available for sale	253,115,000.00	(5%)	(12,655,750.00)	(12,655,750.00)
<b>2015</b>				
Shanghai- Available for sale	351,450,000.00	5%	17,572,500.00	17,572,500.00
Shanghai- Available-for-sale	351,450,000.00	(5%)	(17,572,500.00)	(17,572,500.00)

#### 4. Capital management

The main goal of the Group's capital management is to ensure that the ability of continuous operation, and maintain a healthy capital ratios in order to support business development, and to maximize shareholder value.

The Group manages the capital structure and adjusts it with the change of economy trend and the risk feature of the assets. To maintain or adjust the capital structure, the Group can rectify dividend distribution, return capital to shareholders or issue new shares. The Group is not subject to external mandatory capital requirements constraints. The goal, principle and procedure of capital management stay the same in 2016 and 2015.

The Group's leverage ratio on the balance sheet date is as follows:

	31 December 2016	31 December 2015
Leverage ratio	<u>59.30%</u>	<u>61.78%</u>

## IX. Disclosure of fair value

### (1) Assets and liabilities measured at fair value

2016

	Input measured at fair value			
	Quoted price in active market (The first level)	Important and observable input(The second level)	Important but unobservable input(The third level)	Total
Available-for-sale financial assets- equity instruments	253,115,000.00	-	-	253,115,000.00

2015

	Input measured at fair value			
	Quoted price in active market (The first level)	Important and observable input(The second level)	Important but unobservable input(The third level)	Total
Available-for-sale financial assets- equity instruments	351,450,000.00	-	-	351,450,000.00

### (2) Assets and liabilities disclosed at fair value

2016

	Input measured at fair value			
	Quoted market price in active market (The first level)	Important and observable input (The second level)	Important but unobservable input (The third level)	Total
Bonds payable	1,990,969,200.00	-	-	1,990,969,200.00

2015

	Input measured at fair value			
	Quoted market price in active market (The first level)	Important and observable input (The second level)	Important but unobservable input (The third level)	Total
Bonds payable	2,039,400,000.00	-	-	2,039,400,000.00



## (3) Fair value estimation

Fair value of financial instruments

Following are book value and fair value of financial instruments of the group except for equity instruments whose fair value is similar with book value and those neither have quoted market price in active market nor be reliably measured.

	Book value		Fair value	
	2016	2015	2016	2015
Financial assets				
Financial assets available for sale- equity instruments	253,115,000.00	351,450,000.00	253,115,000.00	351,450,000.00
Financial liabilities				
Bonds payable	1,979,020,519.81	1,975,102,599.85	1,990,969,200.00	2,039,400,000.00

Management has assessed and concluded that, accounts, including cash, notes receivable, accounts receivable, interest receivable, other receivables, short-term loans, interest payable, dividend payable, other payables, notes payable, accounts payable and so on, whose fair value equals to book value because of its short term to overdue.

Financial assets and financial liabilities are measured at the amount that an asset could be exchanged for or by which a liability could be incurred or settled by knowledgeable, willing parties in a current arm's-length transaction, other than liquidation or unwilling sales. Methods and hypothesis followed are used for determining fair value.

Bonds payable are carried at amortized cost and those fair value are determined by the settlement price on 31 December 2016 and 2015, which are traded in open and active market.

Long-term loans and long-term loans within 1 year use discounted cash flow method to determine its fair value, with discount rate in accordance with market return of other financial instruments based on similar terms, credit risks and remaining terms. As at 31 December 2016, the default risk of long-term loans and long-term loans within 1 year was considered immaterial.

## X. Related party relationships and transactions

### 1. Parent company

Parent	Place of registration	Registered capital	Nature of the business	Proportion of shares in the Company	Proportion of voting rights in the company
China Changan Automobile Group Co., Ltd.	Beijing	4,582,373,700.00	Manufacture and sale of automobiles, engine, and components	40.88%	40.88%

The ultimate holding company is China South Industries Group Corporation.

The registered capital and paid-up capital of the parent company was unchanged in 2016.

### 2. Subsidiaries

Refer to Note VII 1 for details of the Group's subsidiaries.

### 3. Joint ventures and associates

Refer to Note VII 2 for details of the Group's joint ventures and associates.

#### 4. Other related parties

Related parties	Relationship
China Changan Automobile Co., Ltd. – Chongqing Tsingshan Transmission Branch (hereafter referred to as “CSIA-Chongqing Tsingshan Transmission Branch”)	Branch of parent
Sichuan Jian'an Industrial Co.,Ltd. – Chengdu Jian'an Automobile Bridge Branch (hereafter referred to as “Sichuan Jian'an Industrial Chengdu Jian'an Automobile Bridge Branch)	Controlled by the same parent company
Sichuan Jian'an Industrial Co., Ltd	Controlled by the same parent company
Chengdu Huachuan Electric Equipment Co., Ltd.	Controlled by the same parent company
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	Controlled by the same parent company
Harbin Dongan Auto Engine Co., Ltd.	Controlled by the same parent company
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Controlled by the same parent company
Hafei Motor Co., Ltd.	Controlled by the same parent company
South Tianhe Chassis System Co., Ltd.	Controlled by the same parent company
South Inter Air-conditioner Co., Ltd.	Controlled by the same parent company
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	Controlled by the same parent company
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	Controlled by the same parent company
Wanyou Automobile Investment Co., Ltd.	Controlled by the same parent company
China Changan Automobile Group Tianjin Sales Co., Ltd.	Controlled by the same parent company
United Prosperity (Hongkong) Investment Co., Ltd.	Controlled by the same parent company
Chongqing Anfu Automobile Co., Ltd.	Controlled by the same parent company
Chongqing Automobile Air-conditioner Co., Ltd.	Controlled by the same parent company
Chengdu Wanyou Economic Technological Development Co., Ltd.	Controlled by the same parent company
Chengdu Wanyou Trading Co., Ltd.	Controlled by the same parent company
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Guangxi Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Guizhou Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Nanning Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Yunnan Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Chongqing Wanyou Economic Development Co., Ltd.	Controlled by the same parent company
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Chongqing Wanyou Longxing Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Harbin Hafei Automobile Industry Group Co., Ltd.	Controlled by the same parent company

Related parties	Relationship
Chongqing Changfeng Jiquan Machinery Co., Ltd.	Controlled by the same ultimate holding company
Beijing Beiji Mechanical and Electrical Industry Co., Ltd.	Controlled by the same ultimate holding company
China South Industry Group Finance Co., Ltd.	Controlled by the same ultimate holding company
CDGM Tanaka Environmental Catalyst Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Lingchuan Special Industry Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Ningxing Automobile Spring Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Wanyou Filter Co., Ltd.	Controlled by the same ultimate holding company
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	Controlled by the same ultimate holding company
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Controlled by the same ultimate holding company
Yunnan Xiyi Industries Co., Ltd.	Controlled by the same ultimate holding company
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Jiexing Forging Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Jialing Yimin Special Equipment Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Shangfang Automobile Fittings Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Qingshan Transmission Sales Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Property Management Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Wanyou Construction Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Yihong Engineering Plastic Products Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Real Estate Development Co., Ltd.	Controlled by the same ultimate holding company
Changan Industries Group Co. Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Construction Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Min Sheng Logistics Co., Ltd.	Participated by the Ultimate holding company
Chongqing Changrong Machinery Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Fuji Supply Chain Management Co.,Ltd.	Controlled by the same ultimate holding company

## 5. Major transactions between the Group and its related parties

### (1) Transactions of goods and services

#### Purchases of goods and services from related parties

Related parties	Nature of the transaction	2016	2015
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Purchase of spare parts and accept service	2,343,854,848.51	1,896,913,613.67
CSIA-Chongqing Tsingshan Transmission Branch <sup>7)</sup> )	Purchase of spare parts	2,030,474,310.08	2,029,948,567.23
Chongqing Changan Min Sheng Logistics Co., Ltd.	Purchase of spare parts/ Transportation fee	1,572,181,323.93	981,608,165.56
Harbin Dongan Auto Engine Co., Ltd.	Purchase of spare parts	1,226,319,358.94	243,845,733.45
Sichuan Jian'an Industrial Co., Ltd.	Purchase of spare parts	932,197,539.05	872,386,203.06
South Tianhe Chassis System Co., Ltd.	Purchase of spare parts	837,559,232.44	596,567,971.95
South Inter Air-conditioner Co., Ltd.	Purchase of spare parts	367,384,090.66	236,463,539.13
Chengdu Huachuan Electric Equipment Co., Ltd.	Purchase of spare parts	338,304,665.53	385,126,049.75
Changan Ford Automobile Co., Ltd.	Purchase of spare parts and accept processing services	186,549,864.61	288,399,650.56
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	Purchase of spare parts	124,360,991.14	52,950,885.59
Chengdu Wanyou Filter Co., Ltd.	Purchase of spare parts	121,019,639.80	119,448,136.48
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	Purchase of spare parts	115,479,734.84	99,262,355.92
Chongqing Changan Suzuki Automobile Co., Ltd.	Purchase of spare parts and accept processing services	104,830,718.51	300,657,578.86
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	Purchase of spare parts	94,123,897.60	102,304,782.07
Chongqing Shangfang Automobile Fittings Co., Ltd.	Purchase of spare parts	85,168,186.79	81,971,697.82
Yunnan Xiyi Industries Co., Ltd.	Purchase of spare parts	84,561,755.21	90,591,308.01
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	Purchase of spare parts	74,986,033.09	106,461,258.63
Chongqing Wanyou Economic Development Co., Ltd.	Purchase of spare parts	70,144,386.07	43,446,598.21
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	Purchase of spare parts	60,124,661.45	181,393,940.20
Chengdu Lingchuan Special Industry Co., Ltd.	Purchase of spare parts	59,585,238.14	35,459,452.27
Chongqing Yihong Engineering Plastic Products Co., Ltd.	Purchase of spare parts	49,422,884.11	40,393,068.23
Harbin Hafei Automobile Industry Group Co.,Ltd.	Purchase of spare parts	45,518,795.88	-
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	Purchase of spare parts	44,307,211.65	49,382,805.26
Chongqing Changrong Machinery Co., Ltd.	Purchase of spare parts	40,752,601.79	56,998,012.12
Chongqing Changfeng Jiquan Machinery Co., Ltd.	Purchase of spare parts	36,513,529.49	41,026,194.87
Changan Industries Group Co. Ltd.	Purchase of spare parts and accept service	29,206,240.42	18,838,665.39
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	Purchase of spare parts	25,442,790.94	47,577,148.81
Chongqing Changan Kuayue Automobile Co., Ltd.	Accept service	16,664,400.00	-
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Purchase of spare parts	11,929,563.09	35,762,759.84
Chengdu Ningxing Automobile Spring Co., Ltd.	Purchase of spare parts	9,957,614.43	12,636,860.96
Hafei Motor Co., Ltd.	Purchase of spare parts and accept service	9,777,633.36	87,367,585.98
Chongqing Qingshan Transmission Sales Co., Ltd.	Purchase of spare parts	7,579,721.53	6,243,666.43

Related parties	Nature of the transaction	2016	2015
Chongqing Changan Property Management Co., Ltd.	Accept service	6,407,174.58	7,677,283.66
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	Purchase of spare parts	5,011,945.84	12,146,467.40
Chongqing Dajiang Jiexin	Purchase of spare parts	2,981,020.55	9,243,159.74
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	Purchase of spare parts	2,685,994.38	3,626,742.98
Beijing Beiji Mechanical and Electrical Industry Co., Ltd.	Purchase of spare parts and accept service	1,515,281.91	177,196.03
CDGM Tanaka Environmental Catalyst Co., Ltd.	Purchase of spare parts	1,094,205.35	8,851,213.81
United Prosperity (Hongkong) Investment Co., Ltd.(Note 1)	Accept service	158,960.85	7,999,691.39
Chongqing Jialing Yimin Special Equipment Co., Ltd.	Purchase of spare parts	36,951.21	640,308.88
Sichuan Jian'an Industrial Co., Ltd-- Chengdu Jian'an Automobile Bridge Branch	Purchase of spare parts	35,101.47	3,619,804.12
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	Purchase of spare parts	26,353.54	3,162.39
Chongqing Changan Construction Co., Ltd.	Accept service	-	1,000,628.00
Yunnan Wanyou Auto Sales and Service Co., Ltd.	Purchase of spare parts	-	398,654.57
Guizhou Wanyou Auto Sales and Service Co., Ltd.	Purchase of spare parts	-	186,593.74
Nanning Wanyou Auto Sales and Service Co., Ltd.	Purchase of spare parts	-	26,440.41
Guangxi Wanyou Auto Sales and Service Co., Ltd.	Purchase of spare parts	-	20,983.68
Chengdu Wanyou Economic Technological Development Co., Ltd.	Purchase of spare parts	-	18,966.82
Chengdu Wanyou Trading Co., Ltd.	Purchase of spare parts	-	7,325.00
Total		11,176,236,452.76	9,197,078,878.93

The price of the Group's purchase from related parties is based on contracts agreed by both parties.

#### Sales of goods and services to related parties

Related parties	Nature of the transaction	2016	2015
Chongqing Wanyou Economic Development Co., Ltd.	Sales of cars and spare parts	2,127,413,232.34	1,893,496,751.04
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	Sales of cars	1,364,853,472.13	1,540,894,512.28
Wanyou Automobile Investment Co., Ltd.	Sales of cars	1,162,903,051.28	795,519,616.62
Guizhou Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	1,134,116,654.59	972,038,136.50
Chengdu Wanyou Economic Technological Development Co., Ltd.	Sales of cars and spare parts	1,005,713,612.97	714,130,601.04
Yunnan Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	853,497,907.44	1,007,510,442.47
Guangxi Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	272,848,989.87	194,129,565.95
China Changan Automobile Group Tianjin Sales Co., Ltd.	Sales of cars	164,287,182.90	159,770,280.46
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	Sales of cars	107,002,484.62	104,113,109.96
Nanning Wanyou Auto Sales and Service Co., Ltd.	Sales of cars	102,970,362.39	144,512,690.84
Harbin Dongan Auto Engine Co., Ltd.	Sale of spare parts and provind service	68,085,662.12	-
Changan Ford Automobile Co., Ltd.	Sale of spare parts and provind service	66,903,309.03	47,189,224.94
Chengdu Lingchuan Special Industry Co., Ltd.	Sale of spare parts	61,213,747.01	102,587,685.47
China South Industry Group Finance Co., Ltd.	Providing service	33,982,192.00	15,025,861.00

Related parties	Nature of the transaction	2016	2015
Chongqing Changan Suzuki Automobile Co., Ltd.	Sales of spare parts and providing service	28,028,657.42	46,046,820.53
Chongqing Anfu Automobile Co., Ltd.	Sales of cars	27,024,982.92	3,806,837.62
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Sales of cars, spare parts and providing service	13,107,799.11	12,567,961.94
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Sale of spare parts	7,078,056.56	24,122,035.16
Chongqing Changan Kuayue Automobile Co., Ltd.	Sales of cars and spare parts	7,062,777.99	-
Yunnan Xiyi Industries Co., Ltd.	Sale of spare parts	2,149,915.85	2,272,204.54
Chongqing Changan Min Sheng Logistics Co., Ltd.	Sale of spare parts and providing service	1,134,617.05	268,320.54
Jiangling Holding Co., Ltd.	Sale of spare parts and providing service technical service	1,070,065.38	2,830,188.68
Changan PSA Automobiles Co., Ltd.	Providing service	618,000.00	21,564,687.73
Chengdu Huachuan Electric Equipment Co., Ltd.	Providing service	93,803.77	19,927.56
South Inter Air-conditioner Co., Ltd.	Providing service	86,400.94	-
China Changan Automobile Group Co., Ltd.	Providing service	48,000.00	48,000.00
Chongqing Wanyou Longxing Auto Sales and Service Co., Ltd.	Sale of spare parts	919.65	-
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	Sale of spare parts	-	5,042,460.44
Changan Mazda Automobile Co., Ltd.	Providing technical service	-	361,792.45
Changan Industries Group Co., Ltd.	Providing service	-	117,428.62
Chengdu Wanyou Trading Co., Ltd.	Sale of spare parts	-	6,441.03
Hafei Motor Co., Ltd.	Sale of spare parts	-	1,825.09
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd.	Sale of spare parts	-	1,051.66
Total		8,613,295,857.33	7,809,996,462.16

The price of the Group's sales to related parties is based on contracts agreed by all parties.

Other major related-party transactions

The price of the Group's other major related-party transactions is based on contracts agreed by all parties.

## Expenses of integrated service charges

Related parties	Nature of the transaction	2016	2015
Changan Industries Group Co. Ltd.	Payment of utilities	148,518,647.74	197,179,675.16
Changan Industries Group Co. Ltd.	Payment of building rental fees	32,533,804.09	33,143,634.60
Changan Industries Group Co. Ltd.	Payment of land rental fees	26,141,365.75	28,236,828.50
Changan Industries Group Co. Ltd.	Others	16,727,283.22	16,946,753.93
Changan Industries Group Co. Ltd.	Payment of firefighting fees	2,740,000.00	2,740,000.00
Hafei Motor Co., Ltd.	Intergrated service	-	12,122,919.14
Total		226,661,100.80	290,369,811.33

## Purchase of project materials

Related parties	2016	2015
Chongqing Changan Construction Co., Ltd.	248,081,434.88	426,445,025.42
Chongqing Wanyou Construction Co., Ltd.	61,518,379.98	-
Chongqing Changan Min Sheng Logistics Co., Ltd.	21,105,907.68	5,865,647.63
Changan Industries Group Co. Ltd.	762,395.00	2,460,439.40
Total	331,468,117.54	434,771,112.45

## Staff expenses for technical supporting

Related parties	2016	2015
Changan Ford Automobile Co., Ltd.	44,048,776.40	45,220,693.68
Changan Mazda Automobile Co., Ltd.	21,618,850.94	22,983,423.49
Changan Ford Mazda Engine Co., Ltd.	16,900,043.40	17,985,306.56
Chongqing Changan Suzuki Automobile Co., Ltd.	6,263,924.53	8,079,053.00
Jiangling Holding Co., Ltd.	1,550,981.13	1,560,367.52
Changan PSA Automobiles Co., Ltd.	1,493,400.00	11,661,743.99
Chongqing Changan Kuayue Automobile Co., Ltd.	916,937.74	332,633.24
Hafei Motor Co., Ltd.	425,784.92	234,449.28
Harbin Dongan Auto Engine Co., Ltd.	-	99,544.94
Total	93,218,699.06	108,157,215.70

## Technical service income

Related parties	2016	2015
Changan PSA Automobiles Co., Ltd.	-	1,342,469.55



## Capital occupied income

Related parties	2016	2015
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	2,778,357.55	1,645,558.12
Yunnan Wanyou Auto Sales and Service Co., Ltd.	1,801,359.42	275,512.82
Chengdu Wanyou Economic Technological Development Co., Ltd.	1,086,289.74	728,388.03
Wanyou Automobile Investment Co., Ltd.	1,006,733.33	106,964.96
Guizhou Wanyou Auto Sales and Service Co., Ltd.	454,317.65	12,118.80
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	195,795.62	16,513.68
Chongqing Wanyou Economic Development Co., Ltd.	51,878.63	36,664.09
Guangxi Wanyou Auto Sales and Service Co., Ltd.	14,205.98	609.40
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	7,043.44	-
Nanning Wanyou Auto Sales and Service Co., Ltd.	-	1,198.29
Total	7,395,981.36	2,823,528.19

## (2) Lease between related parties

## Rent assets from related parties

Lessors	Type of leased assets	Rental expense for 2016	Rental expense for 2015
Chongqing Changan Min Sheng Logistics Co., Ltd.	Storage	2,850,308.60	2,603,773.60
Chongqing Changan Real Estate Development Co., Ltd.	Office building and storage	2,786,094.28	2,824,308.00
Chongqing Fuji Supply Chain Management Co., Ltd.	Storage	653,359.13	4,540,249.30
Chongqing Changan Suzuki Automobile Co., Ltd.	Storage	645,129.14	440,576.00
Chongqing Changan Property Management Co., Ltd.	Building	508,670.99	-
Hafei Motor Co., Ltd.	Land	-	620,790.00
Total		7,443,562.14	11,029,696.90

## (3) Transfer of assets between related parties

Related party	Type of transaction	2016	2015
Chongqing Changan Kuayue Automobile Co., Ltd.	Transfer of assets	70,895,546.02	-
Changan Ford Automobile Co., Ltd.	Transfer of assets	-	3,934,632.00
Chongqing Changan Suzuki Automobile Co., Ltd.	Transfer of assets	-	68,376,068.40
Total		70,895,546.02	72,310,700.40

## (4) Guarantee of related party

In the year of 2016, China Changan, the parent company, provided an unconditionally and irrevocably joint guarantee for the corporate bonds with face value of RMB1,980,000,000.00. Refer to Note V 33.

## (5) Other related party transaction

Item	2016	2015
Compensation of key management personal	11,872,845.00	14,438,825.00

**6. Amounts due from/to related parties**Notes receivable

Related parties	2016	2015
Wanyou Automobile Investment Co., Ltd.	3,471,660,000.00	2,544,170,000.00
China Changan Automobile Group Tianjin Sales Co., Ltd.	78,957,994.00	77,701,470.00
Yunnan Wanyou Auto Sales and Service Co., Ltd.	14,000,000.00	20,000,000.00
Chengdu Wanyou Economic Technological Development Co., Ltd.	11,835,000.00	5,000,000.00
Chongqing Wanyou Economic Development Co., Ltd.	7,300,000.00	3,500,000.00
Guangxi Wanyou Auto Sales and Service Co., Ltd.	3,000,000.00	-
Guizhou Wanyou Auto Sales and Service Co., Ltd.	900,000.00	-
Chongqing Changan Min Sheng Logistics Co., Ltd.	-	200,000.00
Total	3,587,652,994.00	2,650,571,470.00

Accounts receivable

Related parties	2016	2015
	Amount	Amount
Chongqing Changan Suzuki Automobile Co., Ltd.	81,267,096.52	62,572,011.08
Changan PSA Automobiles Co., Ltd.	25,111,849.15	29,598,165.00
Changan Ford Automobile Co., Ltd.	21,633,279.39	28,255,292.83
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	14,204,793.72	6,951,750.46
Chongqing Changan Kuayue Automobile Co., Ltd.	10,315,352.70	3,690,822.00
Jiangling Holding Co., Ltd.	7,644,669.31	9,310,692.81
Changan Ford Mazda Engine Co., Ltd.	6,018,814.08	6,023,814.08
Changan Mazda Automobile Co., Ltd.	5,172,339.17	11,009,839.17
CSIA-Chongqing Tsingshan Transmission Branch	1,535,992.93	-
Changan Industries Group Co. Ltd.	1,325,600.89	1,380,710.79
Chongqing Changan Min Sheng Logistics Co., Ltd.	1,181,760.00	-
China South Industry Group Finance Co., Ltd.	-	7,309,377.00
United Prosperity (Hongkong) Investment Co., Ltd.	-	1,520,264.30
Guangxi Wanyou Auto Sales and Service Co., Ltd.	-	748,944.87
Total	175,411,547.86	168,371,684.39

Prepayments

Related parties	2016	2015
Chongqing Changan Suzuki Automobile Co., Ltd.	-	292,769.25

Other receivables

Related party	2016	2015
Chongqing Changan Kuayue Automobile Co., Ltd.	82,947,788.84	-

Chongqing Changan Suzuki Automobile Co., Ltd.	50,687,982.45	80,000,000.00
Changan Ford Automobile Co., Ltd.	4,603,519.44	3,934,632.00
Chongqing Changan Min Sheng Logistics Co., Ltd.	6,860.00	-
Total	138,246,150.73	83,934,632.00

Notes payable

Related parties	2016	2015
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	967,050,000.00	479,410,000.00
Harbin Dongan Auto Engine Co., Ltd.	726,330,000.00	109,700,000.00
CSIA-Chongqing Tsingshan Transmission Branch	308,428,358.00	-
South Tianhe Chassis System Co., Ltd.	215,680,000.00	201,310,000.00
Chongqing Changan Construction Co., Ltd.	120,564,352.00	296,563,745.00
Chongqing Changan Suzuki Automobile Co., Ltd.	113,856,733.59	294,658,696.24
Chongqing Changan Min Sheng Logistics Co., Ltd.	89,305,155.59	26,791,651.72
Changan Ford Automobile Co., Ltd.	85,794,900.04	475,324,029.19
South Inter Air-conditioner Co., Ltd.	64,930,000.00	76,720,000.00
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	42,770,000.00	89,890,000.00
Chengdu Wanyou Filter Co., Ltd.	32,180,000.00	43,980,000.00
Yunnan Xiyi Industries Co., Ltd.	26,200,000.00	48,350,000.00
Chongqing Wanyou Construction Co., Ltd.	21,609,792.00	18,898,000.00
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	20,890,000.00	38,990,000.00
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	18,860,000.00	21,380,000.00
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	16,400,000.00	7,360,000.00
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	14,990,000.00	15,140,000.00
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	14,970,000.00	16,960,000.00
Chengdu Lingchuan Special Industry Co., Ltd.	4,900,000.00	-
Chengdu Ningxing Automobile Spring Co., Ltd.	2,480,000.00	3,350,000.00
Chongqing Yihong Engineering Plastic Products Co., Ltd.	1,720,000.00	-
Chengdu Huachuan Electric Equipment Co., Ltd.	1,590,000.00	1,810,000.00
Sichuan Hongguang Machinery and Electrics Co., Ltd.	1,540,000.00	4,520,000.00
Chongqing Changfeng Jiquan Machinery Co., Ltd.	1,400,000.00	2,200,000.00
Chengdu Guangming Tianzhong Environmental Protection Technology Co., Ltd.	590,000.00	4,390,000.00
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	540,000.00	3,070,000.00
Chongqing Wanyou Economic Development Co., Ltd.	400,000.00	-
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	350,000.00	690,000.00
Chongqing Changrong Machinery Co., Ltd.	-	4,920,000.00
Chongqing Dajiang Jiexing Forging Co., Ltd.	-	4,810,000.00
Chongqing Shangfang Automobile Fittings Co., Ltd.	-	2,540,000.00
Changan Industries Group Co. Ltd.	-	1,092,602.70
Chongqing Changan Property Management Co., Ltd.	-	570,000.00
Total	2,916,319,291.22	2,295,388,724.85

Accounts payable

Related parties	2016	2015
Harbin Dongan Auto Engine Co., Ltd.	527,147,806.85	98,838,874.81
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	290,041,888.65	215,741,604.30
South Tianhe Chassis System Co., Ltd.	202,673,506.88	112,039,307.48
Chongqing Changan Kuayue Automobile Co., Ltd.	200,427,855.44	1,382.56
Sichuan Jian'an Industrial Co., Ltd.	148,642,065.47	111,450,178.28
South Inter Air-conditioner Co., Ltd.	95,068,450.02	100,144,195.95
Changan Ford Automobile Co., Ltd.	55,690,770.88	245,147,629.51
CSIA-Chongqing Tsingshan Transmission Branch	52,180,219.64	123,739,750.74
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	44,834,573.54	29,805,780.61
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	35,171,485.54	23,803,051.46
Chongqing Changan Min Sheng Logistics Co., Ltd.	33,230,330.04	22,348,610.06

Related parties	2016	2015
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	24,749,631.74	14,403,026.51
Chengdu Wanyou Filter Co., Ltd.	23,884,754.69	21,091,610.85
Chongqing Wanyou Economic Development Co., Ltd.	20,199,877.52	4,481,651.40
Chongqing Shangfang Automobile Fittings Co., Ltd.	19,471,409.27	15,821,551.80
Chengdu Huachuan Electric Equipment Co., Ltd.	17,909,499.41	47,575,356.65
Chongqing Changfeng Jiquan Machinery Co., Ltd.	17,755,042.08	7,440,982.33
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	17,008,148.70	16,155,847.89
Chengdu Lingchuan Special Industry Co., Ltd.	16,324,169.20	7,758,782.79
Chongqing Changan Suzuki Automobile Co., Ltd.	15,338,611.57	85,609,784.33
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	11,620,091.77	6,252,805.67
Changan Industries Group Co. Ltd.	11,133,702.18	3,182,654.75
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	9,859,366.38	13,666,197.68
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	6,206,931.40	10,359,166.23
Chongqing Changrong Machinery Co., Ltd.	6,053,153.05	7,365,511.89
Chongqing Yihong Engineering Plastic Products Co., Ltd.	5,380,998.77	5,338,106.65
Chongqing Qingshan Transmission Sales Co., Ltd.	4,565,235.88	4,556,221.79
Yunnan Xiyi Industries Co., Ltd.	3,561,238.93	4,591,599.90
Chengdu Ningxing Automobile Spring Co., Ltd.	2,699,367.12	2,021,474.70
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	1,108,626.60	1,030,120.96
Chongqing Dajiang Jiexing Forging Co., Ltd.	916,367.87	3,674,483.82
Sichuan Hongguang Machinery and Electrics Co., Ltd.	770,939.74	3,661,396.48
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	743,950.45	1,279,973.77
Chongqing Automobile Air-conditioner Co., Ltd.	205,041.51	205,041.51
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	125,092.40	113,514.74
Chongqing Jialing Yimin Special Equipment Co., Ltd.	104,496.50	271,263.58
Beijing Bei Ji Mechanical and Electrical Industry Co., Ltd.	103,700.00	240,015.76
Chengdu Guangming Tianzhong Environmental Protection Technology Co., Ltd.	100,673.23	4,660,452.98
Sichuan Jian'an Industrial Co., Ltd – Chengdu Jian'an Automobile Bridge Branch	16,779.87	113,477.38
Hafei Motor Co., Ltd.	-	31,407,623.53
Yunnan Wanyou Auto Sales and Service Co., Ltd.	-	397,942.30
Guizhou Wanyou Auto Sales and Service Co., Ltd.	-	186,593.64
Nanning Wanyou Auto Sales and Service Co., Ltd.	-	26,440.42
Guangxi Wanyou Auto Sales and Service Co., Ltd.	-	20,983.69
Chengdu Wanyou Economic Technological Development Co., Ltd.	-	18,966.83
Chengdu Wanyou Trading Co., Ltd.	-	7,325.00
<b>Total</b>	<b>1,923,025,850.78</b>	<b>1,408,048,315.96</b>

Advances from customers

Related parties	2016	2015
Chongqing Wanyou Economic Development Co., Ltd.	59,225,452.11	61,170,435.54
Guizhou Wanyou Auto Sales and Service Co., Ltd.	52,459,795.76	27,596,698.89
Chengdu Wanyou Economic Technological Development Co., Ltd.	41,753,923.53	29,338,414.31
Yunnan Wanyou Auto Sales and Service Co., Ltd.	39,662,459.55	61,850,331.89
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	26,923,721.35	90,137,523.07
Chongqing Anfu Automobile Co., Ltd.	15,878,770.00	-
Guangxi Wanyou Auto Sales and Service Co., Ltd.	15,722,476.69	19,964,328.03
Nanning Wanyou Auto Sales and Service Co., Ltd.	11,830,415.87	13,981,164.87
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	5,768,219.12	12,485,207.00
Wanyou Automobile Investment Co., Ltd.	5,720,958.00	32,945,166.00
China Changan Automobile Group Tianjin Sales Co., Ltd.	2,086,522.00	2,343,429.00
Changan Ford Automobile Co., Ltd.	672,289.44	-
Chongqing Changan Min Sheng Logistics Co., Ltd.	361,998.32	360,581.64
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd.	659.60	659.60
Hafei Motor Co., Ltd.	-	670,500.00

Related parties	2016	2015
South Air International Co.,Ltd	-	8,273.00
Total	278,067,661.34	352,852,712.84

**Other payables**

Related parties	2016	2015
Chongqing Changan Min Sheng Logistics Co., Ltd.	77,817,823.03	110,766,572.66
Chongqing Changan Construction Co., Ltd.	9,972,195.85	15,303,959.24
Changan Industries Group Co. Ltd.	4,038,966.50	21,569,325.60
Hafei Motor Co., Ltd.	2,239,226.36	4,278,783.60
Chongqing Changan Property Management Co., Ltd.	2,215,310.58	1,322,786.15
China Changan Automobile Group Co., Ltd.	791,056.30	-
Chongqing Wanyou Construction Co., Ltd.	729,632.00	907,708.00
Chongqing Fuji Supply Chain Management Co., Ltd.	496,341.00	5,971,532.25
Chongqing Changan Suzuki Automobile Co., Ltd.	220,288.00	-
Guizhou Wanyou Auto Sales and Service Co., Ltd.	150,000.00	387,049.24
Chengdu Wanyou Economic Technological Development Co., Ltd.	150,000.00	150,230.00
Guangxi Wanyou Auto Sales and Service Co., Ltd.	150,000.00	150,000.00
Chengdu Wanyou Filter Co., Ltd.	120,000.00	120,000.00
Yunnan Wanyou Auto Sales and Service Co., Ltd.	100,000.00	714,186.12
Chongqing Wanyou Economic Development Co., Ltd.	100,000.00	679,167.70
Chongqing Changan Real Estate Development Co., Ltd.	42,426.00	64,790.00
United Prosperity (Hongkong) Investment Co., Ltd.	-	254,892,920.19
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	-	34,356.00
Total	99,333,265.62	417,313,366.75

**7. Cash deposited in related party**

Related party	2016	2015
China South Industry Group Finance Co., Ltd.	3,932,976,564.53	2,988,227,858.26
Changan Automobile Financing Co., Ltd.	1,000,000,000.00	-
Total	4,932,976,564.53	2,988,227,858.26

In 2016, deposit rates in related party are 0.35% to 3.915%, deposit terms are 0 to 12 months. (in 2015, deposit rate were 0.35% to 1.86%, terms are 0 to 6 months.)

**8. Loans from related parties****Short-term loans**

Related parties	2016	2015
China South Industry Group Finance Co., Ltd.	150,000,000.00	50,000,000.00

Refer to Note V (21) for the details of the interest rates of the short-term loan.

## XI Share-based payments

### 1. General information

	2016
The total amount of the employee services as a result of the share-based payments	139,527,600.00

#### The equity settled share based payments are as follows:

	2016
The accumulated amount of equity settled share-based payments included in capital reserve	13,715,900.00
The amount of equity settled share-based payments included in expense	13,715,900.00

### 2. Share-based payment scheme

On 23 September 2016, the share option was approved to be granted on 23 September 2016 by the 12th meeting of the seventh session of the Board of Directors and the 8th meeting of the seventh session of Board of Supervisors. According to the share option scheme, the Company granted 29,140,000 options to 202 employees, conferring rights to purchase 1 A share of Changan Automobile for each option before the expiration date. Share options are granted to directors, chief executive officers and key technical and management personnel.

The share option will expire in 5 years. After the vesting period of 24 month since the grant date, the option shall be exercised in three periods. In each exercise period, 1/3 of the total options could be exercised when the prescribed performance conditions are met. The exercise price is RMB14.12 per share. The options granted shall be exercised before the expiration date. The share should not be exercised unless the prescribed conditions are met. The exercisable shares not exercised in above periods will be written off by the Company.

## 2. Share-based payment scheme (continued)

The performance indicators of the share option includes:

- (1) Return on equity (ROE)
- (2) Net profit growth rate attributable to owners
- (3) Economic value added (EVA), and
- (4) The ratio of prime operating revenue to operating revenue

The above net profit and ROE are based on net profit and weighted average net assets attributable to owners deducting non-recurring gains and losses.

The exercise terms of share options:

Exercise Period	Exercise Ratio	Exercise Time	Exercise Terms
The 1 <sup>st</sup> exercise period	1/3	The 1st trading day since 24 month after the grant date to the last trading day since 36 month after the grant date	2017 net profit growth rate based on 2015 average growth rate $\geq 3.2\%$ (growth amount equivalent to RMB10,182,000,000); ROE $\geq 15\%$ The above indicators $\geq$ benchmark average, and $\geq 75$ quartile $\Delta$ EVA $>0$ ; The ratio of prime operating revenue to operating revenue $\geq 95\%$
The 2 <sup>nd</sup> exercise period	1/3	The 1st trading day since 36 month after the grant date to the last trading day since 48 month after the grant date	2018 net profit growth rate based on 2015 average growth rate $\geq 3.2\%$ (growth amount equivalent to RMB10,507,000,000); ROE $\geq 15\%$ The above indicators $\geq$ benchmark average, and $\geq 75$ quartile $\Delta$ EVA $>0$ ; The ratio of prime operating revenue to operating revenue $\geq 95\%$
The 3 <sup>rd</sup> exercise period	1/3	The 1st trading day since 48 month after the grant date to the last trading day since 60 month after the grant date	2019 net profit growth rate based on 2015 average growth rate $\geq 3.2\%$ (growth amount equivalent to RMB10,844,000,000); ROE $\geq 15\%$ The above indicators $\geq$ benchmark average, and $\geq 75$ quartile $\Delta$ EVA $>0$ ; The ratio of prime operating revenue to operating revenue $\geq 95\%$

## 2. Share-based payment scheme (continued)

The fair value of share options granted amounted to RMB139,527,600, in which the Company recognized a share option expense of RMB13,715,900 in 2016.

The fair value of the equity-settled share option is determined using Black-Scholes model based on the estimate in accordance with the terms and conditions of the share options. The input variables are as follows:

Valuation factors	2016
Dividend rate (%)	0%
Expected volatility (%)	29.78%
Historical volatility (%)	29.78%
Risk-free rate (%)	2.4987%
Expected duration (year)	4
Share price as at the grant date (yuan)	15.43

The expected duration of the option is based on the historical data of the past, which is not necessarily reflected in the exercise of the right in future. The expected volatility is based on the assumption that the historical volatility reflects the future trend, but not necessarily the actual results.

## XII Contingencies and commitments

### 1. Commitments

Contracted, but not provided for

Item	2016	2015
Capital commitments	17,058,024,403.29	14,288,926,343.64

### 2. Contingencies

As at 31 December 2016, no material contingencies needed to be disclosed.



### **XIII Events after the balance sheet date**

#### **1. The dividends after balance sheet date**

Profits or dividends to be allocated	Refer to Note V 43.
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#### **2. Other events after the balance sheet date**

On February 18th 2016, the Company signed Capital Increase Framework Agreement with Zhejiang Geely Holding Group, Hunan Corun New Energy Co., Ltd, Kunming Yunnei Power Co., Ltd to invest Corun Hybrid Technology Co., Ltd. According to the Framework Agreement, the Company plans to invest a total of RMB 200 million by means of cash and technology. In January 2017, the company contributed RMB 100,840,000.00 in cash.

As of the approval date of financial statement, no other significant event after balance sheet date was noted.

## XIV Other important event

### 1. Leasing arrangements

According to the lease contracts signed with the lessor, the minimum leases payments under non-cancellable leases are as follows:

Item	2016	2015
Less than 1 year (including 1 year)	11,768,779.44	41,401,361.44
1 to 2 years (including 2 years)	8,320,440.46	5,676,787.85
2 to 3 years (including 3 years)	1,434,975.00	2,736,639.18
Over 3 years	7,832,471.32	8,786,471.32
Total	29,356,666.22	58,601,259.79

### 2. Segment report

The Group identifies operating segments based on the internal organization structure, managerial requirements and internal reporting system, and identifies reportable segments based on operating segments and discloses segment information by operating segment.

An operating segment is a component of the Group that meets all the following conditions:

- (1) it engages in business activities from which it may earn revenues and incur expenses;
- (2) its operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and assess its performance; and
- (3) the Group is able to obtain relevant accounting information such as its financial position, operating results and cash flows.

If two or more segments have similar economic characteristics and meet certain conditions, they can be aggregated into a single operating segment.

The revenue and profit of the Group mainly consist of the automobile manufacturing and domestic sales. The Group's principal assets are in China. The operating performance of the Group has been evaluated as a whole by the management. So the segment report has not been prepared for this year.

## XV Notes to the Company's financial statements

### 1. Accounts Receivable

(1) Aging analysis of accounts receivable as at 31 December 2016 is as follows:

Aging	2016	2015
Within 1 year	3,250,560,308.22	2,208,678,374.74
1 to 2 years	752,872,792.63	886,424,958.61
2 to 3 years	47,459,307.66	299,310,373.94
Over 3 years	289,770,618.23	45,063,217.23
Total	4,340,663,026.74	3,439,476,924.52
Provision	(11,776,256.96)	(44,127,656.24)
	4,328,886,769.78	3,395,349,268.28

Movements of provision for accounts receivable are as follows:

	Beginning	Addition	Reduction		Ending Balance
			Reversal	Write-off	
2016	44,127,656.24	712,173.76	-	33,063,573.04	11,776,256.96
2015	42,238,460.64	1,929,550.63	40,355.03	-	44,127,656.24

(2) Analysis of the accounts receivable by category as at 31 December 2016 is as follows:

Item	2016				2015			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	-	-	-	-	106,141,701.22	3.09	-	-
Accounts receivable analyzed as groups for provision								
Group 1. Accounts receivable analyzed for provision according to aging analysis	199,462,633.59	4.60	11,776,256.96	5.90	93,941,328.52	2.73	44,127,656.24	46.97
Group 2. Accounts receivable from related parties	4,141,200,393.15	95.40	-	-	3,239,393,894.78	94.18	-	-
Group subtotal	4,340,663,026.74	100	11,776,256.96	0.27	3,333,335,223.30	96.91	44,127,656.24	1.32
Individually insignificant items but analyzed individually for provision	-	-	-	-	-	-	-	-
Total	4,340,663,026.74	100	11,776,256.96	0.27	3,439,476,924.52	100.00	44,127,656.24	1.28

**1. Accounts Receivable (continued)**

In groups, accounts receivable were analyzed for provision by aging:

Aging	2016			2015		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	187,249,804.89	93.88	-	48,596,196.09	51.73	-
6 to 12 months	-	-	-	274,050.19	0.29	13,702.51
Within 1 year subtotal	187,249,804.89	93.88	-	48,870,246.28	52.02	13,702.51
1 to 2 years	42,444.52	0.02	4,244.45	7,865.01	0.01	786.50
2 to 3 years	26,216.67	0.01	7,865.00	-	-	-
3 to 4 years	-	-	-	1,900,100.00	2.02	950,050.00
4 to 5 years	1,900,100.00	0.95	1,520,080.00	-	-	-
Over 5 years	10,244,067.51	5.14	10,244,067.51	43,163,117.23	45.95	43,163,117.23
<b>Total</b>	<b>199,462,633.59</b>	<b>100.00</b>	<b>11,776,256.96</b>	<b>93,941,328.52</b>	<b>100</b>	<b>44,127,656.24</b>

In groups, accounts receivable were analyzed for provision with other methods:

Group	2016		2015	
	Balance	Provision	Balance	Provision
Accounts receivable from related parties	4,141,200,393.15	-	3,239,393,894.78	-

As at 31 December 2016, there was no individually significant items but analyzed individually for provision (2015: Nil).

- (3) For the year ended 2016, no provision for accounts receivable has been reversed (2015: RMB 40,355.03).
- (4) For the year ended 2016, the write-offs for accounts receivable provision amounted to RMB33,063,573.04 (2015: Nil).
- (5) As at 31 December 2016, accounts receivable from top 5 clients amounted to RMB 3,600,501,720.54, accounted for 82.95% of the total amount (2015: RMB 2,856,294,781.26, accounted for 83.04% of the total amount).
- (6) There is no accounts receivable derecognized due to transference of financial assets during 2016 (2015: Nil).

## 2. Other receivables

(1) Aging analysis of other receivables as at 31 December 2016 is as follows:

Aging	2016	2015
Within 1 year	1,068,196,054.26	1,014,129,695.10
1 to 2 years	380,563,436.92	764,371.36
2 to 3 years	293,123.94	439,781.94
Over 3 years	7,959,929.33	7,708,212.54
Total	1,457,012,544.45	1,023,042,060.94
Provision	(995,559.54)	(2,094,451.68)
Net Value	1,456,016,984.91	1,020,947,609.26

Movements of provisions for other receivables are as follows:

	Opening Balance	Addition	Deduction		Ending Balance
			Reversal	Write-off	
2016	2,094,451.68	86,681.86		1,185,574.00	995,559.54
2015	1,976,498.02	117,953.66	-	-	2,094,451.68

**2. Other receivables (continued)**

(2) Analysis of other receivables by category as at 31 December 2016 is as follows:

Item	2016				2015			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	573,938,000.00	39.39	-	-	416,830,000.00	40.74	-	-
Other receivables analyzed as groups for provision								
Group 1. Other receivables analyzed for provision according to aging analysis	105,367,648.00	7.23	995,559.54	0.94	54,593,677.32	5.34	2,094,451.68	3.84
Group 2. Other receivables from related parties	777,706,896.45	53.38	-	-	551,618,383.62	53.92	-	-
Group subtotal	883,074,544.45	60.61	995,559.54	0.11	606,212,060.94	59.26	2,094,451.68	0.35
Individually insignificant items but analyzed individually for provision	-	-	-	-	-	-	-	-
Total	1,457,012,544.45	100	995,559.54	0.07	1,023,042,060.94	100	2,094,451.68	0.20

In groups, other receivables were analyzed for provision by aging:

Aging	2016			2015		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	102,631,260.66	97.40	-	50,178,793.87	91.92	-
6 to 12 months	908,083.19	0.86	45,404.16	2,097,465.20	3.84	104,873.26
Within 1 year subtotal	103,539,343.85	98.26	45,404.16	52,276,259.07	95.76	104,873.26
1 to 2 years	798,497.37	0.76	79,849.74	230,114.30	0.42	23,011.43
2 to 3 years	227,858.77	0.22	68,357.63	99,781.94	0.18	29,934.58
3 to 4 years	-	-	-	-	-	-
4 to 5 years	-	-	-	254,448.01	0.47	203,558.41
Over 5 years	801,948.01	0.76	801,948.01	1,733,074.00	3.17	1,733,074.00
Total	105,367,648.00	100.00	995,559.54	54,593,677.32	100	2,094,451.68

(3) For the year ended 2016, no provision for other receivables has been reversed (2015: Nil).

(4) For the year ended 2016, there was no write-off for other receivable provision (2015: Nil).

**2. Other receivables (continued)**

(5) Analysis of other receivables by nature is as follows:

Nature	2016	2015
Warranty	42,787,301.14	38,441,611.68
Energy-saving and new energy subsidy	573,938,000.00	416,830,000.00

Disposal income of assets	320,683,334.80	167,193,450.84
Pretty cash	67,463,129.22	37,968,895.82
Technical royalties	131,500,340.36	40,227,188.27
Security deposits	20,077,869.68	4,152,677.70
Loans to third parties	190,782,800.00	190,800,286.90
Others	108,784,209.71	125,333,498.05
<b>Total</b>	<b>1,456,016,984.91</b>	<b>1,020,947,609.26</b>

(6) As at 31 December 2016, top five debtors of other receivables are as follows:

Debtors	Amount	Aging	Proportion of total other receivables (%)	Ending balance of provision
First	573,938,000.00	Within 2 years	39.39	-
Second	82,947,788.84	Within 1 year	5.69	-
Third	50,687,982.45	1-2 years	3.48	-
Forth	15,915,564.48	Withinin 1 year	1.09	-
Fifth	4,603,519.44	Withinin 1 year	0.32	-
<b>Total</b>	<b>728,092,855.21</b>		<b>49.97</b>	<b>-</b>

(7) There is no other receivables derecognized due to transfer of financial assets during 2016 (2015: Nil).

### 3. Long-term investments

2016

Investee	Opening Balance	Addition	Deduction	Investment income/loss under equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Joint ventures										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,201,823,308.72	-	-	27,008,035.40	-	2,005,532.73	-	-	1,230,836,876.85	-
Jiangling Holding Co., Ltd.	2,708,643,943.64	-	-	281,552,504.60	(166,479.23)	1,177,334.05	-	-	2,991,207,303.06	-
Changan Ford Automobile Co., Ltd.	5,504,416,392.18	-	-	9,029,392,427.50	-	-	(8,870,000,000.00)	-	5,663,808,819.68	-
Changan Mazda Automobile Co., Ltd.	1,998,126,415.64	-	-	998,214,084.78	-	-	(850,000,000.00)	-	2,146,340,500.42	-
Changan Ford Mazda Engine Co., Ltd.	781,796,686.36	-	-	126,734,131.00	-	184,883.31	-	-	908,715,700.67	-
Changan PSA Automobiles Co., Ltd.	1,462,904,374.63	-	-	(815,064,719.37)	-	-	-	-	647,839,655.26	-
Associates										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	7,511,430.77	-	-	45,017.65	-	-	-	-	7,556,448.42	-
Chongqing Changan Kuayue Automobile Co., Ltd.	76,219,385.83	-	-	7,187,078.33	-	-	-	-	83,406,464.16	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an taxi Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Changan Automobile Financing Co., Ltd.	1,155,000,000.00	-	-	(91,344,758.49)	-	-	-	-	1,063,655,241.51	-
Subsidiaries										
Nanjing Changan Automobile Co., Ltd.	422,533,259.00	-	-	-	-	-	-	-	422,533,259.00	-
Hebei Changan Automobile Co., Ltd.	438,223,236.00	-	-	-	-	-	-	-	438,223,236.00	-
Chongqing Changan International Automobile Sales Co., Ltd.	13,068,580.00	-	-	-	-	-	-	-	13,068,580.00	-
Chongqing Changan Automobile supporting service Co., Ltd.	29,700,000.00	-	-	-	-	-	-	-	29,700,000.00	-
Chongqing Changan Connected Car Technology Co., Ltd.	48,500,000.00	40,000,000.00	-	-	-	-	-	-	88,500,000.00	-
Chongqing Changan Automobile sales subsidiaries	8,050,000.00	3,379,233.00	(5,829,233.00)	-	-	-	-	-	5,600,000.00	-
Chongqing Changan Special Automobile sales Co., Ltd.	2,500,000.00	-	-	-	-	-	-	-	2,500,000.00	-
Chongqing Changan Europe Design Academy Co., Ltd.	134,879,700.00	20,992,824.00	-	-	-	-	-	-	155,872,524.00	-



Investee	Opening Balance	Addition	Deduction	Investment income/loss under equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Chongqing Changan new Energy Automobile Co. Ltd.	18,850,000.00	-	-	-	-	-	-	-	18,850,000.00	-
Changan United Kingdom R&D Center Co., Ltd.	981,934.40	235,405,461.00	-	-	-	-	-	-	236,387,395.40	-
Beijing Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Harbin Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Shanghai Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Changan Japan Designing Center Co., Ltd.	1,396,370.15	-	-	-	-	-	-	-	1,396,370.15	-
Changan United States R&D Center Co., Ltd.	1,317,720.00	-	-	-	-	-	-	-	1,317,720.00	-
Hebei Baoding Changan Bus Co., Ltd.	176,002,613.18	-	-	-	-	-	-	-	176,002,613.18	-
Hefei Changan Automobile Company Ltd.	35,367,765.23	-	-	-	-	-	-	-	35,367,765.23	-
Changan Automobile Russia Co., Ltd.	1,242,589.15	-	-	-	-	-	-	-	1,242,589.15	-
Changan Brazil Holdings Limited	2,584,556.97	-	-	-	-	-	-	-	2,584,556.97	-
Shenzhen Changan New Energy Automobile Service Co., Ltd.	-	50,000,000.00	-	-	-	-	-	-	50,000,000.00	-
<b>Total</b>	<b>16,234,640,261.85</b>	<b>349,777,518.00</b>	<b>(5,829,233.00)</b>	<b>9,563,723,801.40</b>	<b>(166,479.23)</b>	<b>3,367,750.09</b>	<b>(9,720,000,000.00)</b>	<b>-</b>	<b>16,425,513,619.11</b>	<b>-</b>

### 3. Long-term investments (continued)

2015

Investee	Opening Balance	Addition	Deduction	Investment income/loss under equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Joint ventures										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,408,273,674.47	-	-	(207,954,783.71)	-	1,504,417.96	-	-	1,201,823,308.72	-
Jiangling Holding Co., Ltd.	2,334,057,207.68	-	-	374,818,810.93	(966,718.09)	734,643.12	-	-	2,708,643,943.64	-
Changan Ford Automobile Co., Ltd.	4,617,363,993.97	-	-	8,687,052,398.21	-	-	(7,800,000,000.00)	-	5,504,416,392.18	-
Changan Mazda Automobile Co., Ltd.	1,672,590,730.82	-	-	825,535,684.82	-	-	(500,000,000.00)	-	1,998,126,415.64	-
Changan Ford Mazda Engine Co., Ltd.	720,178,224.15	-	-	85,303,345.52	-	-	(23,684,883.31)	-	781,796,686.36	-
Changan PSA Automobiles Co., Ltd.	1,795,746,892.81	-	-	(332,842,518.18)	-	-	-	-	1,462,904,374.63	-
Associates										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	9,220,184.59	-	-	(1,708,753.82)	-	-	-	-	7,511,430.77	-
Chongqing Changan Kuayue Automobile Co., Ltd.	66,558,691.97	-	-	9,660,693.86	-	-	-	-	76,219,385.83	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an crescent taxi Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Changan Automobile Financing Co., Ltd.	-	1,155,000,000.00	-	-	-	-	-	-	1,155,000,000.00	-
Subsidiaries										
Nanjing Changan Automobile Co., Ltd.	422,533,259.00	-	-	-	-	-	-	-	422,533,259.00	-
Hebei Changan Automobile Co., Ltd.	438,223,236.00	-	-	-	-	-	-	-	438,223,236.00	-
Chongqing Changan International Automobile Sales Co., Ltd.	13,068,580.00	-	-	-	-	-	-	-	13,068,580.00	-
Chongqing Changan Automobile supporting service Co., Ltd.	29,700,000.00	-	-	-	-	-	-	-	29,700,000.00	-
Chongqing Changan The Union of Automobile Technology Co., Ltd.	48,500,000.00	-	-	-	-	-	-	-	48,500,000.00	-
Chongqing Changan Automobile sales subsidiaries	8,050,000.00	-	-	-	-	-	-	-	8,050,000.00	-
Chongqing Changan Special Automobile sales Co., Ltd.	2,500,000.00	-	-	-	-	-	-	-	2,500,000.00	-
Chongqing Changan Europe	134,879,700.00	-	-	-	-	-	-	-	134,879,700.00	-

Investee	Opening Balance	Addition	Deduction	Investment income/loss under equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Design Academy Co., Ltd.										
Chongqing Changan new Energy Automobile Co. Ltd.	18,850,000.00	-	-	-	-	-	-	-	18,850,000.00	-
Changan United Kingdom R&D Center Co., Ltd.	981,934.40	-	-	-	-	-	-	-	981,934.40	-
Beijing Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Harbin Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Shanghai Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Changan Japan Designing Center Co., Ltd.	1,396,370.15	-	-	-	-	-	-	-	1,396,370.15	-
Changan United States R&D Center Co., Ltd.	1,317,720.00	-	-	-	-	-	-	-	1,317,720.00	-
Hebei Baoding Changan Bus Co., Ltd.	176,002,613.18	-	-	-	-	-	-	-	176,002,613.18	-
Hefei Changan Automobile Company Ltd.	35,367,765.23	-	-	-	-	-	-	-	35,367,765.23	-
Changan Automobile Russia Co., Ltd.	1,242,589.15	-	-	-	-	-	-	-	1,242,589.15	-
Changan Brazil Holdings Limited	2,161,591.21	422,965.76	-	-	-	-	-	-	2,584,556.97	-
<b>Total</b>	<b>13,961,764,958.78</b>	<b>1,155,422,965.76</b>	<b>-</b>	<b>9,439,864,877.63</b>	<b>(966,718.09)</b>	<b>2,239,061.08</b>	<b>(8,323,684,883.31)</b>	<b>-</b>	<b>16,234,640,261.85</b>	<b>-</b>

#### 4. Operating revenue and cost

##### (1) Operating revenue, operating cost

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Primary Operation	76,247,249,150.13	65,163,173,869.78	63,644,433,379.55	51,797,362,297.58
Other Operation	1,886,694,926.20	609,271,572.83	1,217,695,737.36	818,767,136.10
Total	78,133,944,076.33	65,772,445,442.61	64,862,129,116.91	52,616,129,433.68

##### (2) Revenue listed by products are as follows:

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Sales of goods	77,912,630,846.99	65,569,169,219.67	64,607,395,383.61	52,412,853,210.74
Outsourcing processing	221,313,229.34	203,276,222.94	254,733,733.30	203,276,222.94
Total	78,133,944,076.33	65,772,445,442.61	64,862,129,116.91	52,616,129,433.68

#### 5. Investment income

##### (1) Details of investment income

Item	2016	2015
Long-term equity investment income under equity method	9,563,723,801.40	9,439,864,877.63
Investment income during holding period of available-for-sale financial assets	55,292,453.17	57,544,215.31
Others	29,239,175.50	1,839,685.25
Total	9,648,255,430.07	9,499,248,778.19

##### (2) Available-for-sale financial assets under cost method

Investee	2016	2015
Cash dividend received from China South Industry Group Finance Co., Ltd.	50,677,453.17	52,219,215.31

**5. Investment income (continued)**

## (3) Long-term equity investment income under equity method

Investee	2016	2015	Reason for the fluctuation
Changan Ford Automobile Co., Ltd.	9,029,392,427.50	8,687,052,398.21	Increase in profit due to sales expansion
Changan Mazda Automobile Co., Ltd.	998,214,084.78	825,535,684.82	Increase in profit due to sales expansion
Chongqing Changan Suzuki Automobile Co., Ltd.	27,008,035.40	(207,954,783.71)	Increase in profit due to sales expansion
Changan Ford Mazda Engine Co., Ltd.	126,734,131.00	85,303,345.52	Increase in profit due to sales expansion
Jiangling Holding Co., Ltd.	281,552,504.60	374,818,810.93	Decrease in profit due to sales decrease
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	45,017.65	(1,708,753.82)	Increase in profit due to sales expansion
Changan PSA Automobiles Co., Ltd.	(815,064,719.37)	(332,842,518.18)	High cost due to initial operation
Chongqing Changan Kuayue Automobile Co.,Ltd.	7,187,078.33	9,660,693.86	Decrease in profit due to costs and expenses increased higher than sales expansion
Changan Automobile Financing Co.,Ltd	(91,344,758.49)	-	High cost due to initial operation
<b>Total</b>	<b>9,563,723,801.40</b>	<b>9,439,864,877.63</b>	

**1. Schedule of non-recurring profit and loss**

Item	2016
Gain and loss arising from disposal of non-current assets (including writing-off of accrued impairment loss on assets)	(26,176,073.44)
Government grants (excluding the grants closely related to enterprise business, which the Group enjoyed according to the allotment standards or quantitative criteria of the country)	864,258,952.35
Other non-operating income and expenses	53,570,410.76
Capital occupied income from non-financial entities	41,300,590.86
Effect on income tax	(94,404,693.21)
Effect on minority shareholders (after tax)	(1,988,710.92)
<b>Total</b>	<b>836,560,476.40</b>

Note: the non-recurring profit and loss were presented with amount before tax.

The Group disclosed non-recurring profit and loss items in accordance with the regulations issued by China Security Regulation Commission, No 1 Regulation of Information Disclosure of Public Companies-Non-recurring Profit and Loss <CSRC 2008(43)>

**2. Return on equity and earnings per share**

2016

Profit	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	26.81	2.19	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	24.63	2.02	N/A

2015

Profit	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	33.14	2.13	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	31.84	2.05	N/A

In accordance with the regulations issued by China Security Regulation Commission, Regulation of Information Disclosure of Public Companies—the Calculation and Disclosure of Return of Net Assets and Earning per Share (2010 Revision), the Group disclosed the return of net assets and earnings per share in the reporting period.

## Chapter 11 Documents for Future Reference

1. Financial reports with signatures and stamps of the legal representative, the chief accountant and the chief of accounting organization.

2. The original copy of audit report with the stamp of the CPA firm and the signature and stamp of the Certified Public Accountant.

3. All the original documents and manuscripts of the Company which has been disclosed in the reporting period in the newspapers designated by China Securities Regulatory Commission.

Annual reports disclosed in other securities markets.

Chairman of the Board:

Mr. Xu Liuping

General Manager:

Mr. Zhu Huarong

Chongqing Changan Automobile Co., Ltd.

18 April, 2016