



Weifu High-Technology Group Co., Ltd.

Semi-Annual Financial Report 2018

August 2018

Financial Report

I. Audit report

Whether the semi annual report is audited

Yes No

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

II. Financial statement

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

1. Consolidated balance sheet

Prepared by Weifu High-Technology Group Co., Ltd

2018-6-30

In RMB

Item	Ending balance	Opening balance
Current assets:		
Monetary funds	3,042,709,775.25	3,118,709,412.83
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Notes receivable	1,676,937,153.03	1,464,256,934.83
Accounts receivable	2,374,955,337.33	1,995,577,830.90
Account paid in advance	99,860,122.30	97,576,197.88
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable	1,480,250.00	2,281,979.17
Dividends receivable	546,269,615.74	
Other receivables	17,839,885.07	5,214,623.41
Purchase restituted finance asset		
Inventories	1,241,695,545.38	1,478,939,040.70

Divided into assets held for sale		
Non-current assets due within one year		
Other current assets	4,586,279,800.73	3,887,997,290.53
Total current assets	13,588,027,484.83	12,050,553,310.25
Non-current assets:		
Loans and payments on behalf		
Available-for-sale financial assets	479,236,360.00	588,142,869.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	4,261,256,191.08	4,140,064,825.58
Investment property	22,761,528.91	23,544,830.78
Fixed assets	2,625,557,400.23	2,584,872,628.54
Construction in progress	195,609,102.08	100,345,461.28
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	332,886,731.99	340,632,143.36
Research and development costs		
Goodwill	1,784,086.79	1,784,086.79
Long-term deferred expenses	7,951,490.73	2,969,770.81
Deferred income tax assets	202,373,683.03	203,007,622.23
Other non-current assets	203,344,783.19	195,088,675.74
Total non-current assets	8,332,761,358.03	8,180,452,914.11
Total assets	21,920,788,842.86	20,231,006,224.36
Current liabilities:		
Short-term borrowings	359,000,000.00	243,000,000.00
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	1,086,240,637.65	947,976,759.10

Accounts payable	2,596,968,053.96	2,570,956,205.83
Accounts received in advance	38,744,126.90	42,820,236.07
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	272,784,575.15	327,778,677.29
Taxes payable	94,439,018.34	93,869,690.36
Interest payable	555,009.72	401,928.43
Dividend payable	1,210,740,700.00	
Other accounts payable	65,356,662.87	62,937,940.90
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within one year	5,000,000.00	10,000,000.00
Other current liabilities		
Total current liabilities	5,729,828,784.59	4,299,741,437.98
Non-current liabilities:		
Long-term loans	45,000,000.00	45,000,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable	19,407,272.00	17,496,363.00
Long-term wages payable	30,448,132.88	30,448,132.88
Special accounts payable	18,265,082.11	18,265,082.11
Accrual liabilities		
Deferred income	439,544,262.06	451,281,721.77
Deferred income tax liabilities	7,062,415.26	17,406,622.39
Other non-current liabilities		
Total non-current liabilities	559,727,164.31	579,897,922.15
Total liabilities	6,289,555,948.90	4,879,639,360.13
Owners' equity:		
Share capital	1,008,950,570.00	1,008,950,570.00
Other equity instrument		

Including: preferred stock		
Perpetual capital securities		
Capital reserve	3,416,016,805.42	3,417,841,402.89
Less: Inventory shares		
Other comprehensive income	28,866,874.66	87,169,455.01
Reasonable reserve	1,119,601.82	2,606.93
Surplus reserve	510,100,496.00	510,100,496.00
Provision of general risk		
Retained profit	10,146,111,143.84	9,811,609,138.92
Total owners' equity attributable to parent company	15,111,165,491.74	14,835,673,669.75
Minority interests	520,067,402.22	515,693,194.48
Total owners' equity	15,631,232,893.96	15,351,366,864.23
Total liabilities and owner's equity	21,920,788,842.86	20,231,006,224.36

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

2. Balance Sheet of Parent Company

In RMB

Item	Ending balance	Opening balance
Current assets:		
Monetary funds	2,603,443,354.29	2,460,413,190.84
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Notes receivable	418,685,069.60	449,209,323.02
Accounts receivable	1,003,118,142.78	1,047,012,889.92
Account paid in advance	58,841,677.78	52,269,971.38
Interest receivable	228,052.78	97,627.77
Dividends receivable	532,862,944.82	
Other receivables	178,153,549.80	50,174,653.16
Inventories	386,390,243.97	425,577,163.53
Assets held for sale		
Non-current assets due within one year		
Other current assets	4,394,258,562.40	3,876,370,675.52

Total current assets	9,575,981,598.22	8,361,125,495.14
Non-current assets:		
Available-for-sale financial assets	403,296,360.00	512,202,869.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	5,052,525,076.38	4,962,522,689.49
Investment property		
Fixed assets	1,560,811,227.67	1,567,315,925.73
Construction in progress	59,671,595.15	29,152,398.74
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	192,303,346.51	196,726,670.75
Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	114,410,983.88	114,706,976.54
Other non-current assets	103,943,087.63	80,866,308.04
Total non-current assets	7,486,961,677.22	7,463,493,838.29
Total assets	17,062,943,275.44	15,824,619,333.43
Current liabilities:		
Short-term borrowings	180,000,000.00	78,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	381,906,378.48	459,762,950.78
Accounts payable	965,506,741.66	1,082,206,882.07
Accounts received in advance	11,405,762.35	12,242,442.51
Wage payable	196,370,045.34	216,598,203.73
Taxes payable	66,402,908.98	71,370,793.35
Interest payable	292,055.55	93,777.78
Dividend payable	1,210,740,700.00	
Other accounts payable	13,611,772.35	9,982,668.55

Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	3,026,236,364.71	1,930,257,718.77
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	16,665,236.81	16,665,236.81
Special accounts payable		
Accrual liabilities		
Deferred income	395,256,852.69	407,070,636.08
Deferred income tax liabilities	5,094,154.34	15,382,844.99
Other non-current liabilities		
Total non-current liabilities	417,016,243.84	439,118,717.88
Total liabilities	3,443,252,608.55	2,369,376,436.65
Owners' equity:		
Share capital	1,008,950,570.00	1,008,950,570.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital reserve	3,488,221,286.39	3,488,221,286.39
Less: Inventory shares		
Other comprehensive income	28,866,874.66	87,169,455.01
Reasonable reserve		
Surplus reserve	510,100,496.00	510,100,496.00
Retained profit	8,583,551,439.84	8,360,801,089.38
Total owners' equity	13,619,690,666.89	13,455,242,896.78
Total liabilities and owner's equity	17,062,943,275.44	15,824,619,333.43

3. Consolidated Profit Statement

Item	In RMB	
	Current period	Last Period
I. Total operating income	4,960,801,890.99	4,728,125,599.02
Including: Operating income	4,960,801,890.99	4,728,125,599.02
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	4,446,134,584.97	4,235,672,796.49
Including: Operating cost	3,889,590,289.69	3,736,290,938.86
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	38,000,352.40	37,862,282.48
Sales expenses	106,347,559.85	71,559,262.66
Administration expenses	413,983,378.78	399,568,734.73
Financial expenses	-1,776,908.37	1,688,051.32
Losses of devaluation of asset	-10,087.38	-11,296,473.56
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	1,149,033,168.39	955,437,915.36
Including: Investment income on affiliated company and joint venture	968,640,145.91	833,565,520.64
Exchange income (Loss is listed with “-”)		
Income from assets disposal(Loss is listed with “-”)	1,588,185.36	-125,780.60
Other income	14,032,459.71	15,608,007.28
III. Operating profit (Loss is listed with “-”)	1,679,321,119.48	1,463,372,944.57
Add: Non-operating income	3,881,128.87	2,784,579.48
Less: Non-operating expense	2,327,872.38	3,764,224.66
IV. Total Profit (Loss is listed with “-”)	1,680,874,375.97	1,462,393,299.39
Less: Income tax expense	102,927,297.96	94,025,933.36

V. Net profit (Net loss is listed with “-”)	1,577,947,078.01	1,368,367,366.03
(i) Net profit of continuous operating (Net loss is listed with “-”)	1,577,947,078.01	1,368,367,366.03
(ii) Net profit of business termination (Net loss is listed with “-”)		
Net profit attributable to owners of parent company	1,545,242,704.92	1,325,922,029.56
Minority shareholders’ gains and losses	32,704,373.09	42,445,336.47
VI. Net after-tax of other comprehensive income	-58,302,580.35	-39,797,212.50
Net after-tax of other comprehensive income attributable to owners of parent company	-58,302,580.35	-39,797,212.50
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss	-58,302,580.35	-39,797,212.50
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	-58,302,580.35	-39,797,212.50
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	1,519,644,497.66	1,328,570,153.53
Total comprehensive income attributable to owners of parent Company	1,486,940,124.57	1,286,124,817.06
Total comprehensive income attributable to minority shareholders	32,704,373.09	42,445,336.47
VIII. Earnings per share:		
(i) Basic earnings per share	1.53	1.31
(ii) Diluted earnings per share	1.53	1.31

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

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

4. Profit Statement of Parent Company

In RMB

Item	Current period	Last Period
I. Operating income	2,315,142,655.13	1,626,480,415.71
Less: Operating cost	1,698,516,522.90	1,268,622,661.58
Operating tax and extras	20,760,852.64	14,826,758.76
Sales expenses	17,030,807.96	13,791,093.39
Administration expenses	216,259,763.11	184,157,736.45
Financial expenses	-5,330,079.95	-346,977.87
Losses of devaluation of asset	468,622.39	48,394.70
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	1,137,350,229.02	1,830,767,022.75
Including: Investment income on affiliated company and joint venture	894,788,126.54	767,309,765.64
Income from assets disposal(Loss is listed with “-”)	698,843.73	-143,090.25
Other income	11,813,783.39	13,915,329.88
II. Operating profit (Loss is listed with “-”)	1,517,299,022.22	1,989,920,011.08
Add: Non-operating income	26,550.35	244,259.65
Less: Non-operating expense	989,892.95	2,088,732.14
III. Total Profit (Loss is listed with “-”)	1,516,335,679.62	1,988,075,538.59
Less: Income tax expense	82,844,629.16	47,444,108.88
IV. Net profit (Net loss is listed with “-”)	1,433,491,050.46	1,940,631,429.71
(i) Net profit of continuous operating (Net loss is listed with “-”)	1,433,491,050.46	1,940,631,429.71
(ii) Net profit of business termination (Net loss is listed with “-”)		
V. Net after-tax of other comprehensive income	-58,302,580.35	-39,797,212.50
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee		

accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss	-58,302,580.35	-39,797,212.50
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	-58,302,580.35	-39,797,212.50
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	1,375,188,470.11	1,900,834,217.21
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

5. Consolidated Cash Flow Statement

In RMB

Item	Current period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	4,321,753,642.57	3,437,449,626.28
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		

Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	28,784,608.45	22,168,009.92
Other cash received concerning operating activities	20,879,944.10	19,713,087.22
Subtotal of cash inflow arising from operating activities	4,371,418,195.12	3,479,330,723.42
Cash paid for purchasing commodities and receiving labor service	2,812,244,020.34	2,032,254,137.91
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	683,701,600.44	614,817,453.84
Taxes paid	342,578,412.02	325,770,301.21
Other cash paid concerning operating activities	153,970,471.84	154,087,588.94
Subtotal of cash outflow arising from operating activities	3,992,494,504.64	3,126,929,481.90
Net cash flows arising from operating activities	378,923,690.48	352,401,241.52
II. Cash flows arising from investing activities:		
Cash received from recovering investment	5,361,095,457.96	3,091,512,477.03
Cash received from investment income	463,686,171.47	430,252,079.05
Net cash received from disposal of fixed, intangible and other long-term assets	39,773,802.87	53,235,402.65
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	5,864,555,432.30	3,574,999,958.73
Cash paid for purchasing fixed, intangible and other long-term assets	362,947,568.87	212,687,557.71
Cash paid for investment	6,084,063,284.96	5,925,993,243.66
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities	10,000,000.00	
Subtotal of cash outflow from investing activities	6,457,010,853.83	6,138,680,801.37

Net cash flows arising from investing activities	-592,455,421.53	-2,563,680,842.64
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	330,000,000.00	185,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities	5,470,000.00	
Subtotal of cash inflow from financing activities	335,470,000.00	185,000,000.00
Cash paid for settling debts	219,000,000.00	152,500,000.00
Cash paid for dividend and profit distributing or interest paying	9,337,888.74	17,164,736.59
Including: Dividend and profit of minority shareholder paid by subsidiaries	174,600.00	11,958,920.00
Other cash paid concerning financing activities	339,091.00	1,049,711.28
Subtotal of cash outflow from financing activities	228,676,979.74	170,714,447.87
Net cash flows arising from financing activities	106,793,020.26	14,285,552.13
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	810,171.83	-3,018,810.88
V. Net increase of cash and cash equivalents	-105,928,538.96	-2,200,012,859.87
Add: Balance of cash and cash equivalents at the period-begin	2,948,439,354.22	3,795,223,678.11
VI. Balance of cash and cash equivalents at the period-end	2,842,510,815.26	1,595,210,818.24

6. Cash Flow Statement of Parent Company

In RMB

Item	Current period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	2,707,966,926.41	1,138,848,252.21
Write-back of tax received		
Other cash received concerning operating activities	9,047,393.86	505,652,991.97
Subtotal of cash inflow arising from operating activities	2,717,014,320.27	1,644,501,244.18
Cash paid for purchasing commodities and receiving labor service	1,572,426,004.69	707,951,478.67
Cash paid to/for staff and workers	361,672,047.87	277,978,923.53

Taxes paid	242,573,191.33	133,461,523.26
Other cash paid concerning operating activities	142,557,335.52	168,294,750.99
Subtotal of cash outflow arising from operating activities	2,319,228,579.41	1,287,686,676.45
Net cash flows arising from operating activities	397,785,740.86	356,814,567.73
II. Cash flows arising from investing activities:		
Cash received from recovering investment	5,174,745,373.00	2,974,601,492.00
Cash received from investment income	450,095,688.15	1,365,386,425.45
Net cash received from disposal of fixed, intangible and other long-term assets	38,214,564.65	52,252,940.94
Net cash received from disposal of subsidiaries and other units		2,410,502.57
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	5,663,055,625.80	4,394,651,360.96
Cash paid for purchasing fixed, intangible and other long-term assets	187,935,182.03	61,095,071.88
Cash paid for investment	5,687,713,200.00	5,617,929,258.63
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities	173,000,000.00	
Subtotal of cash outflow from investing activities	6,048,648,382.03	5,679,024,330.51
Net cash flows arising from investing activities	-385,592,756.23	-1,284,372,969.55
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	180,000,000.00	80,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	180,000,000.00	80,000,000.00
Cash paid for settling debts	78,000,000.00	80,000,000.00
Cash paid for dividend and profit distributing or interest paying	3,391,380.55	1,637,133.32
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	81,391,380.55	81,637,133.32
Net cash flows arising from financing activities	98,608,619.45	-1,637,133.32
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	761,175.27	-3,018,810.88
V. Net increase of cash and cash equivalents	111,562,779.35	-932,214,346.02
Add: Balance of cash and cash equivalents at the period -begin	2,454,696,969.20	2,143,377,059.99
VI. Balance of cash and cash equivalents at the period-end	2,566,259,748.55	1,211,162,713.97

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

Amount for current period

In RMB

Item	Current period												
	Owners' equity attributable to parent company										Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk			Retained profit
	Preferred stock	Perpetual capital securities	Other										
I. Balance at the end of the last year	1,008,950,570.00				3,417,841,402.89		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92	515,693,194.48	15,351,366,864.23
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning	1,008,950,570.00				3,417,841,402.89		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92	515,693,194.48	15,351,366,864.23

of this year													
III. Increase/ Decrease in this year (Decrease is listed with “-”)													
(i) Total comprehensiv e income													
(ii) Owners’ devoted and decreased capital													
1. Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based													

payment													
4. Other					-1,824,597.47								-1,824,597.47
(III) Profit distribution											-1,210,740,700.00	-15,604,600.00	-1,226,345,300.00
1. Withdrawal of surplus reserves											0	0	0
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)											-1,210,740,700.00	-15,604,600.00	-1,226,345,300.00
4. Other											0	0	0
(IV) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to													

capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve								1,116,994.89				219,837.18	1,336,832.07
1. Withdrawal in the report period								10,050,468.85				1,395,689.84	11,446,158.69
2. Usage in the report period								8,933,473.96				1,175,852.66	10,109,326.62
(VI)Others													
IV. Balance at the end of the report period	1,008,950,570.00				3,416,016,805.42		28,866,874.66	1,119,601.82	510,100,496.00		10,146,111,143.84	520,067,402.22	15,631,232,893.96

Amount for last year

In RMB

Item	Last period											
	Owners' equity attributable to parent company										Minority interests	Total owners' equity
	Share capital	Other equity instrument		Capital reserve	Less : Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities									
I. Balance at the end of the last year	1,008,950,570.00			3,417,841,402.89		144,722,827.51	89,005.19	510,100,496.00		7,845,639,990.88	471,086,098.05	13,398,430,390.52
Add: Changes of accounting policy												
Error correction of the last period												
Enterprise combine under the same control												
Other												
II. Balance at the beginning of this year	1,008,950,570.00			3,417,841,402.89		144,722,827.51	89,005.19	510,100,496.00		7,845,639,990.88	471,086,098.05	13,398,430,390.52

III. Increase/ Decrease in this year (Decrease is listed with “-”)						-57,553,372.50	-86,398.26			1,965,969,148.04	44,607,096.43	1,952,936,473.71
(i) Total comprehensive income						-57,553,372.50				2,571,339,490.04	75,870,434.54	2,589,656,552.08
(ii) Owners’ devoted and decreased capital											8,480,761.72	8,480,761.72
1.Common shares invested by shareholders											9,520,000.00	9,520,000.00
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other											-1,039,238.28	-1,039,238.28
(III) Profit distribution										-605,370,342.00	-39,650,290.00	-645,020,632.00
1. Withdrawal of surplus reserves												
2. Withdrawal of general risk												

provisions													
3. Distribution for owners (or shareholders)											-605,370,342.00	-39,650,290.00	-645,020,632.00
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	1,008,950,570.00				3,417,841,402.89		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92	515,693,194.48	15,351,366,864.23

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

Amount for current period

In RMB

Item	Current period									
	Share capital	Other equity instrument		Capital reserve	Less : Investor y shares	Other comprehensiv e income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities							
I. Balance at the end of the last year	1,008,950,570.00			3,488,221,286.39		87,169,455.01		510,100,496.00	8,360,801,089.38	13,455,242,896.78
Add: Changes of accounting policy										
Error correction of the last period										
Other										
II. Balance at the beginning of this year	1,008,950,570.00			3,488,221,286.39		87,169,455.01		510,100,496.00	8,360,801,089.38	13,455,242,896.78
III. Increase/ Decrease in this year (Decrease is listed with "-")						-58,302,580.35			222,750,350.46	164,447,770.11
(i) Total comprehensive income						-58,302,580.35			1,433,491,050.46	1,375,188,470.11
(ii) Owners' devoted and decreased capital										

1.Common shares invested by shareholders										
2. Capital invested by holders of other equity instruments										
3. Amount reckoned into owners equity with share-based payment										
4. Other										
(III) Profit distribution									-1,210,740,700.00	-1,210,740,700.00
1. Withdrawal of surplus reserves										
2. Distribution for owners (or shareholders)									-1,210,740,700.00	-1,210,740,700.00
3. Other										
(IV) Carrying forward internal owners' equity										
1. Capital reserves conversed to capital (share capital)										
2. Surplus reserves conversed to capital (share capital)										
3. Remedying loss with surplus reserve										
4. Other										
(V) Reasonable reserve										
1. Withdrawal in the report period								3,751,960.66		3,751,960.66
2. Usage in the report period								3,751,960.66		3,751,960.66
(VI)Others										
IV. Balance at the end of the report period	1,008,950,570.00			3,488,221,286.39	28,866,874.66			510,100,496.00	8,583,551,439.84	13,619,690,666.89

Amount for last year

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital reserve	Less : Investor y shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Pr efe rre d sto ck	Per petua l capi tal secu ritie s	Ot her							
I. Balance at the end of the last year	1,008,950,570.00				3,448,408,786.39		144,722,827.51		510,100,496.00	5,525,644,079.79	10,637,826,759.69
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	1,008,950,570.00				3,448,408,786.39		144,722,827.51		510,100,496.00	5,525,644,079.79	10,637,826,759.69
III. Increase/ Decrease in this year (Decrease is listed with "-")					39,812,500.00		-57,553,372.50			2,835,157,009.59	2,817,416,137.09
(i) Total comprehensive income							-57,553,372.50			3,001,267,943.68	2,943,714,571.18
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											

4. Other										
(III) Profit distribution									-605,370,342.00	-605,370,342.00
1. Withdrawal of surplus reserves										
2. Distribution for owners (or shareholders)									-605,370,342.00	-605,370,342.00
3. Other										
(IV) Carrying forward internal owners' equity										
1. Capital reserves conversed to capital (share capital)										
2. Surplus reserves conversed to capital (share capital)										
3. Remedying loss with surplus reserve										
4. Other										
(V) Reasonable reserve										
1. Withdrawal in the report period							4,785,959.00			4,785,959.00
2. Usage in the report period							4,785,959.00			4,785,959.00
(VI)Others				39,812,500.00					439,259,407.91	479,071,907.91
IV. Balance at the end of the report period	1,008,950,570.00			3,488,221,286.39	87,169,455.01		510,100,496.00	8,360,801,089.38		13,455,242,896.78

III. Basic information of the Company

1. Historical origin of the Company

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

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

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

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

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

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

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

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

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

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

In accordance with the resolutions of shareholders' meeting and provisions of amended constitution, and approved by [2012] No. 109 document of China Securities Regulatory Commission, in Feb., the Company issued RMB ordinary shares (A-share) of 112,858,000 shares to Wuxi Industry Groups and overseas strategic investor, ROBERT BOSCH GMBH (hereinafter referred to as Germany BOSCH), face value was RMB 1 Yuan per share, added registered capital of RMB112,858,000 Yuan, and the registered capital after change was RMB 680,133,995 Yuan. Wuxi Industry Group is the first majority shareholder of the Company, and Germany BOSCH is the second majority shareholder of the Company.

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

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

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

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

Unified social credit code: 91320200250456967N

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

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

3. Business nature and major operation activities of the Company

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

Major subsidiaries respectively activate in production and sales of engine accessories, auto spare parts, mufflers, and purifiers.

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

Financial statements of the Company were approved by the Board of Directors for reporting dated 24 August 2018.

Name of subsidiary	Shortname of subsidiary	Shareholding ratio (%)		Proportion of votes (%)	Registered capital (in 10 thousand Yuan)	Business scope	Statement consolidate (Y/N)
		Directly	Indirectly				
Nanjing Weifu Jinning Co., Ltd.	Weifu Jinning	80.00	--	80.00	34,628.70	Internal-combustion engine and accessories	Y
Wuxi Weifu Leader Catalytic Converter Co., Ltd.	Weifu Leader	94.81	--	94.81	50,259.63	Purifier and muffler	Y
Weifu Mashan Pump Glib Co., Ltd.	Weifu Mashan	100.00	--	100.00	16,500	Internal-combustion engine and accessories	Y
Wuxi Weifu Chang'an Co., Ltd.	Weifu Chang'an	100.00	--	100.00	21,000	Internal-combustion	Y

						engine and accessories	
Wuxi Weifu International Trade Co. Ltd.	Weifu International Trade	100.00	--	100.00	3,000	Trade	Y
Wuxi Weifu ITM Supercharging Technique Co., Ltd.	Weifu ITM	100.00	--	100.00	16,000	Internal-combustion engine and accessories	Y
Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.	Weifu Schmidt	66.00	--	66.00	7,600	Internal-combustion engine and accessories	Y
Ningbo Weifu Tianli Supercharging Technique Co., Ltd.	Weifu Tianli	54.23	--	54.23	11,136	Internal-combustion engine and accessories	Y
Wuxi Weifu-Autocam Fine Machinery Co. Ltd.	Weifu Autocam	51.00	--	51.00	USD1,510	Auto parts	Y
Wuxi Weifu Leader Catalytic Converter (Wuhan) Co., Ltd.	Weifu Leader (Wuhan)	--	60.00	60.00	1,000	Purifier and muffler	Y
Weifu Leader (Chongqing) Automobile Parts Co., Ltd.	Weifu Leader (Chongqing)	--	100.00	100.00	2,615.17	Purifier and muffler	Y
Nanchang Weifu Leader Automobile Parts Co., Ltd.	Weifu Leader (Nanchang)	--	100.00	100.00	5,000	Purifier and muffler	Note ①

Note ①: Found more in 5-‘Change of consolidation scope for other reasons’ in Note VIII

IV. Basis of preparation of financial statements

1. Preparation base

The financial statement were stated in compliance with Accounting Standard for Business Enterprises –Basic Norms issued by Ministry of Finance, the specific 41 accounting rules revised and issued dated 15 February 2006 and later, the Application Instruments of Accounting Standards and interpretation on Accounting standards and other relevant regulations (together as “Accounting Standards for Business Enterprise”), as well as the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provision of Financial Report (Amended in 2014) issued by CSRC in respect of the actual transactions and proceedings, on a basis of ongoing operation.

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

2. Going concern

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

V. Major Accounting Policies and Estimation

Specific accounting policies and estimation attention:

The Company and its subsidiaries are mainly engaged in the manufacture and sales of engine fuel oil system products, Auto spare parts, mufflers and purifiers etc., in line with the real operational characteristics and relevant accounting standards, many specific accounting policies and estimation have been formulated for the transactions and events with revenue recognized concerned. As for the explanation on major accounting judgment and estimation, found more in Note V-28-“Other major accounting policy and accounting estimation”.

1. Statement on observation of Accounting Standard for Business Enterprises

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

2. Accounting period

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

3. Business cycles

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

4. Recording currency

The Company's reporting currency is the RMB Yuan.

5. Accounting Treatment Method for Business Combinations

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

(1) The business combination under the same control

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

the combining party shall be reckoned into current gains/losses while occurring. Combination day is the date when combining party obtained controlling rights from the combined party.

(2) Combine not under the same control

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

6. Preparation method for consolidated financial statement

(1) Recognition principle of consolidated scope

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

(2) Basis of control

Control is the right to govern an investee so as to obtain variable return through participating in the investee's relevant activities and the ability to affect such return by use of the aforesaid right over the investee. Relevant activates refers to activates have major influence on return of the investee's.

(3) Consolidation process

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

included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

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

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

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

The share of the subsidiary's ownership interest not attributable to the Company is listed as "minority interest" item under the ownership interest in the consolidated balance sheet. The share of the subsidiary's current profit or loss attributable to the minority interests is listed as "minority interest" item under the net profit item in the consolidated income statement. The share of the subsidiary's current consolidated income attributable to the minority interests is listed as the "total consolidated income attributable to the minority shareholders" item under the total consolidated income item in the consolidated income statement. If there are minority shareholders, add the "minority interests" item in the consolidated statement of change in equity to reflect the changes of the minority interests. If the losses of the current period shared by a subsidiary's minority shareholders exceed the share that the minority shareholders hold in the subsidiary ownership interest in the beginning of the period, the balance still charges against the minority interests.

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

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal

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

7. Joint arrangement classification and accounting treatment for joint operations

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

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

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

8. Determining standards for cash and cash equivalent

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

9. Foreign currency business and conversion

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

At the balance sheet date, the account balance of the foreign currency monetary assets and liabilities is converted into the recording currency amount in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the transaction date. The balance between the recording currency amount converted

according to exchange rate at the balance sheet date and the original recording currency amount is disposed as the exchange gains or losses. Thereinto, the exchange gains or losses occurred in the foreign currency loans related to the purchase and construction of fixed assets are disposed according to the principle of capitalization of borrowing costs; the exchange gains and losses occurred during the start-up are included in the start-up costs; the rest is included in the current financial expenses.

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

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

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

10. Financial instrument

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

(1) Classification and measurement on financial assets and financial liability

In terms of investment purposes and economic natures, the Company divides its financial assets into financial assets(with its variation of fair value reckoned into current gains/losses), financial assets available for sale, account receivables and held-to-maturity investments, among which, transactional financial asset is measured at fair value and movement of its fair value is recorded in current gains and losses; financial asset available for sale is measured at fair value and movement of its fair value is recorded in owners' equity; account receivables and held-to-maturity investments are measured at amortized cost.

In terms of economic nature, the Company divides its financial liabilities into two groups, namely financial liabilities at fair value through gains and losses and other financial liabilities at amortized cost.

(2) Determination of fair values for financial assets and financial liabilities

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organizations and price fixing service organizations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

As for the equity investment of the investee held by the Company, which has no controlling rights, common control or significant influence (that is under the major influence), has no quota in an active market and the fair value cannot be measure reasonably, than divided into financial assets available for sale and measured by cost.

(3) Recognition basis and measurement for transfer of financial assets

That the Company grants or delivers financial assets to party other than the issuer of such financial assets equals transfer of financial assets. Financial assets transferred could be the entire or part of such financial assets. Two forms are listed as follows:

- ① Transfer of right for collecting cash flow of financial assets to another party;
- ② Transfer financial assets to another party, while the aforementioned right is retained, with obligation of paying such cash flow to final collector

When that the Company has transferred almost all risks and remunerations arising from ownership of all or part financial assets to another party, accordingly, recognition for such entire or part financial assets shall be ceased. Gains and losses are determined by the received consideration less the carrying value of the transferred financial assets. Meanwhile, the original accumulated gains or losses of financial assets recognized in the owners' equity shall transferred to gains and losses; when all risks and remunerations attached to ownership are retained, recognition for such entire or part financial assets shall continue, and the consideration received shall be viewed as financial liabilities.

As for the financial assets which the Company has neither transferred nor retained all risks and remunerations attached to ownership of such financial assets, while control upon such financial assets still exists, recognition shall be conducted in light of the degree of its continuous involvement in the transferred financial assets. Accordingly, relevant liabilities shall be recognized.

(4) Recognition for termination of financial assets and liability

Upon satisfaction of one of the following condition, financial assets will immediately experience discontinued recognition:

- ① Right entitled by contract in respect of collection of cash flow from such financial asset terminates.
- ② Such financial assets have been transferred and meet discontinued recognition condition for financial assets as

regulated by Accounting Standard for Enterprise No.23-Transfer of Financial Assets.

Only when present obligations under financial liability have been released entirely or partly, could cease recognition of such financial liability or part thereof.

(5) Impairment of financial assets

The Company conducts inspection on carrying values of financial assets, except for transactional financial assets, as at balance sheet date. If there is objective evidence indicating that impairment has happened to financial assets, impairment reserve then shall be provided. Financial asset with great amount in single item is subject to separate impairment test. In case of any objective evidence indicating that impairment has happened to such financial asset, impairment loss shall be recognized and recorded in current gains and losses. As for the financial assets with no great amount in single item and those which prove to be not impaired after separate test, the Company will conduct impairment test on basis of credit portfolio which is determined in light of customers' credit records and historical bad debts, so as to recognize impairment loss.

Objective evidence indicating impairment happens to financial assets means the proceedings meeting the three characteristics: actually occurred subsequent to initial recognition of such financial assets, bring influence over the estimated future cash flow of such financial assets, and such influence could be reliably measured by the Company.

The followings are included in objective evidences indicating impairment happens to financial assets:

- ① Serious financial difficulty happens to issuer or debtor;
- ② Breach of terms of contract by debtor, such as breach or overdue in repaying interest or principal;
- ③ Creditor makes concession for debtors who experience financial trouble in light of consideration for economy or laws;
- ④ Debtor is very likely to experience bankrupt or financial reorganization;
- ⑤ Financial assets are not able to be traded in active market since material financial difficulty happens to issuer;
- ⑥ It is unable to judge whether cash flow from certain asset in a group of financial assets has decreased, while it is finally found that the estimated future cash flow of such financial asset has actually decreased since its initial recognition and the decrease can be reliably measured by reference to the general valuation based on open data. For example, payment capacity of debtor of such financial assets portfolio gradually worsens, or unemployment in country or region where the debtor locates risen, price of guaranty falls greatly in the place where it locate, and the industry in which it belongs to is unpromising;
- ⑦ Material negative changes happen to technologies, markets, economy or law environment in which debtor operates, which leads to that equity instrument investor is not likely to be able to recover investment cost;
- ⑧ Fair value of equity instrument investment experiences severe or non-temporary falling;
- ⑨ Other objective evidence indicating impairment happens to financial assets.

In the event of impairment in financial asset at amortized cost, impairment loss is calculated based on the difference between carrying value and present value of estimated future cash flow discounted at effective interest

rate.

After impairment loss is recognized for financial asset at amortized cost, if there is objective evidence indicating value of such financial asset has recovered, which is objectively related to proceedings occurred after recognition of such loss, the original impairment loss shall be reversed and recorded in current gains and losses. However, the carrying value subsequent to such reversal shall not exceed the amortized cost of such financial asset as at the reversal date on assumption that such impairment loss had not been provided.

Impairment of available-for-sale financial assets: in the event that decline in fair value of the available-for-sale equity instrument is regarded as “severe decline” or “non-temporary decline” on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument. In particular, “severe decline” refers to fair value is lower than 50% of the cost price and last for over one year. “Non-temporary decline” refers to fair value fell for over 6-month sessions.

When the available-for-sale financial assets impair, the accumulated loss originally included in the other comprehensive income arising from the decrease in fair value was transferred out from the capital reserve and included in the profit or loss for the period. The accumulated loss that transferred out from the capital reserve is the balance of the acquired initial cost of asset, after deduction of the principal recovered, amortized amounts, current fair value and the impairment loss originally included in the profit or loss.

After recognition of the impairment loss, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition in subsequent periods, the impairment loss originally recognized shall be reversed. The impairment loss reversal of the available-for-sale equity instrument will be recognized as other comprehensive income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

When an equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, or the impairment loss of a derivative financial asset linked to the equity instrument that shall be settled by delivery of that equity instrument, then it will not be reversed.

11. Account Receivable

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

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

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

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

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

Applicable Not applicable

Account age	Rate for receivables	Rate for other receivables
Within 6 months		
6 months to 1 year	10.00%	10.00%
1—2 years	20.00%	20.00%
2—3 years	40.00%	40.00%
Over 3 years	100.00%	100.00%
3—4 years	100.00%	100.00%
4—5 years	100.00%	100.00%
Over 5 years	100.00%	100.00%

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

Applicable Not applicable

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

Applicable Not applicable

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

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

12. Inventories

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

No

(1) Classification of inventories

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

(2) Pricing for delivered inventories

A. Generally, stock materials are calculated at planned cost. Material cost difference is individually set according

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

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

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

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

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

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

(4) Inventory system

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

(5) Amortization of low-value consumables and wrappage

① Low-value consumables

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

② Wrappage

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

13. Classified as assets held for sale

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

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

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

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

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

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

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

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

(II) The recoverable amount.

14. Long-term equity investment

Long-term equity investments refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss.

(1) Determination of initial investment cost

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

① For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. (For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for available-for-sale financial assets will not be accounted for.)

② For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. (For business combination resulted in an enterprise not under common control by acquiring equity of the acquire under common control through a stage-up approach with

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

③Long-term investments obtained through other ways:

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

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

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

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

(2) Subsequent measurement on long-term equity investment

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

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

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

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group’s share of the net profits or losses and other comprehensive income made by the investee, respectively.

Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the investee and the Company, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealized gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 20 "Business combination". All profit or loss related to the transaction shall be accounted for.

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

③Acquisition of minority interest

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

④ Disposal of long-term equity investments

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

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

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

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

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

Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when the control over investee is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

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

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

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

Found more in Note V-20-"impairment of long-term investment"

(4) Criteria of Joint control and significant influence

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

Significant influence is the power of the Company to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties.

While recognizing whether have significant influence by investee, the potential factors of voting power as current convertible bonds and current executable warrant of the investee held by investors and other parties shall be thank over.

15. Investment real estate

Measurement mode

Measured by cost method

Depreciation or amortization method

Investment real estate is stated at cost. During which, the cost of externally purchased properties held-for-investment includes purchasing price, relevant taxes and surcharges and other expenses which are directly attributable to the asset. Cost of self construction of properties held for investment is composed of necessary expenses occurred for constructing those assets to a state expected to be available for use. Properties held for investment by investors are stated at the value agreed in an investment contract or agreement, but those under contract or agreement without fair value are stated at fair value.

The Company adopts cost methodology amid subsequent measurement of properties held for investment, while depreciation and amortization is calculated using the straight-line method according to their estimated useful lives. The basis of provision for impairment of properties held for investment is referred to Note V-20-“Impairment of long-term assets”

16. Fixed assets

(1) Confirmation conditions

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

(2) Depreciation methods

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

As for the fixed assets with impairment accrual, calculated depreciation amount based on the accumulative number of impairment of fixed assets accrual.

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

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

① Agreed in the lease contract (or made a reasonable judgment according to the correlated conditions on the

lease commencement date), the ownership of lease fixed assets can be transferred to the Company after the expiry of the lease period;

② The Company has the option to purchase or lease the fixed assets, and the purchase price is estimated to be much less than the fair value of the lease of fixed assets when exercises the options, so whether the Company will exercise the option can be reasonably determined on the lease commencement date;

③ Even though the fixed asset ownership is not transferred, the lease term accounts for 75% of the service life of the lease fixed assets;

④ The present value of the Company's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date; the present value of the leaser's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date;

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

(4) The impairment test method of fixed assets and the method of provision for impairment see Note V-20-“Long term asset impairment”.

17. Construction in process

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

The basis of provision for impairment of properties held for construction in process is referred to Note V-20-“Impairment of long-term assets”

18. Borrowing costs

(1) Recognition of capitalization of borrowing costs

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

① Capital expenditure has been occurred;

② Borrowing costs have been occurred;

③ Acquisition or construction necessary for the assets to come into an expected usable state has been carried out.

(2) Period of capitalization of borrowing costs

Borrowing costs arising from purchasing fixed asset, investment real estate and inventory, and occurred after such assets reached to its intended use of status or sales, than reckoned into assets costs while satisfy the above mentioned capitalization condition; capitalization of borrowing costs shall be suspended and recognized as current expenditure during periods in which construction of fixed assets, investment real estate and inventory are interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed; capitalization shall discontinue when the qualifying asset is ready for its intended use or sale, the borrowing costs occurred subsequently shall reckoned into financial expenses while occurring for the current period.

(3) Measure of capitalization for borrowing cost

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

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

19. Intangible assets

(1) Measurement, use of life and impairment testing

① Measurement of intangible assets

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

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

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

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

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

② Amortization methods and time limit for intangible assets:

Land use right of the company had average amortization by the transfer years from the beginning date of transfer (date of getting land use light); Patented technology, non-patented technology and other intangible assets of the Company are amortized evenly with the shortest terms among expected useful life, benefit years regulated in the contract and effective age regulated by the laws. The amortization amount shall count in relevant assets costs and current gains/losses according to the benefit object.

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

Impairment testing methods and accrual for depreciation reserves for the intangible assets found more in Note V-20-“Long-term assets impairment”.

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

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

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

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

20. Impairment of long-term asset

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

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the

future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

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

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

21. Long-term Deferred Expenses

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

22. Employee compensation

(1) Accounting treatment for short-term compensation

During the accounting period when the staff providing service to the Company, the short-term remuneration actual occurred shall recognized as liability and reckoned into current gains/losses. During the accounting period when staff providing service to the Company, the actual short-term compensation occurred shall recognized as liabilities and reckoned into current gains/losses, except for those in line with accounting standards or allow to reckoned into capital costs; the welfares occurred shall reckoned into current gains/losses or relevant asses costs while actually occurred. The employee compensation shall recognize as liabilities and reckoned into current gains/losses or relevant assets costs while actually occurred. The employee benefits that belong to non-monetary benefits are measured in accordance with the fair value; the social insurances including the medical insurance, work-injury

insurance and maternity insurance and the housing fund that the enterprise pays for the employees as well as the labor union expenditure and employee education funds withdrawn by rule should be calculated and determined as the corresponding compensation amount and determined the corresponding liabilities in accordance with the specified withdrawing basis and proportion, and reckoned in the current profits and losses or relevant asset costs in the accounting period that the employees provide services.

(2) Accounting treatment for post-employment benefit

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

(3) Accounting for retirement benefits

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

(4) Accounting for other long-term employee benefits

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

23. Accrued liability

(1) Recognition principle

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

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

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

24. Revenue

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

No

(1) Concrete judging criteria for time of recognized

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

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

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

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

(2) Recognition of revenue of assets using right alienation

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

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

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

Rental income: the revenue realization is confirmed after collecting the rent on the date as agreed in the rental

contract (or agreement). For the rent not received on the date as agreed in the contract or agreement but can be received, and of which the amount of revenue can be measured reliably can also be recognized as revenue.

(3) When confirming the incomes of labor services and construction contracts according to the percentage of completion method, determine the basis and method of the contract completion plan.

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

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

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

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

25. Government Grants

(1) Determination basis and accounting for government grants related to assets

(1) Types

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

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

(2) Recognition and measure

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

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

(3) Accounting treatment

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

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

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

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

(2) Determination basis and accounting for government grants related to income**(1) Types**

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

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

(2) Recognition and measure

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

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

(3) Accounting treatment

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

A government grant related to an asset shall be recognized as deferred income, and evenly amortized to profit or loss over the useful life of the asset.

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

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

26. Deferred tax assets / deferred income tax liabilities

(1) Deferred income tax assets or deferred income tax liabilities are realized based on the difference between the carrying values of assets and liabilities and their taxation bases (as for the ones did not recognized as assets and liability and with taxation basis recognized in line with tax regulations, different between tax base and its book

value) at the tax rates applicable in the periods when the Company recovers such assets or settles such liabilities.

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

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

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

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

27. Lease

(1) Accounting for operating lease

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

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

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

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

(2) Accounting for financing lease

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

incurred by the Company shall be reckoned into value of assets lease-in.

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

28. Other important accounting policy and accounting estimation

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

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

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

(1) Provision for bad debts

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

(2) Inventory impairment

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

(3) Held-to-maturity investments

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

(4) Impairment of held-to-maturity investments

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

(5) Impairment of financial assets available for sale

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

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

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

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

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

When estimating the present value of the future cash flow, the Company needs to make significant judgments to the output, price, and related operating expenses of the asset (or asset group) and the discount rate used for calculating the present value. When estimating the recoverable amount, the Company shall adopt all the relevant

information can be obtained, including the prediction related to the output, price, and related operating expenses based on the reasonable and supportable assumptions.

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

(7) Depreciation and amortization

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

(8) Income tax

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

(9) Early retirement benefits and supplementary retirement benefits

The expenses of the Company's early retirement benefits and supplementary retirement benefits and the amount of liabilities are determined in accordance with various assumptions. These assumptions include the discount rate, the average growth rate of health care costs, the subsidy growth rate of the early retired personnel and retirees and the other factors. The differences between the actual results and assumptions will be immediately identified and included in the costs of the current year. Although the management thought the reasonable assumptions have been adopted, the changes in the actual experience and assumed conditions will impact the costs and liability balances of the Company's internal early retirement benefits and supplementary retirement benefits.

29. Changes of important accounting policy and estimation

(1) Changes of major accounting policies

Applicable Not applicable

(2) Changes of important accounting estimate

Applicable Not applicable

30. Other

Nil

VI. Taxation

1. Major taxes and tax rates

Tax	Basis	Tax rate
VAT	Taxable income	Tax rate of 17%/16%, 11%/10%, 6% and 5%, rate for exported commodities is stipulated by the state with declaration of export tax rebate, rate of tax may be “exempted, credited and refunded”
City maintaining & construction tax	Turnover tax payable	7%
Corporation income tax	Taxable income	25%、15%
Educational surtax	Turnover tax payable	5%

Disclose reasons for different taxpaying body

Taxpaying body	Income tax rate
Weifu Mashan, Weifu Chang'an, Weifu International Trade, Weifu ITM, Weifu Schmidt, Weifu Leader (Wuhan), Weifu Leader (Chongqing), Weifu Leader (Nanchang)	25%

2. Tax preference

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

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

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

On 29 November 2017, Weifu Tianli got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Bureau of Ningbo, Department of Finance of Ningbo, Ningbo Office, SAT and Ningbo, Zhejiang Provincial Local Taxation Bureau, certificate No.: GR201733100363. Corporate income tax of the Weifu Tianli

shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

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

VII. Notes to major items in consolidated financial statements

1. Monetary capital

In RMB

Item	Closing balance	Opening balance
Cash on hand	594,764.72	736,773.22
Cash in bank	2,941,916,050.54	3,027,702,581.00
Other monetary fund	100,198,959.99	90,270,058.61
Total	3,042,709,775.25	3,118,709,412.83

Other explanation

Separate explanation is required for accounts with restricted application purposes, deposited overseas and of potential recovery risks arising from pledge, mortgage or frozen:

Item	2018-06-30	2017-12-31
Bank acceptance bill, L/C and other collateral	99,317,091.42	89,623,690.04
Frozen dividend	881,868.57	646,368.57
Total	100,198,959.99	90,270,058.61

Other note:

The frozen dividend of RMB 881,868.57 represents the part of dividends distributed by SDEC Power (stock code: 600841) and Miracle Automation (stock code: 002009) in 2017 and 2018 held by the Company as financial assets available for sale. According to the notices numbered Yue 03MC [2016]2490 and Yue 03MC [2016]2492 served by Guangdong Shenzhen Intermediate People’s Court, these dividends were frozen.

2. Note receivables

(1) Classification of notes receivable

In RMB

Item	Closing balance	Opening balance
Bank acceptance bill	1,605,304,038.52	1,399,006,661.54
Commercial acceptance bill	71,633,114.51	65,250,273.29
Total	1,676,937,153.03	1,464,256,934.83

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

In RMB

Item	Amount pledge at period-end
Bank acceptance bill	389,454,825.85
Total	389,454,825.85

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

In RMB

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance bill	552,021,420.12	
Total	552,021,420.12	

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

Nil

3. Accounts receivable**(1) Accounts receivable by category:**

In RMB

Types	Closing balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Receivables with bad debt provision	2,389,03	99.93%	14,082,1	0.59%	2,374,955	2,006,9		11,359,20	0.57%	1,995,577,8
accrual by credit portfolio	7,510.65		73.32		,337.33	37,035.11	99.90%	4.21		30.90
Accounts with single significant amount and bad debts provision accrued individually	1,594,67	0.07%	1,594,67	100.00%		1,935,1	0.10%	1,935,107	100.00%	
	8.10		8.10			07.25		.25		
Total	2,390,63	100.00%	15,676,8	0.66%	2,374,955	2,008,8	100.00%	13,294,31	0.66%	1,995,577,8
	2,188.75		51.42		,337.33	72,142.36		1.46		30.90

Account receivable with single significant amount and withdrawal bad debt provision separately at period end:

Applicable Not applicable

Account receivable provided for bad debt reserve under aging analysis method in the groups:

Applicable Not applicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt reserve	Accrual ratio
Sub item of within one year			
Within 6 months	2,307,180,116.48		
6 months to 1 year	64,424,536.74	6,442,453.69	10.00%
Subtotal of within 1 year	2,371,604,653.22	6,442,453.69	
1-2 years	10,503,584.81	2,100,742.93	20.00%
2-3 years	2,317,159.87	926,863.95	40.00%
Over 3 years	4,612,112.75	4,612,112.75	100.00%
Total	2,389,037,510.65	14,082,173.32	0.59%

Explanation on combination determines:

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

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable

Applicable Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Nil

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 2,905,380.31 Yuan; the amount collected or switches back amounting to 512,580.00 Yuan.

Important bad debt provision collected or switch back: Nil

The bad-debt provisions transferred back in the current period are mainly the bad-debt provisions counting and drawing at the end of the prior period were withdrawn by means of monetary fund and banknotes in the current period;

(3) Account receivable actual charge off in the period

In RMB

Item	Amount written off
Other small companies	10,260.35

Major written-off for the major receivable:

Nil

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

Total period-end balance of top five receivables by arrears party amounting to 1,282,384,362.70 Yuan, takes 53.64 percent of the total account receivable at period-end, bad debt provision accrual correspondingly at period-end amounting as 3,325, 257.94 Yuan.

(5) Account receivable derecognition due to financial assets transfer

Nil

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

Nil

4. Advance payment**(1) Advance payment by age**

In RMB

Age	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	91,326,612.65	91.46%	94,641,350.21	96.99%
1-2 years	8,119,187.54	8.13%	2,550,321.91	2.61%
2-3 years	291,797.54	0.29%	319,185.79	0.33%
Over 3 years	122,524.57	0.12%	65,339.97	0.07%
Total	99,860,122.30	--	97,576,197.88	--

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

(2) Top 5 advance payment at ending balance by prepayment object

Total period-end balance of top five advance payment by prepayment object amounted to 43,603,202.61 Yuan, takes 43.66 percent of the total advance payment at period-end.

5. Interest receivable**(1) Category**

In RMB

Item	Closing balance	Opening balance
Time deposit	1,480,250.00	2,281,979.17
Total	1,480,250.00	2,281,979.17

(2) Major overdue interest

Nil

6. Dividends payable**(1) Dividends payable**

In RMB

Item (or invested unit)	Closing balance	Opening balance
RBCD	303,884,540.74	
Zhonglian Automobile Electronic Co., Ltd.	239,400,000.00	
Shanghai CD Dengtong Equity Investment	2,985,075.00	
Total	546,269,615.74	

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

Nil

7. Other accounts receivable**(1) Other accounts receivable by category**

In RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other account receivable with single significant amount and withdrawal bad debt provision separately	2,775,552.63	11.93%	2,775,552.63	100.00%		2,775,552.63	25.60%	2,775,552.63	100.00%	
Other receivables with bad debt provision accrual by credit portfolio	20,492,491.25	88.07%	2,652,606.18	12.94%	17,839,885.07	8,067,466.20	74.40%	2,852,842.79	35.36%	5,214,623.41
Total	23,268,043.88	100.00%	5,428,158.81	23.33%	17,839,885.07	10,843,018.83	100.00%	5,628,395.42	51.91%	5,214,623.41

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

√ Applicable □ Not applicable

In RMB

Account receivable(units)	Closing balance			
	other receivable	Bad debt reserve	Accrual ratio	Reasons
American HESS	1,514,671.20	1,514,671.20	100.00%	Bankruptcy
Nanjing Jinning Machinery Factory	1,260,881.43	1,260,881.43	100.00%	Un-recyclable
Total	2,775,552.63	2,775,552.63	--	--

In combination, other accounts receivable whose bad debts provision was accrued by age analysis:

√ Applicable □ Not applicable

In RMB

Age	Closing balance		
	Other accounts receivable	Bad debt provision	Accrual ratio
Sub item of within one year			
Within 6 months	17,570,796.64		
6 months to one year	142,703.03	14,270.30	10.00%
Subtotal within one year	17,713,499.67	14,270.30	
1-2 years	19,594.63	3,918.93	20.00%
2-3 years	208,300.00	83,320.00	40.00%
Over 3 years	2,551,096.95	2,551,096.95	100.00%
Total	20,492,491.25	2,652,606.18	12.94%

Explanations on combination determine:

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

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

□ Applicable √ Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

□ Applicable √ Not applicable

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 18,392.08Yuan; the amount collected or switches back amounting to 218,628.69 Yuan.

The major switch back or collected of the bad debt provision in the Period: Nil

The bad-debt provisions transferred back in the current period are mainly the bad-debt provisions counting and drawing at the end of the prior period were withdrawn by means of banknotes in the current period;

(3) Other receivables actually written-off during the reporting period

Nil

(4) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Intercourse funds receivable from units	13,940,315.41	4,883,788.59
Cash deposit	3,534,058.10	3,457,080.65
Staff loans and petty cash	5,342,707.17	2,099,504.91
Other	450,963.20	402,644.68
Total	23,268,043.88	10,843,018.83

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

In RMB

Company	Nature	Ending balance	Age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Baodun (Tianjin) Electrical Co., Ltd.	Intercourse funds of unit	10,000,000.00	Within 6 months	42.98%	
Ningbo Jiangbei High-Tech Industry Park Development Construction Co., Ltd.	Performance bond	1,767,000.00	Over 3 years	7.59%	1,767,000.00
American HESS	Advance payment transfer-in	1,514,671.20	Specific identification	6.51%	1,514,671.20
Nanjing Jinning Machinery Factory	Intercourse funds of unit	1,260,881.43	Specific identification	5.42%	1,260,881.43
Nanjing Yinkun Tongchang Assets Management Co., Ltd.	Intercourse funds of unit	883,610.10	Within 6 months	3.80%	
Total	--	15,426,162.73	--	66.30%	4,542,552.63

(6) Account receivables related to government subsidies

Nil

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

Nil

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

Nil

8. Inventory**(1) Inventory classification**

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	440,849,100.13	81,123,527.46	359,725,572.67	444,304,506.71	83,879,268.03	360,425,238.68
Goods in process	161,751,574.16	15,483,517.38	146,268,056.78	198,648,407.88	15,483,517.38	183,164,890.50
Finished goods	894,902,092.67	159,200,176.74	735,701,915.93	1,098,294,008.21	162,945,096.69	935,348,911.52
Total	1,497,502,766.96	255,807,221.58	1,241,695,545.38	1,741,246,922.80	262,307,882.10	1,478,939,040.70

(2) Inventory depreciation reserve

In RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Accrual	Other	Switch back or write-off	Other	
Raw materials	83,879,268.03	1,300,000.00		4,055,740.57		81,123,527.46
Goods in process	15,483,517.38					15,483,517.38
Finished goods	162,945,096.69			3,744,919.95		159,200,176.74
Total	262,307,882.10	1,300,000.00		7,800,660.52		255,807,221.58

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

② Accrual basis for inventory depreciation reserve:

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

③ Reasons of switch-back for inventory falling price reserves:

Item	Reasons of switch-back
Materials on hand	The market price for the materials for selling soaring in the Period, thus switch-back in the inventory falling price reserves which was accrual

④ Reasons of write-off for inventory falling price reserves:

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

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

Nil

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

Nil

9. Other current assets

In RMB

Item	Closing balance	Opening balance
Entrust financing products	4,549,580,000.00	3,841,320,000.00
Receivable export tax rebates	15,440,435.90	14,289,026.22
Prepaid taxes and VAT retained	19,725,423.93	25,338,518.05
Input tax to be deducted and certification	1,090,087.75	2,568,145.27
Other	443,853.15	4,481,600.99
Total	4,586,279,800.73	3,887,997,290.53

10. Financial assets available for sale

(1) Particular about financial assets available for sale

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Instrument equity available for sale:	518,669,466.95	59,433,106.95	459,236,360.00	469,495,975.95	59,433,106.95	410,062,869.00
Measured by fair	178,332,264.00		178,332,264.00	266,376,600.00		266,376,600.00

value						
Measured by cost	340,337,202.95	59,433,106.95	280,904,096.00	203,119,375.95	59,433,106.95	143,686,269.00
Other -- financial products	20,000,000.00		20,000,000.00	178,080,000.00		178,080,000.00
Total	538,669,466.95	59,433,106.95	479,236,360.00	647,575,975.95	59,433,106.95	588,142,869.00

(2) Financial assets available for sale measured by fair value at period-end

In RMB

Type	Instrument equity available for sale	Instrument debt available for sale	Total
Cost /liability of equity instrument/ amortization cost of debt instrument	144,371,235.00		144,371,235.00
Fair value	178,332,264.00		178,332,264.00
Amount of fair value changes that accumulatively reckoned in other comprehensive gains	33,961,029.00		33,961,029.00

(3) Financial assets available for sale measured by cost at period-end

In RMB

The invested entity	Book balance				Depreciation reserves				Ratio of share-holding in invested entity	Cash dividend
	Period-beginning	Increased	Decreased	Period-end	Period-beginning	Increased	Decreased	Period-end		
Guolian Securities	12,000,000.00			12,000,000.00					0.95%	
Guangxi Liufa Co., Ltd.	1,600,000.00			1,600,000.00	1,600,000.00			1,600,000.00	1.22%	
Financial Company of Changchai Group Co., Ltd.	800,000.00			800,000.00	800,000.00			800,000.00		
HEJUN VANGUARD GROUP	33,000,000.00			33,000,000.00	33,000,000.00			33,000,000.00	11.72%	
Nanjing	1,000,000.00			1,000,000.00	1,000,000.00			1,000,000.00	1.85%	

Hengtai Insurance and Broker Co., Ltd.	0								
Henan Gushi Weining Oil Pump & Nozzle Co., Ltd.	2,033,106.95			2,033,106.95	2,033,106.95			2,033,106.95	
Beijing Zhike Industrial Investment Holding Group Co., Ltd.(Note)	86,940,000.00			86,940,000.00	11,000,000.00			11,000,000.00	12.66%
Wuxi Xidong Technological Industry Park Co., Ltd.	5,000,000.00			5,000,000.00					1.43%
Shanghai IMS Automotive Electronic System Co., Ltd.	10,000,000.00			10,000,000.00	10,000,000.00			10,000,000.00	12.27%
Shanghai CD Dengtong Equity Investment Fund	50,746,269.00		14,925,373.00	35,820,896.00					14.93%
Protean Holdings Corp.		152,143,200.00		152,143,200.00					
Total	203,119,375.95	152,143,200.00	14,925,373.00	340,337,202.95	59,433,106.95			59,433,106.95	--

The 15th meeting of the eighth board of directors of the company reviewed and approved the Proposal on Foreign

Investment. The company will invest 30 million US dollars in the E-round preferred stock issued by Protean and the two parties will establish a Sino-foreign joint venture in China. According to the investment cooperation agreement, the company paid the initial investment of 24 million US dollars on May 21, 2018. The company obtained the equity certificate of subscribing 10,212,765 shares of E-round preferred stock issued by Protean and became a shareholder of the Protean E-round preferred stock with the equity certificate number of Number E-1.

(4) Changes of impairment in Period

In RMB

Type	Instrument equity available for sale	Instrument debt available for sale	Total
Balance of impairment accrual at period-begin	59,433,106.95		59,433,106.95
Balance of impairment accrual at period-end	59,433,106.95		59,433,106.95

(5) Where the fair value of equity instruments available for sale drops significantly or not contemporarily at period-end, without impairment provision is made

Nil

11. Long-term equity investment

In RMB

The invested entity	Opening balance	+,-							Closing balance	Ending balance of impairment provision	
		Additio nal investm ent	Ca pit al re du cti on	Investment gains recognized under equity	Other compr ehensi ve incom e adjust ment	Other equit y chan ge	Cash dividend or profit announced to issued	Impai rment accru al			Oth er
I. Joint venture											
Wuxi Weifu Environment Protection Catalyst Co., Ltd.	522,882,789.26			42,852,567.41						565,735,356.67	
Subtotal	522,882,789.26			42,852,567.41						565,735,356.67	
II. Associated enterprise											
RBCD	2,608,796,934.00			706,611,723.39			607,769,081.48			2,707,639,575.91	
Zhonglian	959,036,193.36			211,952,191.28			239,400,000.00			931,588,384.64	

Automobile Electronic Co., Ltd.									
Weifu Precision Machinery Manufacturing Co., Ltd.	49,348,908.96		6,943,964.90					56,292,873.86	
Subtotal	3,617,182,036.32		925,507,879.57			847,169,081.48		3,695,520,834.41	
Total	4,140,064,825.58		968,360,446.98			847,169,081.48		4,261,256,191.08	

12. Investment real estate

(1) Investment real estate measured at cost

√ Applicable □ Not applicable

In RMB

Item	House and building	Land use right	Construction in process	Total
I. Original book value				
1. Opening balance	63,545,325.48			63,545,325.48
2. Increased in the period				
(1) Outsourcing				
(2) Inventory\fixed assets\construction in process transfer-in				
(3) Increased by combination				
3. Decreased in the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	63,545,325.48			63,545,325.48
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	40,000,494.70			40,000,494.70
2. Increased in the period	783,301.87			783,301.87
(1) Accrual or amortization	783,301.87			783,301.87
3. Decreased in the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	40,783,796.57			40,783,796.57

III. Depreciation reserves				
1. Opening balance				
2. Increased in the period				
(1) Accrual				
3. Decreased in the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Book value				
1. Ending Book value	22,761,528.91			22,761,528.91
2. Opening Book value	23,544,830.78			23,544,830.78

(2) Investment real estate measured at fair value

Applicable Not applicable

(3) Investment real estate without property certification held

Nil

13. Fixed assets**(1) Fixed assets**

In RMB

Item	Housing buildings	Machinery equipment	Transportation equipment	Electronic and other equipment	Total
I. Original book value					
1. Opening balance	1,537,881,197.20	2,214,135,391.61	40,678,767.59	423,482,779.18	4,216,178,135.58
2. Increased in the period	13,805,750.48	122,279,067.31	2,666,200.95	53,131,026.10	191,882,044.84
(1) Purchase		17,920,740.54	208,172.41	3,737,953.77	21,866,866.72
(2) Construction in process transfer-in	13,805,750.48	104,358,326.77	2,458,028.54	49,393,072.33	170,015,178.12
(3) Increased by combination					
3. Decreased in the Period		15,081,226.35	7,279,444.18	10,203,624.37	32,564,294.90
(1) Disposal or scrapping		15,081,226.35	7,279,444.18	10,203,624.37	32,564,294.90
4. Closing balance	1,551,686,947.68	2,321,333,232.57	36,065,524.36	466,410,180.91	4,375,495,885.52

II. Accumulated depreciation					
1. Opening balance	283,668,171.81	1,077,183,649.52	29,697,332.26	185,833,218.62	1,576,382,372.21
2. Increased in the period	25,793,559.46	84,971,976.30	1,517,629.56	29,730,334.80	142,013,500.12
(1) Accrual	25,793,559.46	84,971,976.30	1,517,629.56	29,730,334.80	142,013,500.12
3. Decreased in the Period		14,791,563.81	6,421,864.04	1,632,480.02	22,845,907.87
(1) Disposal or scrapping		14,791,563.81	6,421,864.04	1,632,480.02	22,845,907.87
4. Closing balance	309,461,731.27	1,147,364,062.01	24,793,097.78	213,931,073.40	1,695,549,964.46
III. Depreciation reserves					
1. Opening balance		48,038,049.98	73,320.38	6,811,764.47	54,923,134.83
2. Increased in the period					
(1) Accrual					
3. Decreased in the Period		534,612.88	0.48	0.64	534,614.00
(1) Disposal or scrapping		534,612.88	0.48	0.64	534,614.00
4. Closing balance		47,503,437.10	73,319.90	6,811,763.83	54,388,520.83
IV. Book value					
1. Ending Book value	1,242,225,216.41	1,126,465,733.46	11,199,106.68	245,667,343.68	2,625,557,400.23
2. Opening Book value	1,254,213,025.39	1,088,913,692.11	10,908,114.95	230,837,796.09	2,584,872,628.54

(2) Temporarily idle fixed assets

Nil

(3) Fixed assets acquired by financing lease

Nil

(4) Fixed assets acquired by operating lease

Nil

(5) Certificate of title un-completed

In RMB

Item	Book value	Reasons
Boiler room and guard house of Weifu Jinning	2,876,014.42	Still in process of relevant property procedures
Plant and office building of Weifu Chang'an	44,885,378.07	Still in process of relevant property procedures

14. Construction in progress

(1) Construction in progress

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
2nd Phase construction project in industrial park	3,530,380.40		3,530,380.40	3,364,768.05		3,364,768.05
Weifu Tianli Technical Transformation Project	18,086,324.59		18,086,324.59	16,518,417.24		16,518,417.24
Technical transformation of parent company	51,456,827.21	1,470,033.00	49,986,794.21	23,611,775.63	1,470,033.00	22,141,742.63
Technical transformation of Weifu Autocam	84,307,233.92		84,307,233.92	32,705,249.53		32,705,249.53
Other project	41,794,711.58	2,096,342.62	39,698,368.96	27,711,626.45	2,096,342.62	25,615,283.83
Total	199,175,477.70	3,566,375.62	195,609,102.08	103,911,836.90	3,566,375.62	100,345,461.28

(2) Changes of major projects under construction

In RMB

Item	Budget	Opening balance	increased in the Period	Fixed assets transfer-in in the Period	Other decreased in the Period	Closing balance	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including: interest capitalized of the year	Interest capitalization rate of the year	Source of funds
2nd Phase construction project in industrial park		3,364,768.05	7,282,775.95	7,117,163.60		3,530,380.40						Other

Weifu Tianli Technical Transformation Project	16,518,417.24	1,567,907.35			18,086,324.59						Other
Technical transformation of parent company	23,611,775.63	90,442,603.61	62,597,552.03		51,456,827.21						Other
Technical transformation of Weifu Autocam	32,705,249.53	88,909,818.12	37,307,833.73		84,307,233.92						Other
Total	76,200,210.45	188,203,105.03	107,022,549.36		157,380,766.12	--	--				--

(3) The provision for impairment of construction projects

Nil

15. Intangible assets

(1) Particular about intangible assets

In RMB

Item	Land use right	Patent	Non-patent technology	Trademark and trademark license	Computer software	Total
I. Original book value						
1. Opening balance	382,073,520.00		3,539,793.05	41,597,126.47	51,218,449.46	478,428,888.98
2. Increased in the period					1,181,977.78	1,181,977.78
(1) Purchase					1,181,977.78	1,181,977.78
(2) Internal R&D						
(3) Increased by combination						
3. Decreased in the period						
(1) Disposal						
4. Closing balance	382,073,520.00		3,539,793.05	41,597,126.47	52,400,427.24	479,610,866.76
II. Accumulated amortization						

1. Opening balance	70,825,229.06		2,271,368.77	9,709,000.00	38,344,247.79	121,149,845.62
2. Increased in the period	4,190,708.88		176,989.86		4,559,690.41	8,927,389.15
(1) Accrual	4,190,708.88		176,989.86		4,559,690.41	8,927,389.15
3. Decreased in the period						
(1) Disposal						
4. Closing balance	75,015,937.94		2,448,358.63	9,709,000.00	42,903,938.20	130,077,234.77
III. Impairment provision						
1. Opening balance				16,646,900.00		16,646,900.00
2. Increased in the period						
(1) Accrual						
3. Decreased in the period						
(1) Disposal						
4. Closing balance				16,646,900.00		16,646,900.00
IV. Book value						
1. Ending Book value	307,057,582.06		1,091,434.42	15,241,226.47	9,496,489.04	332,886,731.99
2. Opening Book value	311,248,290.94		1,268,424.28	15,241,226.47	12,874,201.67	340,632,143.36

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

(2) Land use rights without certificate of ownership

Nil

16. Goodwill

(1) Original book value of goodwill

In RMB

The invested entity or items	Opening balance	Increase during the period	Decreased during the period	Closing balance
Weifu Tianli	1,784,086.79			1,784,086.79
Total	1,784,086.79			1,784,086.79

(2) Goodwill depreciation reserves

Nil

Other note

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

17. Long-term unamortized expenses

In RMB

Item	Opening balance	increased in the Period	Amortized in the Period	Other decrease	Closing balance
Remodeling costs etc.	2,969,770.81	6,075,566.34	1,093,846.42		7,951,490.73
Total	2,969,770.81	6,075,566.34	1,093,846.42		7,951,490.73

18. Deferred income tax assets and deferred income tax liabilities**(1) Deferred income tax assets un-offset**

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt reserves	20,748,735.98	3,154,735.07	18,591,825.81	2,834,842.52
Inventory falling price reserves	234,020,244.05	36,250,953.16	240,520,904.57	37,599,678.75
Fixed assets depreciation reserves	20,198,782.12	3,246,011.41	20,459,349.51	3,285,096.52
Construction in process depreciation reserves	3,566,375.62	534,956.34	3,566,375.62	534,956.34
Intangible assets depreciation reserves	16,646,900.00	2,497,035.00	16,646,900.00	2,497,035.00
Financial assets available for sale depreciation reserves	10,000,000.00	1,500,000.00	10,000,000.00	1,500,000.00
Deferred income	436,541,555.15	65,499,039.14	447,676,720.31	67,151,508.04
Internal un-realized profit	29,144,718.41	5,398,961.55	28,149,575.30	4,972,350.93
Payable salary, accrued expenses etc.	531,770,116.00	81,259,345.81	526,642,684.53	81,166,909.39
Depreciation assets, amortization difference	16,162,648.59	3,032,645.55	9,768,298.31	1,465,244.74
Total	1,318,800,075.92	202,373,683.03	1,322,022,633.96	203,007,622.23

(2) Deferred income tax liabilities un-offset

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment for combination not under the same control	13,121,739.54	1,968,260.92	13,491,849.42	2,023,777.40

Change of fair value for the financial assets available for sale	33,961,029.00	5,094,154.34	102,552,300.00	15,382,844.99
Total	47,082,768.54	7,062,415.26	116,044,149.42	17,406,622.39

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

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets		202,373,683.03		203,007,622.23
Deferred income tax liabilities		7,062,415.26		17,406,622.39

(4) Details of unrecognized deferred income tax assets

In RMB

Item	Closing balance	Opening balance
Bad debt reserves	356,274.25	330,881.07
Inventory falling price reserves	21,786,977.53	21,786,977.53
Loss of subsidiary of Weifu ITM etc.	145,170,897.49	160,376,822.42
Fixed assets depreciation reserves	34,189,738.71	34,463,785.32
Provision for impairment of financial assets available for sale	49,433,106.95	49,433,106.95
Total	250,936,994.93	266,391,573.29

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

In RMB

Year	Ending amount	Opening amount	Note
2018	5,322,336.59	23,365,456.08	Weifu ITM and other subsidiaries have operating losses
2019	35,159,237.40	35,159,237.40	Weifu ITM and other subsidiaries have operating losses
2020	44,811,748.35	44,811,748.35	Weifu ITM and other subsidiaries have operating losses
2021	46,080,956.48	46,080,956.48	Weifu ITM and other subsidiaries have operating losses
2022	10,959,424.11	10,959,424.11	Weifu Mashan and other subsidiaries have operating losses
2023	2,837,194.56		Weifu Leader (Wuhan) and Weifu Leader (Nanchang) have operating losses
Total	145,170,897.49	160,376,822.42	--

19. Other non-current assets

In RMB

Item	Closing balance	Opening balance
Engineering equipment paid in advance	203,344,783.19	195,088,675.74
Total	203,344,783.19	195,088,675.74

20. Short-term loans**(1) Types of short-term loans**

In RMB

Item	Closing balance	Opening balance
Debt of honor	359,000,000.00	243,000,000.00
Total	359,000,000.00	243,000,000.00

Note for types of short-term loans: Nil

(2) Overdue short-term loans without payment

Nil

21. Notes payable

In RMB

Type	Closing balance	Opening balance
Bank acceptance	1,086,240,637.65	947,976,759.10
Total	1,086,240,637.65	947,976,759.10

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

22. Account payable**(1) Account payable**

In RMB

Item	Closing balance	Opening balance
Within 1 year	2,443,885,021.54	2,452,140,381.86
1-2 years	74,618,775.30	43,524,905.85
2-3 years	4,528,284.50	2,318,008.01
Over 3 years	73,935,972.62	72,972,910.11

Total	2,596,968,053.96	2,570,956,205.83
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(2) Important account payable with account age over one year

Nil

23. Account received in advance**(1) Account received in advance**

In RMB

Item	Closing balance	Opening balance
Within 1 year	32,550,368.42	34,272,416.20
1-2 years	4,880,699.28	7,271,092.26
2-3 years	478,964.54	346,383.11
Over 3 years	834,094.66	930,344.50
Total	38,744,126.90	42,820,236.07

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

Nil

(3) Project settled without completed from construction contract at end of the period

Nil

24. Wages payable**(1) Wages payable**

In RMB

Item	Opening balance	Increase during the period	Decreased during the period	Closing balance
I. Short-term compensation	147,444,265.93	552,717,728.57	551,598,001.98	148,563,992.52
II. Post-employment welfare- defined contribution plans	34,299,401.90	75,365,636.13	86,492,467.45	23,172,570.58
III. Dismissed welfare	3,397,642.16		2,534,994.78	862,647.38
IV. Other welfare due within one year	121,670,000.00		41,525,853.95	80,144,146.05
V. Other short-term welfare-Housing subsidies, employee benefits and welfare funds	20,967,367.30	75,247.00	1,001,395.68	20,041,218.62
Total	327,778,677.29	628,158,611.70	683,152,713.84	272,784,575.15

(2) Short-term compensation

In RMB

Item	Opening balance	Increase during the period	Decreased during the period	Closing balance
1. Wages, bonuses, allowances and subsidies	128,145,458.85	444,358,686.59	442,039,905.59	130,464,239.85
2. Welfare for workers and staff	0.00	36,510,439.50	36,510,439.50	0.00
3. Social insurance	8,642,880.67	34,717,154.89	36,349,752.03	7,010,283.53
Including: Medical insurance	6,749,035.02	27,589,802.57	28,777,883.18	5,560,954.41
Work injury insurance	1,221,106.56	4,482,888.57	4,694,772.55	1,009,222.58
Maternity insurance	672,739.09	2,644,463.75	2,877,096.30	440,106.54
4. Housing accumulation fund	1,062,011.00	30,258,592.00	30,667,173.00	653,430.00
5. Labor union expenditure and personnel education expense	9,593,915.41	6,872,855.59	6,030,731.86	10,436,039.14
Total	147,444,265.93	552,717,728.57	551,598,001.98	148,563,992.52

(3) Defined contribution plans

In RMB

Item	Opening balance	Increase during the period	Decreased during the period	Item
1. Basic endowment insurance	17,818,243.64	63,188,840.92	67,471,461.20	13,535,623.36
2. Unemployment insurance	1,664,483.26	1,600,662.13	1,622,429.76	1,642,715.63
3. Enterprise annuity	14,816,675.00	10,576,133.08	17,398,576.49	7,994,231.59
Total	34,299,401.90	75,365,636.13	86,492,467.45	23,172,570.58

Other explanation:

1. Post-employment welfare- defined contribution plans: The Company participates in the pension insurance and unemployment insurance plans established by government authorities by laws. Under these plans, the Company makes monthly contribution to these plans based on 19% and 0.5% of the social insurance contribution base for 2017 respectively. Other than the aforesaid monthly contribution, the Company takes no further payment obligation. The relevant expenditure is included in current profit or loss or cost of relevant assets when occurs. Found more of enterprise annuity in Note XVI-4." Annuity plan"

2. Dismiss welfare: The wages payable resulted from the implementation of inner retirement plan.

25. Tax payable

In RMB

Item	Closing balance	Opening balance
Value-added tax	35,720,771.51	26,675,795.24

Enterprise income tax	48,507,346.26	53,333,508.69
Individual income tax	948,422.26	3,102,645.73
Urban maintenance and construction tax	2,089,045.74	1,873,973.56
Educational surtax	1,492,175.51	1,338,552.54
Other (including stamp tax and local funds)	5,681,257.06	7,545,214.60
Total	94,439,018.34	93,869,690.36

26. Interest payable

In RMB

Item	Closing balance	Opening balance
Long-term borrowing interest for installment	90,972.22	79,826.39
Interest payable for short-term loans	464,037.50	322,102.04
Total	555,009.72	401,928.43

Major overdue interest: Nil

27. Dividends payable

In RMB

Item	Closing balance	Opening balance
Common stock dividends	1,210,740,700.00	
Total	1,210,740,700.00	

Other explanation, including important dividend payables without payment over one year, and explained u-payment reasons:

Nil

28. Other payable

(1) Classification of other payable according to nature of account

In RMB

Item	Closing balance	Opening balance
Deposit and margin	20,194,038.96	20,977,476.26
Social insurance and reserves funds that withholding	7,139,777.20	7,689,385.68
Intercourse funds of units	31,165,472.64	25,754,545.98
Other	6,857,374.07	8,516,532.98
Total	65,356,662.87	62,937,940.90

(2) Significant other payable with over one year age

In RMB

Item	Closing balance	Reasons of un-paid or carry-over
Nanjing Jidian Industrial Group Co., Ltd.	4,500,000.00	Intercourse funds
Total	4,500,000.00	--

29. Noncurrent liabilities due within one year

In RMB

Item	Closing balance	Opening balance
Long-term loans due within one year	5,000,000.00	10,000,000.00
Total	5,000,000.00	10,000,000.00

30. Long-term loans**(1) Classification of long-term loans**

In RMB

Item	Closing balance	Opening balance
Guaranteed loan	45,000,000.00	45,000,000.00
Total	45,000,000.00	45,000,000.00

Note for classification of long-term loans: Nil

Other explanation, including interest rate interval: nil

31. Long-term account payable**(1) Listed by nature**

In RMB

Item	Closing balance	Opening balance
Hi-tech Branch of Nanjing Finance Bureau [note ①]	1,140,000.00	1,140,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ②]	1,250,000.00	1,250,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ③]	1,230,000.00	1,230,000.00
Loan transferred from treasury bond [note ④]	1,017,272.00	1,356,363.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑤]	2,750,000.00	2,750,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑥]	1,030,000.00	1,030,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑦]	960,000.00	960,000.00

Hi-tech Branch of Nanjing Finance Bureau[note ⑧]	5,040,000.00	5,040,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑨]	2,740,000.00	2,740,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑩]	2,250,000.00	
Total	19,407,272.00	17,496,363.00

Other explanation:

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

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

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

[Note ④] Loan transferred from treasury bond: Weifu Jinning received RMB1.87 million Yuan of special funds from budget of the central government, and RMB1.73 million Yuan of special funds from budget of the local government. The non-operating income transferred in was 1.87 million Yuan in 2011 which was confirmed not to return, if the Company pays back special funds of 3.73 million Yuan to the local government in 11 years since 2012, then the Company needs to repay the principal of 339,091.00 Yuan each year.

[Note ⑤] To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 10 November 2008 to 10 November 2023. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

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

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

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

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

[Note ⑩]: Financial support funds are the support funds provided by the management office of Nanjing Intelligent

Manufacturing Industrial Park to encourage Weifu Jinning to enter Nanjing Intelligent Manufacturing Industrial Park, and the allotted time is from February 11, 2018 to February 11, 2033. If the operating period in the area is less than 15 years, the financial support funds shall be refunded.

32. Long-term employee payable

(1) Long-term employee payable

In RMB

Item	Closing balance	Opening balance
II. Dismiss welfare	13,782,896.07	13,782,896.07
III. Other long-term welfare	16,665,236.81	16,665,236.81
Total	30,448,132.88	30,448,132.88

(2) Change of defined benefit plans

Nil

33. Special payable

In RMB

Item	Opening balance	Increase during the period	Decreased during the period	Closing balance	Causes
Removal compensation of subsidiary Weifu Jinning [note]	18,265,082.11			18,265,082.11	
Total	18,265,082.11			18,265,082.11	--

Other explanation:

Note: Removal compensation of subsidiary Weifu Jinning: in line with regulation of the house acquisition decision of People's government of Xuanwu District, Nanjing City, Ning Xuan Fu Zheng Zi (2012) No.001, part of the lands and property of Weifu Jinning needs expropriation in order to carry out the comprehensively improvement of Ming Great Wall. According to the house expropriation and compensation agreement in state-owned lands signed between Weifu Jinning and House Expropriation Management Office of Xuanwu District, Nanjing City, RMB 19.7067 million in total are compensate, including operation losses from lessee RMB 1.4416 million in total. The above compensation was received in last period and is making up for the losses from lessee, and the above lands and property have not been collected up to 30 August 2018.

34. Deferred income

In RMB

Item	Opening balance	Increase during the period	Decreased during the period	Closing balance	Causes
Government grand	451,281,721.77	1,395,000.00	13,132,459.71	439,544,262.06	

Total	451,281,721.77	1,395,000.00	13,132,459.71	439,544,262.06	--
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Item with government grants involved:

In RMB

Item	Opening balance	New grants in the Period	Amount reckoned in non-operation revenue	Amount reckoned into other income in the period	Cost reduction in the period	Other changes	Ending balance	Assets related/Income related
Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used	3,605,001.46			721,000.30			2,884,001.16	Assets related/Income related
Appropriation on reforming of production line technology and R&D ability of common rail system for diesel by distributive high-voltage	7,100,000.00						7,100,000.00	Assets related
Fund of industry upgrade (2012)	60,400,000.00						60,400,000.00	Income related
Fund of industry upgrade (2013)	60,520,000.00						60,520,000.00	Income related
Appropriation on central basic construction investment	2,857,142.87						2,857,142.87	Assets related
R&D and industrialization of the high pressure variable pump of the common rail system of diesel engine for automobile	9,956,904.72						9,956,904.72	Assets related

Research institute of motor vehicle exhaust aftertreatment technology	3,116,125.34						3,116,125.34	Assets related
Fund of industry upgrade (2014)	36,831,000.00						36,831,000.00	Income related
New-built assets compensation after the removal of parent company	170,951,302.78			11,813,783.39			159,137,519.39	Assets related
Fund of industry upgrade (2016)	40,000,000.00						40,000,000.00	Income related
Guiding capital for the technical reform from State Hi-Tech Technical Commission	9,740,000.00						9,740,000.00	Assets related
Implementation of the variable cross-section turbocharger for diesel engine	12,438,231.54						12,438,231.54	Assets related
Demonstration project for intelligent manufacturing	1,808,806.64	880,000.00					2,688,806.64	Assets related
Other	31,957,206.42	515,000.00		597,676.02			31,874,530.40	Assets related Income related
Total	451,281,721.77	1,395,000.00		13,132,459.71			439,544,262.06	--

Other explanation:

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

predicted service period of the assets, and RMB 721,000.30 amortized in the Period.

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

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

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

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

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

(7) Vehicle exhaust after-treatment technology research institute project: in 2012, the subsidiary Weifu Leader has applied for equipment purchase assisting funds to Wuxi Huishan Science and Technology Bureau and Wuxi Science and Technology Bureau for the vehicle exhaust after-treatment technology research institute project. This declaration has been approved by Wuxi Huishan Science and Technology Bureau and Wuxi Science and Technology Bureau in 2012, and the company has received appropriation of 2.4 million Yuan in 2012, and received appropriation of 1.6 million Yuan in 2013. This appropriation belongs to government subsidies related to assets and will be amortized according to the depreciation process.

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

(9) New-built assets compensation after the removal of parent company: policy relocation compensation received by the Company, and will be amortized according to the depreciation of new-built assets, amount of

11,813,783.39 Yuan amortize in the year.

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

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

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

(13) Demonstration project for intelligent manufacturing: under the Notice Relating to Selection of the Intelligent Manufacturing Model Project in Huishan District in 2016 (HJXF[2016]No.36), a fiscal subsidy of 3,000,000 Yuan was granted by relevant government authority in Huishan district to our subsidiary Weifu Leader in 2017, totally 0.88 million Yuan appropriate funds received in the year, to be utilized for transformation and upgrade of Weifu Leader’s intelligent manufacturing facilities. This subsidy belongs to government grant related to assets which shall be amortized based on the depreciation progress of the assets.

35. Share capital

In RMB

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

36. Capital reserve

In RMB

Item	Opening balance	Increase during the period	Decreased during the period	Closing balance
Capital premium (Share capital premium)	3,372,647,413.97			3,372,647,413.97
Other Capital reserves	45,193,988.92		1,824,597.47	43,369,391.45
Total	3,417,841,402.89		1,824,597.47	3,416,016,805.42

37. Other consolidated income

In RMB

Item	Opening balance	Current period					Closing balance
		Account before income tax in the period	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
II. Other comprehensive income items which will be reclassified subsequently to profit or loss	87,169,455.01	-59,786,808.00	8,804,463.00	-10,288,690.65	-58,302,580.35		28,866,874.66
Gains or losses arising from changes in fair value of available-for-sale financial assets	87,169,455.01	-59,786,808.00	8,804,463.00	-10,288,690.65	-58,302,580.35		28,866,874.66
Total other consolidated income	87,169,455.01	-59,786,808.00	8,804,463.00	-10,288,690.65	-58,302,580.35		28,866,874.66

38. Reasonable reserve

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
Safety production costs	2,606.93	10,050,468.85	8,933,473.96	1,119,601.82
Total	2,606.93	10,050,468.85	8,933,473.96	1,119,601.82

Other explanation, including changes and reasons for changes:

According to the “management method of extraction and use the safety production costs for enterprise” Cai Qi [2012] No.16 jointly issued by Ministry of Finance and Administration of Production Safety Supervision, the provision is based on the actual operation revenue of last period, extract on average month-by-month basis through excess regressive method

Among the above safety production costs, including the safety production costs accrual by the Company in line with regulations and the parts enjoy by shareholders of the Company in safety production costs accrual by subsidiary in line with regulations.

39. Surplus reserves

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
Statutory surplus reserves	510,100,496.00			510,100,496.00
Total	510,100,496.00			510,100,496.00

Other explanation, including changes and reasons for changes:

Withdrawal of the statutory surplus reserves: Pursuit to the Company Law and Article of Association, the Company extracted statutory surplus reserve on 10 percent of the net profit. No more amounts shall be withdrawal if the accumulated statutory surplus reserve takes over 50 percent of the registered capital.

40. Retained profit

In RMB

Item	Current period	Last period
Retained profits at the end of last period before adjustment	9,811,609,138.92	7,845,639,990.88
Retained profits at the beginning of the period after adjustment	9,811,609,138.92	7,845,639,990.88
Add: The net profits belong to owners of patent company of this period	1,545,242,704.92	2,571,339,490.04
Common dividend payable	1,210,740,700.00	605,370,342.00
Retained profit at period-end	10,146,111,143.84	9,811,609,138.92

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

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan

41. Operating income and cost

In RMB

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main operating	4,725,759,054.05	3,682,028,566.53	4,480,811,897.39	3,526,184,596.99
Other operating	235,042,836.94	207,561,723.16	247,313,701.63	210,106,341.87
Total	4,960,801,890.99	3,889,590,289.69	4,728,125,599.02	3,736,290,938.86

42. Business tax and surcharges

In RMB

Item	Current period	Last period
City maintenance and construction tax	15,131,214.76	15,554,573.84
Educational surtax	10,807,786.47	11,107,313.56
Property tax	7,130,285.13	6,488,252.36
Land use tax	3,243,530.28	3,131,115.90
Vehicle use tax	24,297.00	18,915.00
Stamp duty	1,578,877.86	1,556,803.30
Other taxes	84,360.90	5,308.52
Total	38,000,352.40	37,862,282.48

43. Sales expenses

In RMB

Item	Current period	Last period
Salary and fringe benefit	23,852,704.11	16,800,347.95
Consumption of office materials and business travel charge	5,767,944.92	5,184,310.23
Transportation charge	19,146,343.03	17,050,992.80
Warehouse charge	3,241,966.63	1,546,815.48
Three-guarantee fee	40,015,843.08	20,963,280.32
Business entertainment fee	8,251,206.32	6,230,440.89
Other	6,071,551.76	3,783,074.99
Total	106,347,559.85	71,559,262.66

44. Administration expenses

In RMB

Item	Current period	Last period
Salary and fringe benefit	94,992,042.41	116,204,076.96
Depreciation charger and long-term assets amortization	24,091,878.82	23,516,873.88
Consumption of office materials and business travel charge	7,840,515.40	10,088,373.09
Incentive fund	64,279,800.00	41,805,000.00
Other	222,779,142.15	207,954,410.80
Total	413,983,378.78	399,568,734.73

45. Financial expenses

In RMB

Item	Current period	Last period
Interest expenses	9,075,955.05	4,482,686.51
Note discount interest expenses	409,282.24	402,851.58
Saving interest income	-11,684,097.62	-9,918,625.28
Gains/losses from exchange	-491,644.75	6,084,256.36
Handling charges	913,596.71	636,882.15
Total	-1,776,908.37	1,688,051.32

Other explanation:

The interest expenses for year of 2017 including the 1,135,848.00 Yuan received of regards for the provincial engineering center

46. Asset impairment loss

In RMB

Item	Current period	Last period
I. Bad debt loss	2,192,563.70	1,918,243.57
II. Inventory falling price loss	-2,202,651.08	-13,214,717.13
Total	-10,087.38	-11,296,473.56

47. Investment income

In RMB

Item	Current period	Last period
Income of long-term equity investment calculated based on equity	968,640,145.91	833,565,520.64
Investment income from holding financial assets available for sales	3,220,575.00	235,500.00
Investment income obtained from disposal of financial assets available for sales	17,370,816.75	24,625,516.88
Entrust financial income	159,801,630.73	97,021,850.83
Gains/losses of subsidiary liquidation		-10,472.99
Total	1,149,033,168.39	955,437,915.36

48. Income from assets disposal

In RMB

Sources	Current period	Last period
Income from disposal of non-current assets	1,820,229.59	235,193.85

Losses from disposal of non-current assets	-232,044.23	-360,974.45
Total	1,588,185.36	-125,780.60

49. Other income

In RMB

Source of other income	Current period	Last period
Government subsidy related with daily operation activities	14,032,459.71	15,608,007.28
Total	14,032,459.71	15,608,007.28

50. Non-operating income

In RMB

Item	Current period	Last period	Amount reckoned into current non-recurring gains/losses
Government subsidy	3,667,570.46	1,498,749.45	3,667,570.46
Other	213,558.41	1,285,830.03	213,558.41
Total	3,881,128.87	2,784,579.48	3,881,128.87

Government subsidy reckoned into current gains/losses:

In RMB

Item	Granting subject	Cause of distribution	Nature type	Whether the impact of subsidies on the current profit and loss	Whether special subsidies	Current period	Last period	Assets related/Income related
Steady post subsidy in Wuxi				No	No	967,170.46	1,402,281.45	Income related
Social insurance fund for recruiting college graduates by small & medium enterprise in Ningbo City				No	No		27,468.00	Income related
Patent funding				No	No	621,500.00		Income related
Fund of manufacturing of intelligent transformation for common rail pump in Huishan District				No	No	1,340,000.00		Income related
Grants of high-tech enterprise recognized award from Management Committee of Jiangbei District				No	No	500,000.00		Income related

Discount on imported equipment				No	No	103,000.00		Income related
Employment subsidy from Employment management service of Jiangbei District, Ningbo City				No	No	86,520.00		Income related
Special fund for 333 high-end talents training project				No	No	30,000.00		Income related
Other				No	No	19,380.00	69,000.00	Income related
Total	--	--	--	--	--	3,667,570.46	1,498,749.45	--

51. Non-operating expenditure

In RMB

Item	Current period	Last period	Amount reckoned into current non-recurring gains/losses
Total non-current assets disposal losses	167,094.34	1,175,039.72	167,094.34
Including: fixed assets disposal losses	167,094.34	1,175,039.72	167,094.34
Donations		13,500.00	
Local fund	2,015,771.73	1,957,389.72	
Other	145,006.31	618,295.22	145,006.31
Total	2,327,872.38	3,764,224.66	312,100.65

52. Income tax expense

(1) Statement of income tax expense

In RMB

Item	Current period	Last period
Payable tax in current period	102,952,291.92	84,212,598.76
Adjusted the previous income tax	-603,416.68	-644,798.91
Increase/decrease of deferred income tax assets	633,939.20	10,513,650.01
Increase/decrease of deferred income tax liability	-55,516.48	-55,516.50
Total	102,927,297.96	94,025,933.36

(2) Adjustment on accounting profit and income tax expenses

In RMB

Item	Current period
Total profit	1,680,874,375.97
Income tax measured by statutory/applicable tax rate	252,131,156.40
Impact by different tax rate applied by subsidies	3,581,538.92
Adjusted the previous income tax	-603,416.68
Impact by non-taxable revenue	-145,876,642.65
Impact by the deductible losses of the un-recognized previous deferred income tax	-4,510,779.88
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	492,355.10
Other	-2,286,913.25
Income tax expense	102,927,297.96

53. Other comprehensive income

See Note VII. 35 “Other comprehensive income”

54. Items of cash flow statement

(1) Other cash received in relation to operation activities

In RMB

Item	Current period	Last period
Income from bank deposit interest	12,485,826.79	10,505,698.00
Government subsidy	8,212,570.46	8,156,049.45
Other	181,546.85	1,051,339.77
Total	20,879,944.10	19,713,087.22

(2) Other cash paid in relation to operation activities

In RMB

Item	Current period	Last period
Expenses of sales cash paid	46,539,395.20	45,844,220.52
Expenses of management cash paid	100,789,163.46	104,847,303.37
Other	6,641,913.18	3,396,065.05
Total	153,970,471.84	154,087,588.94

(3) Cash received from other investment activities

Nil

(4) Cash paid related with investment activities

In RMB

Item	Current period	Last period
Borrowing of Baodun (Tianjin) Electrical Co., Ltd. are paid	10,000,000.00	
Total	10,000,000.00	

(5) Other cash received in relation to financing activities

In RMB

Item	Current period	Last period
Weifu Leader received the borrowings from Wuxi Industrial Group	5,470,000.00	
Total	5,470,000.00	

(6) Cash paid related with financing activities

In RMB

Item	Current period	Last period
Liquidation charges		1,049,711.28
National debt paid transfer to loans	339,091.00	
Total	339,091.00	1,049,711.28

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

In RMB

Supplementary information	This Period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	1,577,947,078.01	1,368,367,366.03
Add: Assets impairment provision	-10,087.38	-11,296,473.56
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	142,796,801.99	134,523,929.25
Amortization of intangible assets	8,927,389.15	9,475,063.57
Amortization of long-term deferred expenses	1,093,846.42	1,281,403.15
Loss from disposal of fixed assets, intangible assets and other long-term	-1,588,185.36	1,300,820.32

assets(gain is listed with “-”)		
Losses on scrapping of fixed assets (gain is listed with “-”)	167,094.34	
Financial expenses (gain is listed with “-”)	8,265,783.22	5,167,986.51
Investment loss (gain is listed with “-”)	-1,149,683,398.46	-953,391,921.75
Decrease of deferred income tax asset((increase is listed with “-”)	633,939.20	10,513,650.01
Increase of deferred income tax liability (decrease is listed with “-”)	-55,516.48	-55,516.50
Decrease of inventory (increase is listed with “-”)	241,085,663.64	228,492,024.91
Decrease of operating receivable accounts (increase is listed with “-”)	-606,831,311.20	-684,474,762.93
Increase of operating payable accounts (decrease is listed with “-”)	154,832,323.82	255,605,734.75
Other	1,342,269.57	-13,108,062.24
Net cash flow arising from operating activities	378,923,690.48	352,401,241.52
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	2,842,510,815.26	1,595,210,818.24
Less: Balance of cash equivalent at period-begin	2,948,439,354.22	3,795,223,678.11
Net increasing of cash and cash equivalents	-105,928,538.96	-2,200,012,859.87

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

Nil

(3) Net cash received from the disposal of subsidiaries

Nil

(4) Constitution of cash and cash equivalent

In RMB

Item	Closing balance	Opening balance
I . Cash	2,842,510,815.26	2,948,439,354.22
Including: stock cash	594,764.72	736,773.22
Bank deposit available for payment at any time	2,841,916,050.54	2,947,702,581.00
III. Balance of cash and cash equivalent at period-end	2,842,510,815.26	2,948,439,354.22

56. Notes for the statement of owners equity changes

Nil

57. Assets with ownership or use right restricted

In RMB

Item	Book value at period-end	Restriction reason
Monetary fund	99,317,091.42	Cash deposit for bank acceptance
Notes receivable	389,454,825.85	Notes pledge for bank acceptance
Monetary fund	881,868.57	Court freeze
Financial assets available for sale	166,608,867.78	In accordance with the civil ruling No.(2016)Y03MC2490 and No.(2016) Y03MC2492 of Guangdong Shenzhen Intermediate People's Court (Hereinafter referred to as "Shenzhen Intermediate People's Court"), the property with the value of 217 million Yuan under the name of the Company and other seven respondents and the third party Shenzhen Hejun Chuangye Holdings Co., Ltd. was frozen. As of the end of the reporting period, 4.71 million shares of Miracle Logistics and 11,739,102 shares of SDEC held by the Company were frozen.
Total	656,262,653.62	--

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

In RMB

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary fund			
Including: USD	15,019,676.83	6.6166	99,379,193.71
EUR	1,959,035.57	7.6515	14,989,560.66
HKD	9,178,111.52	0.8431	7,738,065.82
JPY	9,248,508.00	0.059914	554,115.12
Accounts receivable			
Including: USD	4,805,349.78	6.6166	31,795,077.36
EUR	968,745.75	7.6515	7,412,358.10
JPY	11,348,905.00	0.059914	679,958.29
Accounts payable			
Including: USD	673,126.61	6.6166	4,453,809.52
EUR	1,597,806.15	7.6515	12,225,613.75
CHF	20,630.15	6.6350	136,881.05
JPY	94,543,893.00	0.059914	5,664,502.81

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

Applicable Not applicable

VIII. Changes of consolidation range

1. Enterprise merger not under the same control

Nil

2. Enterprise merger under the same control

Nil

3. Reverse purchase

Nil

4. The disposal of subsidiaries

Whether there is a subsidiary disposal on one time, which is loss control of rights

Yes No

Whether there is a subsidiary disposal by steps through multiple trading and loss control of rights in the period

Yes No

5. Other reasons for consolidation range changed

Explain the reasons on consolidate scope changes (i.e. subsidiary newly established, subsidiary liquidation etc.) and relevant information:

In the Year, the wholly-owned subsidiary – Nanchang Weifu Leader Auto Parts Co., Ltd. was established by investment from Weifu Leader, the industrial and commerce record was completed on 8 March 2018, and there was no business exercise in the reporting period actually

6. Other

Nil

IX. Equity in other entity

1. Equity in subsidiary

(1) Constituted of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Weifu Jinning	Nanjing	Nanjing	Spare parts of internal-combustion engine	80.00%		Enterprise merger under the same control
Weifu Leader	Wuxi	Wuxi	Automobile exhaust purifier, muffler	94.81%		Enterprise merger under the same control
Weifu Mashan	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
Weifu Chang'an	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
Weifu International Trade	Wuxi	Wuxi	Trading	100.00%		Enterprise merger under the same control
Weifu ITM	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Enterprise merger not under the same control
Weifu Schmidt	Wuxi	Wuxi	Spare parts of internal-combustion engine	66.00%		Investment
Weifu Tianli	Ningbo	Ningbo	Spare parts of internal-combustion engine	54.23%		Enterprise merger not under the same control
Weifu Autocam	Wuxi	Wuxi	Spare parts of internal-combustion engine	51.00%		Enterprise merger not under the same control
Weifu Leader(Wuhan)	Wuhan	Wuhan	Automobile exhaust purifier, muffler		60.00%	Investment
Weifu Leader (Chongqing)	Chongqing	Chongqing	Automobile exhaust purifier, muffler		100.00%	Investment
Weifu Leader (Nanchang)	Nanchang	Nanchang	Automobile exhaust purifier, muffler		100.00%	Investment

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

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

Major structured entity included in consolidate statement: Nil

Basis of termination of agent or consigner: Nil

Other note:

In accordance with the resolution of Office Meeting 2017 No.(002), the 6.29% shares of Weifu Tianli held by Ningbo Shenhua Energy-Saving and Environmental Protection Tech. Co., Ltd. are acquired in the Year, after acquisition, shares of Weifu Tianli held by the Company increased to 54.23%, and file in industry and commerce bureau on 8 May 2018.

(2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Weifu Jinning	20.00%	14,039,076.96	15,604,600.00	166,673,874.88
Weifu Schmidt	34.00%	103,977.38		9,699,940.40
Weifu Leader	5.19%	3,712,573.37		85,078,510.19
Weifu Tianli	45.77%	3,707,146.34		100,120,917.35
Weifu Autocam	49.00%	11,141,599.05		158,494,159.40
Total		32,704,373.09	15,604,600.00	520,067,402.22

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

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

In RMB

Subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Weifu Jinning	844,802,667.29	331,265,814.56	1,176,068,481.85	285,415,594.32	55,389,251.34	340,804,845.66
Weifu Schmidt	92,971,564.08	38,943,805.27	131,915,369.35	102,971,926.15		102,971,926.15
Weifu Leader	2,491,180,678.70	1,045,889,830.01	3,537,070,508.71	1,881,471,789.42	24,300,604.32	1,905,772,393.74
Weifu Tianli	329,410,523.92	223,968,657.04	553,379,180.96	283,848,085.10	61,052,803.89	344,900,888.99
Weifu Autocam	292,491,401.69	280,137,032.48	572,628,434.17	251,950,534.98		251,950,534.98
Total	4,050,856,835.68	1,920,205,139.36	5,971,061,975.04	2,805,657,929.97	140,742,659.55	2,946,400,589.52

Subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Weifu Jinning	804,641,137.00	337,158,270.17	1,141,799,407.17	245,091,101.59	54,199,342.64	299,290,444.23

Weifu Schmidt	88,975,034.68	33,405,432.30	122,380,466.98	93,741,159.45		93,741,159.45
Weifu Leader	2,392,378,693.81	978,224,529.85	3,370,603,223.66	1,793,072,212.90	23,503,280.34	1,816,575,493.24
Weifu Tianli	290,628,819.00	243,156,899.42	533,785,718.42	259,270,617.16	63,076,581.29	322,347,198.45
Weifu Autocam	250,884,987.49	216,134,430.81	467,019,418.30	169,012,066.26		169,012,066.26
Total	3,827,508,671.98	1,808,079,562.55	5,635,588,234.53	2,550,187,157.36	150,779,204.27	2,700,966,361.63

In RMB

Subsidiary	Current period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	345,257,893.56	70,230,711.18	70,230,711.18	34,921,442.31
Weifu Schmidt	90,961,973.06	304,135.67	304,135.67	11,277,941.76
Weifu Leader	1,589,176,188.66	76,364,083.43	76,364,083.43	-19,011,866.15
Weifu Tianli	196,673,863.48	8,293,196.15	8,293,196.15	-9,491,657.17
Weifu Autocam	234,675,435.40	22,670,547.15	22,670,547.15	3,466,284.14
Total	2,456,745,354.16	177,862,673.58	177,862,673.58	21,162,144.89

Subsidiary	Last period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	320,793,577.32	75,554,314.01	75,554,314.01	51,524,867.08
Weifu Schmidt	63,231,942.41	-523,081.90	-523,081.90	-3,177,601.27
Weifu Leader	1,397,383,244.81	87,593,822.47	87,593,822.47	83,180,660.24
Weifu Tianli	160,306,384.47	804,668.07	804,668.07	7,731,426.95
Weifu Autocam	258,060,091.53	46,391,372.85	46,391,372.85	18,287,063.55
Total	2,199,775,240.54	209,600,886.31	209,600,886.31	158,446,533.01

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

Nil

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

Nil

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

Nil

3. Equity in joint venture and cooperative enterprise

(1) Important joint venture and cooperative enterprise

Name	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and cooperative enterprise
				Directly	Indirectly	
I. Joint venture						
Wuxi Weifu Environment Catalyst Co., Ltd.	Wuxi	Wuxi	Catalyst		49.00%	Equity method
II. Cooperative enterprise						
Bosch Automobile Diesel System Co., Ltd.	Wuxi	Wuxi	Internal combustion engine and attachment	32.50%	1.50%	Equity method
Zhonglian Automobile Electronic Co., Ltd.	Shanghai	Shanghai	Internal combustion engine and attachment	20.00%		Equity method
Weifu Precision Machinery Manufacturing Co., Ltd.	Wuxi	Wuxi	Internal combustion engine and attachment	20.00%		Equity method

Holding shares ratio different from the voting right ratio: Nil

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

(2) Main financial information of the important joint venture

In RMB

	Closing balance /Current period	Opening balance /Last period
	Weifu Environment	Weifu Environment
Current assets	3,284,020,160.10	3,011,258,785.42
Including: cash and cash equivalents	278,457,844.16	120,584,888.35
Non-current assets	290,878,020.94	284,089,421.89
Total assets	3,574,898,181.04	3,295,348,207.31
Current liabilities	2,400,664,228.68	2,211,790,474.13
Non-current liabilities	19,672,000.00	16,450,000.00

Total liabilities	2,420,336,228.68	2,228,240,474.13
Shareholders' equity attributable to parent company	1,154,561,952.36	1,067,107,733.18
Share of net assets calculated by shareholding ratio	565,735,356.67	522,882,789.26
Book value of equity investment in joint ventures	565,735,356.67	522,882,789.26
Operation income	1,864,398,010.43	1,571,581,523.69
Financial expense	47,189,696.29	30,728,151.56
Income tax expense	3,251,620.98	17,908,910.36
Net profit	92,057,072.82	90,618,512.17
Total comprehensive income	92,057,072.82	90,618,512.17

(3) Main financial information of the important cooperative enterprise

In RMB

	Closing balance /Current period			Opening balance /Last period		
	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery
Current assets	9,675,155,533.63	1,346,012,502.62	269,283,814.39	8,194,014,833.80	688,116,022.56	238,511,756.68
Non-current assets	2,449,077,752.32	4,519,310,194.86	127,131,232.18	2,696,164,046.92	4,668,848,226.74	123,616,959.50
Total assets	12,124,233,285.95	5,865,322,697.48	396,415,046.57	10,890,178,880.72	5,356,964,249.30	362,128,716.18
Current liabilities	4,894,935,119.46	1,212,230,464.04	112,123,028.11	3,949,654,684.13	566,609,302.26	112,597,321.52
Non-current liabilities		2,186,640.00			2,210,310.00	
Total liabilities	4,894,935,119.46	1,214,417,104.04	112,123,028.11	3,949,654,684.13	568,819,612.26	112,597,321.52
Attributable to parent company shareholders' equity	7,229,298,166.49	4,650,905,593.44	284,292,018.46	6,940,524,196.59	4,788,144,637.04	249,531,394.66
Share of net assets calculated by shareholding ratio	2,457,961,376.61	930,181,118.68	56,858,403.69	2,359,778,226.84	957,628,927.40	49,906,278.93
--Goodwill	267,788,761.35	1,407,265.96		267,788,761.35	1,407,265.96	
--Unrealized profit of internal trading	-18,110,561.77		-36,495.80	-18,770,053.91		-28,335.94
--Other	-0.28		-529,034.03	-0.28		-529,034.03
Book value of equity investment	2,707,639,575.91	931,588,384.64	56,292,873.86	2,608,796,934.00	959,036,193.36	49,348,908.96

in joint ventures						
Operation income	8,713,485,959.51	12,091,114.45	190,093,280.56	7,780,712,323.52	8,953,773.36	120,872,329.06
Net profit	2,076,330,091.90	1,059,760,956.40	34,760,623.80	1,750,186,156.84	980,886,111.95	17,474,566.01
Total comprehensive income	2,076,330,091.90	1,059,760,956.40	34,760,623.80	1,750,186,156.84	980,886,111.95	17,474,566.01
Dividends received from joint venture in the year	303,884,540.74			318,528,894.62		

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

Nil

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

Nil

(6) Excess loss occurred in joint venture or affiliates

Nil

(7) Unconfirmed commitment with joint venture investment concerned

Nil

(8) Intangible liability with joint venture or affiliates investment concerned

Nil

4. Major conduct joint operation

Nil

5. Structured body excluding in consolidate financial statement

Nil

6. Other

Nil

X. Risk related with financial instrument

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

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

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

1. Credit Risk

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

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

The maximum credit risk exposure of the Company is the book amount of such financial assets, till end of 30 June 2018; lists of the maximum credit risk exposure of the Company are as:

Item	Amount of merge	Amount of parent company
Accounts receivable	2,374,955,337.33	1,003,118,142.78
Other receivables	17,839,885.07	178,153,549.80

2. Market risk

Market risk of the financial instrument refers to the fair value of financial instrument or future cash flow due to

fluctuations in the market price changes and produce, mainly includes the IRR, FX risk and other price risk.

(1) Interest rate risk (IRR)

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

(2) Foreign exchange (FX) risk

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

End as 30 June 2018, except for the follow assets or liabilities listed with foreign currency, assets and liabilities of the Company are carried with RMB

1. Foreign currency assets of the Company till end of 30 June 2018:

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets
Monetary fund				
Including: USD	15,019,676.83	6.6166	99,379,193.71	0.45%
EUR	1,959,035.57	7.6515	14,989,560.66	0.07%
JPY	9,248,508.00	0.059914	554,115.12	
HKD	9,178,111.52	0.8431	7,738,065.82	0.04%
Accounts receivable				
Including: USD	4,805,349.78	6.6166	31,795,077.36	0.15%
EUR	968,745.75	7.6515	7,412,358.10	0.03%
JPY	11,348,905.00	0.059914	679,958.29	
Total ratio in assets				0.74%

2. Foreign currency liabilities of the Company till end of 30 June 2018:

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in liabilities
Accounts payable				
Including: USD	673,126.61	6.6166	4,453,809.52	0.07%
EUR	1,597,806.15	7.6515	12,225,613.75	0.20%

CHF	20,630.15	6.6350	136,881.05	
JPY	94,543,893.00	0.059914	5,664,502.81	0.09%
Total ratio in liabilities				0.36%

(3) Other pricing risk

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

Furthermore, on the premise of deliberated and approved in 5th meeting of 8th session of the Board, the Company exercise entrust financing with the self-owned idle capital; therefore, the Company has the risks of collecting no principal due to entrust financial products default. Aims at such risk, the Company formulated a “Management Mechanism of Capital Financing”, and well-defined the authority approval, investment decision-making, calculation management and risk controls for the entrust financing in order to guarantee a security funds and prevent investment risk efficiently. In order to lower the adverse impact from unpredictable factors, the Company choose short-term and medium period for investment and investment product’s term is up to 3 years in principle; in variety of investment, the Company did not invested for the stocks, derivative products, security investment fund and the entrust financial products aims at security investment as well as other investment with securities concerned.

3. Liquidity risk

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

XI. Disclosure of fair value

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

In RMB

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
(2) Equity instrument investment	178,332,264.00			178,332,264.00
Total assets sustaining measured by fair value	178,332,264.00			178,332,264.00
II. Non-persistent measure	--	--	--	--

XII. Related party and related transactions

1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
Wuxi Industry Group	Wuxi	Operation of state-owned assets	3,720,671,000 Yuan	20.22%	20.22%

Explanation on parent company of the enterprise

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

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

2. Subsidiary of the Enterprise

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

3. Cooperative enterprise and joint venture

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

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

4. Other related party

Other related party	Relationship with the Enterprise
ROBERT BOSCH GMBH	The second largest shareholder of the Company
Key executive	Director, supervisor and senior executive of the Company

5. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Content	Current period	Approved transaction limit	Whether more than the transaction limit	Last period
Weifu Precision Machinery	Goods and labor	22,934,380.54	50,000,000.00	No	20,428,172.03

Bosch Diesel System	Goods and labor	29,375,329.74	70,000,000.00	No	101,905,922.60
Weifu Environment	Goods	946,283,103.47	1,925,000,000.00	No	683,351,475.87
ROBERT BOSCH GMBH	Goods	62,350,113.72	143,000,000.00	No	77,035,723.88

Goods sold/labor service providing

In RMB

Related party	Content	Current period	Last period
Weifu Precision Machinery	Goods and labor	2,772,785.47	1,816,410.96
Bosch Diesel System	Goods and labor	1,600,013,496.75	1,684,350,434.59
Weifu Environment	Goods and labor	28,741,766.37	37,016,920.13
ROBERT BOSCH GMBH	Goods and labor	319,461,744.57	1,583,518.80

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

Nil

(3) Related lease

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Weifu Environment	Workshop	1,254,028.50	1,194,313.00

As a tenant: Nil

Explanation on related lease

Weifu Leader entered into the house leasing contract with Weifu Environment, as for the plant locates at No.9 Linjiang Road, Wuxi new district, owed by Weifu Leader, rent-out to Weifu Environment, agreements are made as: Rental from 1 January 2017 to 31 December 2017 was 2,388,626.00 Yuan

(4) Related guarantee

Nil

(5) Related party's borrowed funds

Nil

(6) Related party's assets transfer and debt reorganization

Nil

(7) Remuneration of key manager

In RMB

Item	Current period	Last period
Remuneration of key manager	2,400,000.00	2,310,000.00

(8) Other related transactions

Item	Related party	Current period	Last period
Fixed assets purchased	Bosch Diesel System	42,735.04	
Technology royalties paid etc.	ROBERT BOSCH GMBH	2,805,114.55	2,468,484.66

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

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Account receivable	Weifu Precision Machinery	34,405.50		425,363.64	
Account receivable	Bosch Diesel System	611,995,184.24		615,770,490.57	72,188.07
Account receivable	ROBERT BOSCH GMBH	96,482,607.56			
Account receivable	Weifu Environment	6,050,093.98		710,200.00	
Other non-current assets	Bosch Diesel System			877,500.00	

(2) Payable item

In RMB

Item	Related party	Ending book balance	Opening book balance
Account payables	Weifu Precision Machinery	13,680,801.84	9,737,530.74
Account payables	Weifu Environment	723,117,682.74	379,374,827.01
Account payables	Bosch Diesel System	14,183,956.17	44,262,749.15
Account payables	ROBERT BOSCH GMBH	1,987,967.11	38,202,192.76
Account received in advance	ROBERT BOSCH GMBH		579,650.36
Account received in advance	Weifu Environment	5,850,143.44	6,514,951.87
Other accounts payable	Industry Group	5,470,000.00	

7. Commitments of related party

Nil

8. Other

Nil

XIII. Share-based payment

Nil

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

Important commitments in balance sheet date

Nil

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

Guarantees to subsidiary

Guarantee provided	Guarantee received	Debit bank	Guarantee amount (in 10 thousand Yuan)	Starting from	Terminated dated	Whether guarantee implemented or not
Weifu High-Technology Group Co., Ltd.	Weifu Tianli	Jiangbei branch of Bank of China in Ningbo	5,000.00	2016-11-15	2021-11-10	N

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

The Company has no important contingency that need to disclosed

XV. Events after balance sheet date**1. Important non adjustment matters**

Nil

2. Profit distribution

In RMB

Profit or dividend plans to distributed	1,210,740,700.00
Profit or dividend declare to distributed which have been approved	1,210,740,700.00

3. Sales return

Nil

4. Other events after balance sheet date

Nil

XVI. Other important events**1. Previous accounting errors collection**

Nil

2. Debt restructuring

Nil

3. Assets replacement

Nil

4. Pension plan

The “Enterprise Annuity Plan under the name of WFHT” has deliberated and approved by 8th meeting of 7th session of the Board: in order to mobilize the initiative and creativity of the employees, established a talent long-term incentive mechanism, enhance the cohesive force and competitiveness in enterprise, the Company carried out the above mentioned annuity plan since the date of reply of plans reporting received from labor security administration department. Annuity plans are: the annuity fund are paid by the enterprise and employees together; the amount paid by enterprise shall not over the 1/12 of the total salary of last years, amount paid by individual and enterprise shall not over the 1/6 of the total salary of last year, in accordance with the State’s annuity policy, the Company will adjusted the economic benefits in due time, in principle of responding to the economic strength of the enterprise, the amount paid by the enterprise at current period control in the 8.33 percent of the total salary of last year, specific paying ratio later shall be adjust correspondingly in line with the operation condition of the Company.

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

5. Discontinued operations

Nil

6. Segment

(1) Recognition basis and accounting policy for reportable segment

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

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

The Company mainly engaged in the manufacture of fuel system of internal combustion engine products, auto parts, muffler and purifier etc., based on the product segment, the Company determine three reporting segment as auto fuel injection system, air intake system and car after-treatment system. Accounting policy for the three reporting segments are shares the same policy state in Note III

Segment assets exclude financial assets through profit or loss at fair value, derivative instruments, dividends receivables, interest receivables, financial management products due within one year, financial assets available for sale, long term equity investment and other undistributed assets, since these assets are not related to products operation.

(2) Financial information for reportable segment

In RMB

Item	Product segment of automotive fuel injection system	Product segment of automotive air intake system	Product segment of automotive post-processing system	Add: investment/income measured by equity, income of financial products or possession and disposal income, the retained assets or gains/losses as the financial assets available for sale or possession and disposal income	Offset of segment	Total

Operating revenue	3,102,531,936.37	1,702,505,894.52	276,835,296.54		121,071,236.44	4,960,801,890.99
Operating cost	2,267,395,464.33	1,540,041,366.60	203,224,695.20		121,071,236.44	3,889,590,289.69
Total profit	470,140,658.42	40,905,079.54	20,795,469.62	1,149,033,168.39		1,680,874,375.97
Net profit	401,324,005.53	34,550,600.44	19,615,170.77	1,122,457,301.27		1,577,947,078.01
Total assets	9,112,788,174.84	2,954,472,168.12	797,969,043.92	9,278,108,867.85	222,549,411.87	21,920,788,842.86
Total liabilities	4,095,612,976.11	1,913,172,789.96	480,969,210.37	5,094,154.34	205,293,181.88	6,289,555,948.90

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

Not applicable

(4) Other notes

Nil

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

Nil

8. Other

Nil

XVII. Principle notes of financial statements of parent company

1. Accounts receivable

(1) Category

In RMB

Types	Closing balance					Opening balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Receivables with bad debt provision	1,006,26	100.00%	3,150,97	0.31%	1,003,118	1,049,4	100.00%	2,477,035	0.24%	1,047,012,8
accrual by credit portfolio	9,116.34		3.56		,142.78	89,925.33		.41		89.92
Total	1,006,26	100.00%	3,150,97	0.31%	1,003,118	1,049,4	100.00%	2,477,035	0.24%	1,047,012,8

	9,116.34		3.56		,142.78	89,925.		.41		89.92
						33				

Account receivable with single significant amount and withdrawal bad debt provision separately at period end :

Applicable Not applicable

Account receivable provided for bad debt reserve under aging analysis method in the groups:

Applicable Not applicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt reserves	Accrual ratio
Subitem of within one year			
Within 6 months	787,013,605.57		
6 months to one year	10,781,166.25	1,078,116.64	10.00%
Subtotal within one year	797,794,771.82	1,078,116.64	
1-2 years	943,376.16	188,701.22	20.00%
2-3 years	1,091,364.56	436,545.82	40.00%
Over 3 years	1,447,609.88	1,447,609.88	100.00%
Total	801,277,122.42	3,150,973.56	0.39%

Explanations on combination determine:

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

In combination, withdrawal bad debt provision based on balance proportion for account receivable:

Applicable Not applicable

In combination, withdrawal bad debt provision based on other methods for account receivable:

Combination of related party

Related party	Amount	Proportion of the bad debt provision withdrawal (%)
Weifu Leader	37,319,951.85	--
Weifu ITM	56,016,233.09	--
Weifu Autocam	8,405,583.57	--
Weifu International Trade	98,113,836.09	--
Weifu Tianli	1,441,969.98	--
Weifu Schmidt	3,694,419.34	--
Total	204,991,993.92	--

(2) Bad debt provision accrual, collected or reversed

Accrual bad debt provision 678,845.55 Yuan; collected or reversed 0.00 Yuan.

Including major amount collected or reversed in the period: Nil

(3) Receivables actually written-off during the reporting period

In RMB

Item	Written-off amount
Other small companies	4,907.40

Important receivables written-off: nil

Explanation: the account was not occurred from related transaction

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

Total receivables collected by arrears party for the Period amounting to 852,601,230.38 Yuan, takes 84.73 percent in closing balance of the account receivables; 118,908.79 Yuan are accrual correspondingly for bad debt reserves.

(5) Account receivable derecognition due to financial assets transfer

Nil

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

Nil

2. Other accounts receivable**(1) Classification**

In RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other receivable with single significant amount and withdrawal bad debt provision separately	178,164,006.82	100.00%	10,457.02	0.01%	178,153,549.80	50,395,333.34	100.00%	220,680.18	0.44%	50,174,653.16
Total	178,164,006.82	100.00%	10,457.02	0.01%	178,153,549.80	50,395,333.34	100.00%	220,680.18	0.44%	50,174,653.16

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable Not applicable

In combination, other accounts receivable whose bad debts provision was accrued by age analysis:

Applicable Not applicable

In RMB

Age	Closing balance		
	Other receivable	Bad debt reserves	Accrual ratio
Subitem of within one year			
Within 6 months	12,270,196.99		
6 months to one year	104,570.21	10,457.02	10.00%
1-2 years	12,374,767.20	10,457.02	
Total	12,374,767.20	10,457.02	0.08%

Explanations on combination determine:

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

In combination, withdrawal bad debt provision based on balance proportion for other account receivable

Applicable Not applicable

In combination, withdrawal bad debt provision based on other methods for other account receivable

Applicable Not applicable

Combination of related party

Related party	Amount	Proportion of the bad debt provision withdrawal
Weifu Chang'an	20,000,000.00	
Weifu Mashan	21,789,239.62	
Weifu Leader	100,000,000.00	
Weifu Schmidt	24,000,000.00	
Total	165,789,239.62	

(2) Bad debt provision accrual, collected or reversed

Accrual bad debt provision 8,405.53 Yuan; collected or reversed 218,628.69 Yuan.

Including major amount collected or reversed in the period: nil

(3) Other receivables actually written-off during the reporting period: Nil

(4) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Staff loans and petty cash	2,193,166.13	1,438,626.00
Balance of related party within the scope of the merger	165,789,239.62	47,000,000.00
Current money with the enterprises	10,174,401.07	1,949,507.34
Other	7,200.00	7,200.00
Total	178,164,006.82	50,395,333.34

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

In RMB

Company	Nature	Ending balance	Book age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Weifu Leader	Current money with the subsidiary	100,000,000.00	Within one year	56.13%	
Weifu Schmidt	Current money with the subsidiary	24,000,000.00	Within one year	13.47%	
Weifu Mashan	Current money with the subsidiary	21,789,239.62	Within one year	12.23%	
Weifu Chang'an	Current money with the subsidiary	20,000,000.00	Within one year	11.23%	
Baodun (Tianjin) Electrical Co., Ltd.	Current money with the enterprises	10,000,000.00	Within one year	5.61%	
Total	--	175,789,239.62	--	98.67%	

(6) Account receivable with government grand involved

Nil

(7) Other account receivable derecognition due to financial assets transfer

Nil

(8) Assets and liabilities resulted by other account receivable transfer and continues involvement

Nil

3. Long-term equity investment

In RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Investment for subsidiary	1,466,611,689.17		1,466,611,689.17	1,451,041,689.17		1,451,041,689.17
Investment for associates and joint venture	3,585,913,387.21		3,585,913,387.21	3,511,481,000.32		3,511,481,000.32
Total	5,052,525,076.38		5,052,525,076.38	4,962,522,689.49		4,962,522,689.49

(1) Investment for subsidiary

In RMB

The invested entity	Opening balance	Increased	Decreased	Ending balance	Impairment accrual	Ending balance of impairment provision
Weifu Jinning	178,639,593.52			178,639,593.52		
Weifu Leader	460,113,855.00			460,113,855.00		
Weifu Mashan	168,693,380.51			168,693,380.51		
Weifu Chang'an	220,902,037.30			220,902,037.30		
Weifu International Trade	32,849,254.85			32,849,254.85		
Weifu ITM	167,000,000.00			167,000,000.00		
Weifu Schmidt	50,160,000.00			50,160,000.00		
Weifu Tianli	90,229,100.00	15,570,000.00		105,799,100.00		
Weifu Autocam	82,454,467.99			82,454,467.99		
Total	1,451,041,689.17	15,570,000.00		1,466,611,689.17		

(2) Investment for associates and joint venture

In RMB

Company	Opening balance	+,-								Ending balance	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains/losses recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											

II. Associated enterprise											
Bosch Diesel System	2,503,154,814.59			675,879,164.22			580,955,739.65			2,598,078,239.16	
Zhonglian Automobile Electronic Co., Ltd	959,036,193.36			211,952,191.28			239,400,000.00			931,588,384.64	
Weifu Precision Machinery	49,289,992.37			6,956,771.04						56,246,763.41	
Subtotal	3,511,481,000.32			894,788,126.54			820,355,739.65			3,585,913,387.21	
Total	3,511,481,000.32			894,788,126.54			820,355,739.65			3,585,913,387.21	

(3) Other explanation

In accordance with the resolution of Office Meeting 2017 No.(002), the 6.29% shares of Weifu Tianli held by Ningbo Shenhua Energy-Saving and Environmental Protection Tech. Co., Ltd. are acquired in the Year, after acquisition, shares of Weifu Tianli held by the Company increased to 54.23%, and file in industry and commerce bureau on 8 May 2018.

4. Operating income and cost

In RMB

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main business	2,136,258,034.82	1,533,313,082.59	1,473,896,379.07	1,129,630,086.97
Other business	178,884,620.31	165,203,440.31	152,584,036.64	138,992,574.61
Total	2,315,142,655.13	1,698,516,522.90	1,626,480,415.71	1,268,622,661.58

5. Investment gains

In RMB

Item	Current period	Last period
Income of long-term equity investment calculated based on cost	62,418,400.00	949,835,680.00
Income of long-term equity investment calculated based on equity	894,788,126.54	767,309,765.64

Investment income from period of holding the financial assets available for sale	3,220,575.00	235,500.00
Investment income obtained from disposal of financial assets available for sale	17,370,816.75	24,625,516.88
Entrust financial income	159,552,310.73	97,021,850.83
Gains/losses of equity liquidation		-8,261,290.60
Total	1,137,350,229.02	1,830,767,022.75

6. Other

Nil

XVIII. Supplementary Information

1. Current non-recurring gains/losses

Applicable Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset	1,421,091.02	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	17,700,030.17	
Profit and loss of assets delegation on others' investment or management	159,801,630.73	
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	17,370,816.75	
Switch-back of impairment of account receivable that practice impairment test independent	512,580.00	
Other non-operating income and expenditure except for the aforementioned items	73,701.23	
Less: Impact on income tax	29,876,415.88	
Impact on minority shareholders' equity	626,230.67	
Total	166,377,203.35	--

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

Applicable Not applicable

2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (RMB/Share)	Diluted EPS (RMB/Share)
Net profits belong to common stock stockholders of the Company	9.92%	1.53	1.53
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	8.85%	1.37	1.37

3. Difference of the accounting data under accounting rules in and out of China**(1) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)**

Applicable Not applicable

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

Applicable Not applicable

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

Not applicable

4. Other

Nil