



CHANGCHAI COMPANY, LIMITED

ANNUAL REPORT 2018

April 2019

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Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Changchai Company, Limited (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

Shi Xinkun, the Company’s legal representative, Zhang Xin, the Company’s General Manager, and Jiang He, head of the Company’s financial department (equivalent to financial manager) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

The director Mrs.Zhang Qiong was not present at the board session for reviewing this annual report and its summary and thus entrusted the Chairman of the Board Mr.Shi Xinkun to vote on behalf of her.

Any plans for the future and other forward-looking statements mentioned in this Report shall NOT be considered as absolute promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to possible investment risks.

The Company has described in detail the risks it might face in “Part IV Operating Performance Discussion and Analysis”, IX, “4. Possible Risks in Future” herein.

The Board has approved a final dividend plan as follows: based on the 561,374,326 shares, a cash dividend of RMB0.25 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

Definitions

| Term | Definition |
|--|---|
| The “Company”, “Changchai” or “we” | Changchai Company, Limited and its consolidated subsidiaries, except where the context otherwise requires |
| Changchai Benniu | Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. |
| Changchai Wanzhou | Changchai Wanzhou Diesel Engine Co., Ltd. |
| Housheng Investment | Changzhou Housheng Investment Co., Ltd. |
| Housheng Agricultural Equipment | Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. |
| Changchai Robin | Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. |
| RMB, RMB’0,000 | Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi |
| The “Reporting Period” or “Current Period” | The period from 1 January 2018 to 31 December 2018 |

Part II Corporate Information and Key Financial Information

I Corporate Information

| | | | |
|----------------------------------|---|------------|----------------|
| Stock name | Changchai, Changchai-B | Stock code | 000570, 200570 |
| Stock exchange for stock listing | Shenzhen Stock Exchange | | |
| Company name in Chinese | 常柴股份有限公司 | | |
| Abbr. | 苏常柴 | | |
| Company name in English | CHANGCHAI COMPANY, LIMITED | | |
| Abbr. | CHANGCHAI CO., LTD. | | |
| Legal representative | Shi Xinkun | | |
| Registered address | 123 Huaide Middle Road, Changzhou, Jiangsu, China | | |
| Zip code | 213002 | | |
| Office address | 123 Huaide Middle Road, Changzhou, Jiangsu, China | | |
| Zip code | 213002 | | |
| Company website | http://www.changchai.com.cn | | |
| Email address | cctqm@public.cz.js.cn | | |

II Contact Information

| | Board Secretary | Securities Representative |
|---------------|--|---------------------------|
| Name | He Jianjiang | |
| Address | 123 Huaide Middle Road, Changzhou, Jiangsu, China | |
| Tel. | (86) 519-68683155 | |
| Fax | (86) 519-86630954 | |
| Email address | cchjj@changchai.com | |

III Media for Information Disclosure and Place where this Report Is Lodged

| | |
|---|---|
| Newspapers designated by the Company for information disclosure | Securities Times, Ta Kung Pao (HK) |
| Website designated by CSRC for publication of this Report | http://www.cninfo.com.cn |
| Place where this Report is lodged | Board Secretariat of the Company and the Shenzhen Stock |

| | |
|--|----------|
| | Exchange |
|--|----------|

IV Change to Company Registered Information

| | |
|--|---|
| Unified social credit code | 91320400134792410W |
| Change to principal activity of the Company since going public | No change |
| Every change of controlling shareholder since incorporation | On 22 November 2018, the State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government transferred its entire holdings of 170,845,236 shares in the Company (a stake of 30.43%) to Changzhou Investment Group Co., Ltd. for no compensation. These shares are non-restricted public shares. |

V Other Information

The independent audit firm hired by the Company:

| | |
|--------------------------------|---|
| Name | Jiangsu Gongzheng Tianye Certified Public Accountants LLP |
| Office address | Yingtong Commerce Building, Changzhou, Jiangsu, China |
| Accountants writing signatures | Dai Weizhong, Xu Wenxiang |

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

☐ Applicable ☒ Not applicable

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

☐ Applicable ☒ Not applicable

VI Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

☐ Yes ☒ No

| | 2018 | 2017 | 2018-over-2017 change (%) | 2016 |
|--|------------------|------------------|------------------------------|------------------|
| Operating revenue (RMB) | 2,132,902,718.60 | 2,423,058,958.29 | -11.97% | 2,283,028,855.52 |
| Net profit attributable to the listed company's shareholders (RMB) | 62,021,374.04 | 46,431,302.73 | 33.58% | 62,539,896.17 |
| Net profit attributable to the listed company's shareholders | -43,333,196.13 | 18,818,435.16 | — | 56,835,566.28 |

| before exceptional items (RMB) | | | | |
|--|------------------|------------------|---|------------------|
| Net cash generated from/used in operating activities (RMB) | 273,819,526.89 | -121,669,279.39 | — | 99,473,944.04 |
| Basic earnings per share (RMB/share) | 0.11 | 0.08 | 37.50% | 0.11 |
| Diluted earnings per share (RMB/share) | 0.11 | 0.08 | 37.50% | 0.11 |
| Weighted average return on equity (%) | 2.84% | 2.00% | 0.84% | 3.00% |
| | 31 December 2018 | 31 December 2017 | Change of 31 December 2018 over 31 December 2017 (%) | 31 December 2016 |
| Total assets (RMB) | 3,542,019,195.75 | 3,722,905,285.05 | -4.86% | 3,724,857,266.71 |
| Equity attributable to the listed company's shareholders (RMB) | 2,043,308,026.74 | 2,246,896,857.86 | -9.06% | 2,323,712,892.92 |

VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity under CAS and IFRS

☐ Applicable ☒ Not applicable

No difference for the Reporting Period.

2. Net Profit and Equity under CAS and Foreign Accounting Standards

☐ Applicable ☒ Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

| | Q1 | Q2 | Q3 | Q4 |
|---|----------------|----------------|----------------|----------------|
| Operating revenue | 593,008,785.46 | 593,752,106.80 | 432,605,495.58 | 513,536,330.76 |
| Net profit attributable to the listed company's shareholders | 11,343,577.44 | 7,294,980.22 | 4,670,842.38 | 38,711,974.00 |

| | | | | |
|---|----------------|---------------|----------------|----------------|
| Net profit attributable to the listed company's shareholders before exceptional items | 11,141,982.06 | 6,120,841.19 | -5,982,192.17 | -54,613,827.21 |
| Net cash generated from/used in operating activities | -73,259,277.76 | 67,650,424.61 | -48,642,944.44 | 328,071,324.48 |

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

☐ Yes ☒ No

IX Exceptional Gains and Losses

☒ Applicable ☐ Not applicable

Unit: RMB

| Item | 2018 | 2017 | 2016 | Note |
|--|----------------|---------------|--------------|---|
| Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs) | -265,966.68 | 1,005,800.62 | 6,254,028.26 | |
| Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards) | 6,291,685.65 | 8,456,560.85 | 7,948,135.65 | |
| Capital occupation charges on non-financial enterprises that are charged to current profit or loss | 938,737.87 | 1,200,592.21 | 1,340,364.82 | |
| Income equal to the amount by which investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments | | 19,924,486.12 | | |
| Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets | 105,672,874.83 | 654,862.68 | 1,058,569.81 | Sale of the 20,000,000 Bank of Jiangsu shares in the Reporting Period |

| | | | | |
|---|----------------|---------------|---------------|----|
| (exclusive of effective portion of hedges that arise in the Company's ordinary course of business) | | | | |
| Reversed portion of impairment allowance for loan by mandate which are tested individually for impairment | 10,000,000.00 | | | |
| Gain or loss on re-measurement by the fair value of equity interests in joint ventures before acquisition dates in business combinations not under common control | | 1,751,203.43 | | |
| Non-operating income and expense other than the above | 1,392,895.84 | -4,441,830.05 | -9,328,953.27 | |
| Less: Income tax effects | 18,670,371.98 | 951,629.77 | 1,294,119.50 | |
| Non-controlling interests effects (net of tax) | 5,285.36 | -12,821.48 | 273,695.88 | |
| Total | 105,354,570.17 | 27,612,867.57 | 5,704,329.89 | -- |

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

☐ Applicable ☒ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

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

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

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

| Major assets | Main reason for significant changes |
|-------------------------------------|--|
| Monetary capital | The ending amount stood at RMB800,960,036.69, up 86.14% from the beginning amount, primarily due to the company's sale of shares of Jiangsu Bank and the maturity of some bank acceptance bills held by the company. |
| Other receivables | The ending amount stood at RMB9,244,584.42, up 59.53% from the beginning amount, primarily driven by the temporary loans granted by the subsidiary Changzhou Housheng Investment Co., Ltd. to Changzhou Changjiang Foundry Materials Co., Ltd., among others, in the Reporting Period. |
| Available-for-sale financial assets | The ending amount stood at RMB498,851,369.49, down 37.13% from the beginning amount, primarily driven by the sale of the 20,000,000 Bank of Jiangsu shares in the Reporting Period. |

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III Core Competitiveness Analysis

1. Advantages in Brand

Changchai is a national industrial enterprise with a history of over one hundred years. It is one of the earliest professional manufacturers of internal combustion engines in China. The diesel engine of "Changchai" brand is China's brand-name product. The enterprise has been certified by ISO9000 quality system, ISO14001

environmental management system, ISO/TS16949 automotive product quality management system, and accessed to the national export-free enterprise qualification. Changchai was honorably ranked among “the Top One Hundred Chinese Enterprises in Engineering Industry” and “China Pacesetter Enterprise of Industrial Industry” for several times, and was awarded the honorary title of “State-level Enterprise of Observing Contracts and Keeping Promise”, “China's Agricultural Machinery Parts and Components Leading Enterprises”, “China's Agricultural Machinery AAA Credit Enterprise”, “Jiangsu Independent Industries Brand Top 50”, “Quality Management Excellence Award of Jiangsu Province”, “Mayor Quality Award of Changzhou City”, also our company won as the 10 users most satisfied leading brands in “Jing Geng” competition in the last five years, as well as China's Most Valuable Brands Top 500 for 14 consecutive years. In 2018, the Company was granted the honors of Science and Technology Award of China's Machinery Industry, Annual Most Influential Brand of China's Agricultural Machinery Industry, 40 years of Reform and Opening-up Award - Outstanding Contribution Enterprise of Jiangsu Agricultural Machinery Industry, 40 years of Reform and Opening-up Award - Outstanding Contribution of China's Agricultural Machinery Industry, and Model Enterprises of National Quality and Credit Benchmark. For many years, in the process of achieving steady economic development of the enterprise, we developed in a sound manner and cultivated the “Changchai” brand, a famous small diesel engine brand of China with independent intellectual property rights.

2. Advantages in Technology

The Company has a state-level technology center and post-doctoral research station, and a research center of small and medium-power internal combustion engine engineering and technology in Jiangsu Province. Currently, it is mainly engaged in production of small and medium-power single-cylinder and multi-cylinder diesel engine. It has a complete product range, a wide power level coverage, a high reputation and intellectual property rights for its main products. In 2018, the Company applied common rail technology to single cylinder diesel engine for the first time. The 3M78 series diesel engine was also granted the first Compliance Certificate for Euro V Emission Standards of Non-road Mobile Machinery under 19 kW in China. The first mass production of air-cooled and water-cooled common rail single cylinder engines for non-road State III electronic control model was launched. The project “Key Technologies of G Series Agricultural Diesel Engines” applied by the Company was granted the second prize of Science and Technology Award of China's Machinery Industry. Currently, the Company has a total of 139 patents granted by authorities at home and abroad, including 14 invention patents.

3. Advantages in Marketing

Changchai has built up a sales service network covering the whole country, with 5 sales business units, 27 sales service centers, and 799 service stations. The Company has passed the customs' high-level enterprise certification. With a perfect diesel sales service network system, the Company is able to provide high quality, efficient and timely services for customers.

Part IV Operating Performance Discussion and Analysis

I Overview

In 2018, China was facing a negative macroeconomic environment. Affected by changes in agricultural subsidies, emission regulation updates, fluctuations in raw material prices and other factors, the agricultural machinery market was under depression. In the deep adjustment stage of the agricultural machinery industry, the Company strengthened product advantages, accelerated market expansion and pushed forward product planning step by step. Meanwhile, management and operational efficiency have been improved to some degree. Despite the intensified market competition, the Company maintained an orderly development. With the decline in the overall sales of the single cylinder engine industry, the Company's sales also declined but at a slower pace than the industry average, while maintaining the largest market share in the industry. During the Reporting Period, the Company sold 713,300 thousand units of diesel engines, gasoline engines and related generator sets, including 138,000 units of gasoline engines, generating total sales revenue of RMB2,132,902,718.60, a drop of 11.97 % over last year.

In respect of product development and structural adjustment, several common rail models of single cylinder and multi-cylinder engines have been developed to fully meet the State III emission standards of non-road mobile machinery and the State V emission standards of road mobile machinery, leaving space for meeting higher emission standards. Product models cover farm machinery such as harvesters and tractors in different power sections, and gradually involved in the subdivision fields of tower base station, ship machine, prospecting, transportation and so on.

In terms of quality management, the Company further improved the quality control process of product development process. It promoted technical exchanges, quality management, and the adjustment of product development. During the reporting period, Changchai organized 31 QC group activities, and the excellent QC achievements recommended outwards were included in the national mechanical industry quality achievement collections.

Speaking of marketing management, the Company solidified the existing advantages and enlarged the share of superior products. It kept improving service capabilities by building good cooperative partnership with customers and suppliers, adapting to market changes for opportunities to expand the market and promoting new areas of supporting products. In 2018, Changchai achieved a market service satisfaction of products higher than the average level in 2016 and 2017 and an increasingly greater market reputation.

To achieve better internal management, the Company further improved the Articles of Association, reinforced the construction of internal control system and the supervision of key projects. By deepening the medium-term special audit, it improved risk prevention and control ability and the quality of internal audit work. As timely measures are taken to solve problems, operational efficiency of the Company is improved.

II Core Business Analysis

1. Overview

See “I Overview” above.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

| | 2018 | | 2017 | | Change (%) |
|-----------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|------------|
| | Operating revenue | As % of total operating revenue (%) | Operating revenue | As % of total operating revenue (%) | |
| Total | 2,132,902,718.60 | 100% | 2,423,058,958.29 | 100% | -11.97% |
| By operating division | | | | | |
| Internal combustion engines | 2,093,039,249.58 | 98.13% | 2,393,799,573.65 | 98.79% | -12.56% |
| Other | 39,863,469.02 | 1.87% | 29,259,384.64 | 1.21% | 36.24% |
| By product category | | | | | |
| Diesel engines | 1,945,336,290.52 | 91.21% | 2,232,948,960.31 | 92.15% | -12.88% |
| Gasoline engines | 130,329,100.71 | 6.11% | 160,850,613.34 | 6.64% | -18.98% |
| Other | 57,237,327.37 | 2.68% | 29,259,384.64 | 1.21% | 95.62% |
| By operating segment | | | | | |
| Domestic | 1,785,012,986.06 | 83.69% | 2,067,943,295.18 | 85.34% | -13.68% |
| Overseas | 347,889,732.54 | 16.31 % | 355,115,663.11 | 14.66% | -2.03% |

(2) Operating Division, Product Category or Operating Segment Contributing over 10% of Operating Revenue or Operating Profit

√ Applicable □ Not applicable

Is the Company subject to any industry-specific disclosure requirements?

No.

Unit: RMB

| | Operating revenue | Cost of sales | Gross profit | YoY change in operating | YoY change in cost of sales | YoY change in gross profit |
|--|-------------------|---------------|--------------|-------------------------|-----------------------------|----------------------------|
|--|-------------------|---------------|--------------|-------------------------|-----------------------------|----------------------------|

| | | | margin | revenue (%) | (%) | margin (%) |
|-----------------------------|------------------|------------------|--------|-------------|---------|------------|
| By operating division | | | | | | |
| Internal combustion engines | 2,093,039,249.58 | 1,782,146,126.35 | 14.85% | -12.56% | -13.23% | 0.65% |
| By product category | | | | | | |
| Diesel engines | 1,945,336,290.52 | 1,654,092,356.37 | 14.97% | -12.88% | -13.51% | 0.62% |
| Gasoline engines | 130,329,100.71 | 114,016,043.86 | 12.52% | -18.98% | -19.38% | 0.44% |
| Other | 57,237,327.37 | 45,336,185.43 | 20.79% | — | — | — |
| By operating segment | | | | | | |
| Domestic | 1,785,012,986.06 | 1,474,704,353.06 | 17.38% | -13.68% | -14.60% | 0.89% |
| Overseas | 347,889,732.54 | 338,740,232.60 | 2.63% | -2.03% | -2.11% | 0.08% |

Core business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

☐ Applicable ☒ Not applicable

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue

☒ Yes ☐ No

| Operating division | Item | Unit | 2018 | 2017 | Change (%) |
|--------------------|------------|------|---------|---------|------------|
| Diesel engines | Unit sales | Unit | 556,443 | 686,264 | -18.92% |
| | Output | Unit | 562,223 | 661,077 | -14.95% |
| | Inventory | Unit | 65,596 | 59,816 | 9.66% |

Any over 30% YoY movements in the data above and why:

☐ Applicable ☒ Not applicable

(4) Execution Progress of Major Signed Sales Contracts in the Reporting Period

☐ Applicable ☒ Not applicable

(5) Breakdown of Cost of Sales

Unit: RMB

| Product category | Item | 2018 | | 2017 | | Change (%) |
|------------------|------|---------------|-----------------------------|---------------|-----------------------------|------------|
| | | Cost of sales | As % of total cost of sales | Cost of sales | As % of total cost of sales | |

| | | | (%) | | (%) | |
|----------------|---------------|------------------|--------|------------------|--------|---------|
| Diesel engines | Raw materials | 1,422,647,277.45 | 78.45% | 1,625,846,295.28 | 78.43% | -12.50% |
| Diesel engines | Labor cost | 238,105,274.10 | 13.13% | 272,591,904.14 | 13.15% | -12.65% |
| Diesel engines | Depreciation | 75,456,887.66 | 4.16% | 76,438,334.33 | 3.69% | -1.28% |
| Diesel engines | Energy | 28,471,079.99 | 1.57% | 32,657,278.01 | 1.58% | -12.82% |

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

☐ Yes ☒ No

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

☐ Applicable ☒ Not applicable

(8) Major Customers and Suppliers

Major customers:

| | |
|---|----------------|
| Total sales to top five customers (RMB) | 863,147,321.92 |
| Total sales to top five customers as % of total sales of the Reporting Period (%) | 40.47% |
| Total sales to related parties among top five customers as % of total sales of the Reporting Period (%) | 0.00% |

Information about top five customers:

| No. | Customer | Sales revenue contributed for the Reporting Period (RMB) | As % of total sales revenue (%) |
|-------|------------|--|---------------------------------|
| 1 | Customer 1 | 370,156,919.61 | 17.35% |
| 2 | Customer 2 | 167,159,534.53 | 7.84% |
| 3 | Customer 3 | 140,526,505.47 | 6.59% |
| 4 | Customer 4 | 98,451,038.00 | 4.62% |
| 5 | Customer 5 | 86,853,324.31 | 4.07% |
| Total | -- | 863,147,321.92 | 40.47% |

Other information about major customers:

☐ Applicable ☒ Not applicable

Major suppliers:

| | |
|---|----------------|
| Total purchases from top five suppliers (RMB) | 242,596,738.21 |
| Total purchases from top five suppliers as % of total purchases of the Reporting Period (%) | 15.30% |
| Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%) | 0.00% |

Information about top five suppliers:

| No. | Supplier | Purchase in the Reporting Period (RMB) | As % of total purchases (%) |
|-------|------------|--|-----------------------------|
| 1 | Supplier 1 | 109,533,473.78 | 6.91% |
| 2 | Supplier 2 | 47,748,909.62 | 3.01% |
| 3 | Supplier 3 | 35,176,114.00 | 2.22% |
| 4 | Supplier 4 | 25,685,549.31 | 1.62% |
| 5 | Supplier 5 | 24,452,691.50 | 1.54% |
| Total | -- | 242,596,738.21 | 15.30% |

Other information about major suppliers:

☐ Applicable ☒ Not applicable**3. Expense**

Unit: RMB

| | 2018 | 2017 | Change (%) | Reason for any significant change |
|------------------------|----------------|----------------|------------|---|
| Selling expense | 126,997,066.87 | 102,297,713.37 | 24.14% | |
| Administrative expense | 116,027,838.96 | 107,835,619.11 | 7.60% | |
| Finance costs | -903,762.30 | -2,290,794.39 | — | Mainly due to the decrease in corporate interest income and the increase in bank charges during the Reporting Period. |
| R&D expenses | 72,182,840.78 | 76,715,296.15 | -5.91% | |

4. R&D Expense☒ Applicable ☐ Not applicable

Details about R&D expense:

| | 2018 | 2017 | Change (%) |
|---|---------------|---------------|------------|
| Number of R&D personnel | 368 | 373 | -1.34% |
| R&D personnel as % of total employees | 11.55% | 10.87% | 0.68% |
| R&D expense (RMB) | 72,182,840.78 | 76,715,296.15 | -5.91% |
| R&D expense as % of operating revenue | 3.38% | 3.17% | 0.21% |
| Capitalized R&D expense (RMB) | 0.00 | 0.00 | 0.00% |
| Capitalized R&D expense as % of total R&D expense | 0.00% | 0.00% | 0.00% |

Reasons for any significant YoY change in the percentage of R&D expense in operating revenue:

☐ Applicable ☒ Not applicable

Reason for any sharp variation in the percentage of capitalized R&D expense and rationale:

☐ Applicable ☒ Not applicable

5. Cash Flows

Unit: RMB

| Item | 2018 | 2017 | Change (%) |
|--|------------------|------------------|------------|
| Subtotal of cash generated from operating activities | 2,494,609,605.84 | 2,406,119,189.23 | 3.68% |
| Subtotal of cash used in operating activities | 2,220,790,078.95 | 2,527,788,468.62 | -12.14% |
| Net cash generated from/used in operating activities | 273,819,526.89 | -121,669,279.39 | —— |
| Subtotal of cash generated from investing activities | 157,994,762.83 | 21,199,959.56 | 645.26% |
| Subtotal of cash used in investing activities | 51,775,807.81 | 175,764,577.00 | -70.54% |
| Net cash generated from/used in investing activities | 106,218,955.02 | -154,564,617.44 | —— |
| Subtotal of cash generated from financing activities | 40,700,000.00 | 51,900,000.00 | -21.58% |
| Subtotal of cash used in financing activities | 58,922,496.75 | 33,680,577.83 | 74.95% |
| Net cash generated from/used in financing activities | -18,222,496.75 | 18,219,422.17 | —— |
| Net increase in cash and cash equivalents | 361,815,985.16 | -258,014,474.66 | —— |

Explanation of why any of the data above varies significantly:

☒ Applicable ☐ Not applicable

The significant changes of net cash flows from operating activities were mainly due to the cash collection of bank acceptance draft held by the bank.

The significant changes of net cash flows from investing activities was the joint influence of the cash inflows from the Company selling the stocks of Bank of Jiangsu, and cash outflows from investing Changzhou Synergetic Equity Investment Partnership (LLP).

The significant changes of net cash flows from financing activities were mainly due to the increase of returning bank loans in the Reporting Period.

Reason for any big difference between the net operating cash flow and the net profit for this Reporting Period

☒ Applicable ☐ Not applicable

It was due to the bank acceptance bill is collected and realized, the increase of net cash flows from operating activities; the sale of the stocks of Bank of Jiangsu which obtained much investment income and added the cash flows from investing activities.

III Analysis of Non-Core Businesses

☐ Applicable ☒ Not applicable

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

| | 31 December 2018 | | 31 December 2017 | | Change in percentag e (%) | Reason for any significant change |
|------------------------------|------------------|----------------------------|------------------|----------------------------|------------------------------------|--|
| | Amount | As % of total assets | Amount | As % of total assets | | |
| Monetary capital | 800,960,036.69 | 22.61% | 430,305,367.71 | 11.56% | 11.05% | The ending amount stood at RMB800,960,036.69, up 86.14% from the beginning amount, primarily due to the company's sale of shares of Jiangsu Bank and the maturity of some bank acceptance bills held by the company. |
| Accounts receivable | 378,859,159.11 | 10.70% | 392,010,953.55 | 10.53% | 0.17% | |
| Inventories | 557,953,891.70 | 15.75% | 508,246,807.48 | 13.65% | 2.10% | |
| Investment property | 50,656,007.63 | 1.43% | 52,864,348.43 | 1.42% | 0.01% | |
| Long-term equity investments | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% | |
| Fixed assets | 511,250,371.37 | 14.43% | 560,049,970.50 | 15.04% | -0.61% | |
| Construction in progress | 89,090,384.71 | 2.52% | 94,581,989.06 | 2.54% | -0.02% | |
| Short-term borrowings | 27,000,000.00 | 0.76% | 24,900,000.00 | 0.67% | 0.09% | |
| Long-term borrowings | 2,000,000.00 | 0.06% | 21,500,000.00 | 0.58% | -0.52% | |

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

| Item | Beginning amount | Gain/loss on fair-value changes in the Reporting Period | Cumulative fair-value changes charged to equity | Impairment allowance for the Reporting Period | Purchase d in the Reporting Period | Sold in the Reporting Period | Ending amount |
|------|------------------|---|---|---|------------------------------------|------------------------------|---------------|
| | | | | | | | |

| Financial assets | | | | | | | |
|-------------------------------------|----------------|-----------------|----------------|--|--|----------------|----------------|
| Available-for-sale financial assets | 793,522,639.04 | -167,897,500.00 | 438,065,500.00 | | | 147,000,000.00 | 370,940,000.00 |
| Subtotal of financial assets | 793,522,639.04 | -167,897,500.00 | 438,065,500.00 | | | 147,000,000.00 | 370,940,000.00 |
| Total of above | 793,522,639.04 | -167,897,500.00 | 438,065,500.00 | | | 147,000,000.00 | 370,940,000.00 |
| Financial liabilities | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 |

Significant changes to the measurement attributes of the major assets in the Reporting Period:

☐ Yes ☒ No

3. Restricted Asset Rights as at the Period-End

| Item | Ending carrying value | Reasons |
|---------------------|-----------------------|--|
| Monetary capital | 113,880,397.10 | Cash deposits of bank acceptance's bill and letter of credit |
| House constructions | 9,151,848.69 | Mortgage of bank loan |
| Land use right | 1,005,328.00 | Mortgage of bank loan |
| Machinery equipment | 51,191,810.97 | Mortgage of bank loan |
| Total | 175,229,384.76 | |

V Investments Made

1. Total Investment Amount

☒ Applicable ☐ Not applicable

| Investments made in Reporting Period (RMB) | Investments made in same period of last year (RMB) | +/-% |
|--|--|---------|
| 20,315,967.20 | 126,280,000.00 | -83.91% |

2. Major Equity Investments Made in the Reporting Period

☐ Applicable ☒ Not applicable

3. Major Non-Equity Investments Ongoing in the Reporting Period

☐ Applicable ☒ Not applicable

4. Financial Investments**(1) Securities Investments**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Use of Funds Raised

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period

VI Sale of Major Assets and Equity Interests**1. Sale of Major Assets**

☒ Applicable ☐ Not applicable

| Cou nter part y | Sol d ass ets | Dat e of the sale | Tra nsa ctio n pric e (R MB 0'0 00) | Net profit of the assets contrib uting to the Compa ny from the period- begin to the | Impa cts to the Com pany | Net profit of the assets sale contrib uting to the Compa ny as % of total net profit | Prici ng princi ple | Rel ated -par ty tran sact ion or not | Rel atio nshi p wit h cou nter part y | The prope rty right of the invol ved assets has transf erred owne rship or not | Th e inv olv ed all cre dits and liab iliti es tra nsf | Implem ented as schedul e or not, if not, explain the reasons and the measur e taken by the | Dis clos ure date | Dis clos ure inde x |
|--------------------------|------------------------|----------------------------|--|---|--------------------------------------|---|------------------------------|---|--|---|---|---|----------------------------|---------------------------------|
|--------------------------|------------------------|----------------------------|--|---|--------------------------------------|---|------------------------------|---|--|---|---|---|----------------------------|---------------------------------|

| | | | | date of the sale (RMB 0'000) | | | | | | | err ed or not | Compa ny | | |
|---------------------------------|---|--|------------------|--|---|------------|--------------------------------|----|---------------------|-----|------------------------|-------------|--|------------------|
| Seco ndar y mar ket | Ba nk of Jia ng su' s sto cks | 22 No ve mb er 201 8 | 6,5 34. 83 | 5,534.8 3 | Liqui dizin g remn ant assets of the Com pany, and supp ortin g the devel opme nt of main busin ess | 89.24 % | Centra lized biddin g | No | Not -rel ated | Yes | Yes | Yes | 23 No ve mb er 201 8 | 201 8-0 32 |
| Seco ndar y mar ket | Ba nk of Jia ng su' s sto cks | 24 Dec em ber 201 8 | 5,9 08. 05 | 4,908.0 5 | Raisi ng funds to imple ment the proje ct of light engin es | 79.13 % | Centra lized biddin g | No | Not -rel ated | Yes | Yes | Yes | 25 Dec em ber 201 8 | 201 8-0 47 |

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

VII Major Subsidiaries

☒ Applicable ☐ Not applicable

Major fully/majority-owned subsidiaries and those minority-owned subsidiaries with an over 10% effect on the Company's net profit:

Unit: RMB

| Name | Relationship with the Company | Principal activity | Registered capital | Total assets | Net assets | Operating revenue | Operating profit | Net profit |
|---------------------------------|-------------------------------|--|--------------------|----------------|---------------|-------------------|------------------|---------------|
| Changchai Benniu | Subsidiary | Production of diesel engine accessories | 55,063,000.00 | 171,749,235.63 | 89,780,051.07 | 199,151,372.46 | -2,055,514.73 | -1,447,732.64 |
| Changchai Wanzhou | Subsidiary | Diesel engine assembly | 85,000,000.00 | 71,640,662.30 | 48,874,516.38 | 46,653,660.46 | 1,362,904.18 | 1,117,933.80 |
| Housheng Investment | Subsidiary | External investment and consulting | 40,000,000.00 | 47,236,108.89 | 46,302,405.6 | 938,737.87 | 909,172.33 | 640,592.73 |
| Housheng Agricultural Equipment | Subsidiary | agricultural machinery product of rice transplanter etc. | 10,000,000.00 | 36,401,983.51 | 1,373,471.21 | 17,505,784.08 | -6,040,644.34 | -6,036,994.34 |
| Changchai Robin | Subsidiary | Gasoline engines assembly | 37,250,000.00 | 94,799,310.09 | 81,500,148.68 | 130,329,100.71 | 10,103,960.02 | 6,896,226.52 |

Subsidiaries obtained or disposed in the Reporting Period:

☐ Applicable ☒ Not applicable

VIII Structured Bodies Controlled by the Company

☐ Applicable ☒ Not applicable

IX Prospects

1. Industry competition structure and development tendency

In 2018, China's agricultural machinery industry was in a period of deep adjustment. The new agricultural machinery market developed rapidly, and niche market was preferred by consumers. The traditional agricultural machinery market was facing challenges and difficulties from transformation and upgrading. In 2019, China's agricultural machinery market is expected to stay in a period of cyclical low ebb. The industry will be still in a period of deep adjustment, as the environmental protection governance will become more stringent, but on the

other hand, the national macro-economy will be positive in the long run. The agricultural machinery market is prospective from the perspective of long-term development. As total market demand is large, it is not only an opportunity but also a challenge for agricultural machinery manufacturers, who need to accelerate the upgrading of agricultural machinery products and technology.

In addition, the huge pressure brought by the new energy industry to traditional internal-combustion engine companies has forced traditional engine manufacturers to actively or passively become involved in the development of new energy automotive industries.

At present, the development trend and market situation of the industry are mainly as follows: firstly, the demand for agricultural machinery and commercial vehicles slows down, bringing further competition of the industry; secondly, market needs time to accept the rising cost of product emission upgrade; thirdly, users are very concerned about reliability, vibration, noise and appearance quality of diesel engines, and the extension of Three Guarantees increases the service cost of the enterprise. Overall, the diesel market competition is fierce. The industry will further reshuffle, and there will be better market prospects for diesel engines with high-performance in energy saving and environmental protection.

2. Company development strategies:

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

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

In the field of agricultural machinery, the Company maintained a leading position in the horsepower segment and continues to expand the market share, and actively explored and entered the market in large-horse-powered vehicles and non-road-specific power supporting areas for engineering use. In the terminal area, the Company actively expanded the market share of transplanter products. In addition, the Company extended its product structure to the gasoline engine field by acquiring a joint venture with Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. The Company will further innovate the management mechanism, accelerate the progress of product development and vigorously expand the market to promote the sustained and steady development of the Company.

3. Operation Plan for the Year 2019:

We should improve the quality of single cylinder machinery, and expand application of multi-cylinder machinery. In respect of terminal, we should pursue breakthrough and internal cost savings. As park construction commenced, we should accelerate industrial transformation and upgrading. The sales income achieves RMB 2.1 billion and sales of new products exceed 80,000 sets are expected in 2019.

The above operation plan does not represent the profit forecast of Y2019 by the listed company, and whether can be realized depends on various factors on the changes of market conditions and the effort level of the management team. There is a lot of uncertainty, and investors should pay special attention on it.

4. Possible risks and countermeasures:

(1) Market risk:

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

will be further updated and air pollution control will be further stringent. Safety production and environmental protection will be normalized, and the industry will still be in a period of deep adjustment. However, long-term improvement of the national macro-economy remains unchanged, and the agricultural machinery market is still promising with a large total market demand.

The Company takes the following counter-measures for future development:

To enhance the advantages of key products and the follow-up R&D strength of the Company.

2. To adapt to market changes for opportunities to expand domestic and foreign markets.

3. To improve internal and external quality control and promote the quality of whole machine and parts up to a new level.

4. To proceed with technological transformation projects in an orderly manner and improve company equipment.

5. To further implement lean management for improvements of production and operation efficiency.

6. To improve the quality of employees and provide human resources support for company development.

(2) Industrial risk:

The rapid development of new energy vehicles is bound to affect the traditional fuel automobile industry and its industrial chain, specifically, it will directly affect the engine and gearbox manufacturing industry, and generate a greater impact on the traditional gasoline and diesel engine industry. Although the maturity of related industries in the field of new energy may take years, more than a decade or even longer for transition, the trend is inevitable. In response to the upgrading of emission standards and the rapid development of new energy industries, enterprises in the traditional internal-combustion engine industry need to seek new development opportunities to shift industrial risks.

Countermeasures:

The first measure is to prepare layout in new energy industries in advance to seize the opportunity for industry development.

The second one is to increase the R&D intensity of new products that meets the standards of non-road national Grade IV and other new products, increase product emission standards, and take advanced diesel engine products as the basis of the Company to explore the development direction of new industries and meet the industrial upgrading and transformation.

(3) Policy risk:

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

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

(4) Talent risk:

As the Company keeps, in recent years, improving operational efficiency and technological innovation to cope with the increasingly fierce market competition and industry development trend, the demand for professional and senior management personnel is greatly increased.

Countermeasures:

Firstly, introduce all kinds of high-ranking talents through varieties of channels and strengthen personnel training.

Secondly, the Company also makes optimization in the performance appraisal system and incentive pay

system and strengthens the training of employees to reduce the loss of professionals and strengthens personnel for the construction of talented personnel teams.

X Communications with the Investment Community such as Researches, Inquiries and Interviews

1. During the Reporting Period

√ Applicable □ Not applicable

| Date | Way of communication | Type of communication party | Index to main information communicated |
|------------------|----------------------|-----------------------------|---|
| 23 December 2018 | Other | Individual | Inquired the equity investment of the Company |
| 23 December 2018 | Other | Individual | Inquired the invested project of the Company |
| 19 December 2018 | Other | Individual | Inquired the future planning of the Company |
| 18 December 2018 | Other | Individual | Inquired whether there was horizontal competition of investment project of the Company |
| 12 December 2018 | Other | Individual | Inquired the situations of majority-owned subsidiary of the Company |
| 10 December 2018 | Other | Individual | Inquired the conditions of the land which will be purchased in the future of the Company |
| 10 December 2018 | Other | Individual | Inquired the progress of the project of lithium battery membrane of industry funds established by the Company |
| 27 November 2018 | Other | Individual | Inquired the operations of the Company |
| 20 November 2018 | Other | Individual | Inquired the share repurchases of the Company |
| 19 November 2018 | Other | Individual | Inquired the equity investment project of the Company |
| 19 November 2018 | Other | Individual | Inquired the equity investment project of the Company |
| 16 November 2018 | Other | Individual | Inquired the participation in profit of the Company |
| 16 November 2018 | Other | Individual | Inquired the operations of the Company |
| 16 November 2018 | Other | Individual | Inquired the share repurchases of the Company |
| 12 November 2018 | Other | Individual | Inquired the equity investment project of the Company |
| 31 October 2018 | Other | Individual | Inquired the equity transfer of the Company |
| 22 October 2018 | Other | Individual | Inquired the equity transfer of the Company |
| 22 October 2018 | Other | Individual | Inquired the equity transfer of the Company |
| 13 August 2018 | Other | Individual | Inquired the progress of the project of lithium battery membrane of industry funds established by the Company |

| | | | |
|---|-------|------------|---|
| 18 July 2018 | Other | Individual | Inquired the repurchase of B share |
| 1 June 2018 | Other | Individual | Inquired the equity transfer of the Company |
| 11 May 2018 | Other | Individual | Inquired the share holdings of senior executives of the Company |
| 11 May 2018 | Other | Individual | Inquired the reform of state-owned enterprises |
| 6 April 2018 | Other | Individual | Inquired the reform of state-owned enterprises toward mixed system |
| 31 March 2018 | Other | Individual | Inquired the reform of the Company |
| 31 March 2018 | Other | Individual | Inquired the market value management of the Company |
| 31 March 2018 | Other | Individual | Inquired the cooperation with Jiangsu World |
| 13 March 2018 | Other | Individual | Inquired the development of Southeast Asian market of the Company |
| 13 March 2018 | Other | Individual | Inquired the reform of state-owned enterprises toward mixed system |
| 29 January 2018 | Other | Individual | Inquired the time to disclose the earnings preannouncement of the Company |
| 18 January 2018 | Other | Individual | Inquired the cooperation with scientific research institution and institution of higher education |
| 3 January 2018 | Other | Individual | Inquired the cooperation intention with foreign companies |
| Times of communications | | 32 | |
| Number of institutions communicated with | | 0 | |
| Number of individuals communicated with | | 32 | |
| Number of other communication parties | | 0 | |
| Tip-offs or leakages of substantial supposedly-confidential information during communications | | None | |

Part V Significant Events

I Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

How the profit distribution policy, especially the cash dividend policy, for ordinary shareholders was formulated, executed or revised in the Reporting Period:

☒ Applicable ☐ Not applicable

In Articles of Association, which had confirmed the specific profits distribution and cleared out the conditions, standards and proportion of the cash bonus, stipulated the decision-making progress of the formulation and alternation of the profits distribution policies and the chapters as well as the regulations fully ensure the opportunities for the medium and small shareholders to exert the functions and to provide advices as well as appeals. The cash bonus of recent 3 years of the Company met with the regulations of the Articles of Association and during the decision-making process of the profits distribution proposal, the Independent Directors stated the independent advices and fully respected the advices from the medium and small shareholders. The profits distribution preplan and the turning capital reserve into share capital preplan of the Company were both met with the relevant regulations of the Articles of Association and so on.

| Special statement about the cash dividend policy | |
|---|-----|
| In compliance with the Company's Articles of Association and resolution of general meeting | Yes |
| Specific and clear dividend standard and ratio | Yes |
| Complete decision-making procedure and mechanism | Yes |
| Independent directors faithfully performed their duties and played their due role | Yes |
| Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected | Yes |
| In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent | N/A |

The profit distributions to ordinary shareholders, either in the form of cash or stock, in the past three years (including the Reporting Period) are summarized as follows:

| Year | Profits distribution proposal | Turning capital reserve into share capital proposal | Execution |
|------|--|---|--|
| 2018 | Distributed RMB0.25 of every 10 shares (taxes including) | No | Still needed to submit to the Annual General Meeting |
| 2017 | Distributed RMB0.30 of every 10 shares (taxes including) | No | Finished the execution |
| 2016 | Distributed RMB0.30 of every 10 | No | Finished the execution |

| | | | |
|--|--------------------------|--|--|
| | shares (taxes including) | | |
|--|--------------------------|--|--|

Cash dividend for ordinary shareholders in the past three years (including the Reporting Period):

Unit: RMB

| Year | Cash dividends (tax inclusive) (A) | Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B) | A as % of B (%) | Cash dividends in other forms (C) | C as % of B (%) | Total cash dividends (including those in other forms) (D) | D as % of B (%) |
|------|------------------------------------|--|-----------------|-----------------------------------|-----------------|---|-----------------|
| 2018 | 14,034,358.15 | 62,021,374.04 | 22.63% | 0.00 | 0.00% | 14,034,358.15 | 22.63% |
| 2017 | 16,841,229.78 | 46,431,302.73 | 36.27% | 0.00 | 0.00% | 16,841,229.78 | 36.27% |
| 2016 | 16,841,229.78 | 62,539,896.17 | 26.93% | 0.00 | 0.00% | 16,841,229.78 | 26.93% |

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for the ordinary shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to the ordinary shareholders are positive.

☐ Applicable ☒ Not applicable

II Final Dividend Plan for the Reporting Period

☒ Applicable ☐ Not applicable

| | |
|--|----------------|
| Bonus shares for every 10 shares (share) | 0 |
| Dividend for every 10 shares (RMB) (tax included) | 0.25 |
| Turning capital reserve into share capital for every 10 shares (share) | 0 |
| Total shares as the basis for the allocation preplan (share) | 561,374,326 |
| Cash dividends in other forms (such as share repurchase) (RMB) | 0 |
| Total cash dividends (including those in other forms) (RMB) | 14,034,358.15 |
| Distributive profit (RMB) | 643,968,465.93 |
| Total cash dividends (including those in other forms) as % of total profit distribution | 100.00% |
| Cash dividend situation | |
| Other | |
| Details about the profit allocation or turning capital reserve into share capital | |
| The preplan of the profits distribution reviewed and approved by the Board of Directors of the Company was: based on the total share capital of the Company on 31 December 2018, the Company distributed the cash bonus of RMB0.25 (tax included) of every 10 shares for the whole shareholders. There was no bonus share and no turn from capital reserve to share capital of 2018. | |

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

√Applicable □ Not applicable

| Commitment | Promisor | Type of commitment | Details of commitment | Date of commitment making | Term of commitment | Fulfillment |
|--|----------------------------|--------------------|--|---------------------------|--------------------|-------------|
| Other commitments made to minority shareholders | Changchai Company, Limited | bonus | Rewards Plan for Shareholders in Next Three Years(2017-2019) Under the premise of positive distributive profit (remaining after-tax profits after making up for the loss and extracting for the common reserves) in this year or half year and abundant money flow and no influence on the following-up going concern after cash bonus, the profits allocated by cash every year shouldn't be lower than 10% of the allocable profits from parent company. Meanwhile, the accumulated allocable profits by cash in the arbitrary continuous three accounting years should not be lower than 30% of the annual average allocable profits in those three years. | 11 May 2017 | Year 2017-2019 | Ongoing |
| Fulfilled on time | Yes | | | | | |
| Specific reasons for failing to fulfill commitments on time and plans for next step (if any) | N/A | | | | | |

2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.

□ Applicable √ Not applicable

IV Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

☐ Applicable ☒ Not applicable

There were no retrospective restatements due to correction of material accounting errors in the Reporting Period

VI YoY Changes to Accounting Policies, Estimates and Methods

☒ Applicable ☐ Not applicable

1. Changes to accounting policies

Notes of the Ministry of Finance on Revising and Printing the Format of 2018 General Enterprises Financial Statement (CK [2018] No. 15) was issued by the Ministry of Finance on 15 June 2018, which revised the format of general enterprises financial statements. After it was being reviewed and approved by the 14th Meeting of the 8th Board of Directors, the Company began to implement the above-mentioned notice on the required time by the Ministry of Finance. And retroactive adjustment was adopted for the changes in the accounting policy.

The items and amount of the influenced consolidated balance sheet on 31 December 2017:

Unit: RMB

| Before adjustment | | After adjustment | |
|--------------------------|----------------|-------------------------------|------------------|
| Item | Amount | Item | Amount |
| Notes receivable | 716,404,345.57 | Notes and accounts receivable | 1,108,415,299.12 |
| Accounts receivable | 392,010,953.55 | | |
| Other receivables | 5,794,971.22 | Other receivables | 5,794,971.22 |
| Interest receivable | 0.00 | | |
| Dividends receivable | 0.00 | | |
| Fixed assets | 560,049,970.50 | Fixed assets | 560,049,970.50 |
| Disposal of fixed assets | 0.00 | | |
| Construction in process | 94,581,989.06 | Construction in process | 94,581,989.06 |
| Engineering material | 0.00 | | |
| Notes payable | 347,070,500.00 | Notes and accounts payable | 963,299,000.18 |
| Accounts payable | 616,228,500.18 | | |
| Other payables | 192,094,243.08 | Other payables | 195,985,676.91 |
| Interest payable | 0.00 | | |

| | | | |
|------------------------|----------------|------------------------|----------------|
| Dividends payable | 3,891,433.83 | | |
| Administrative expense | 184,550,915.26 | Administrative expense | 107,835,619.11 |
| | | R&D expense | 76,715,296.15 |

2. Changes to accounting estimates

No such cases in the Reporting Period.

VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VIII YoY Changes to the Scope of the Consolidated Financial Statements

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

| | |
|--|---|
| Name of the domestic independent auditor | Jiangsu Gongzheng Tianye Certified Public Accountants LLP |
| The Company's payment to the domestic independent auditor (RMB'0,000) | 60 |
| How many consecutive years the domestic independent auditor has provided audit service for the Company | 17 |
| Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report | Dai Weizhong, Xu Wenxiang |
| How many consecutive years the certified public accountants have provided audit service for the Company | Dai Weizhong three years, Xu Wenxiang one year |

Indicate by tick mark whether the independent auditor was changed for the Reporting Period.

☐ Yes ☒ No

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls:

☒ Applicable ☐ Not applicable

During Reporting Period, the Company hired Jiangsu Gongzheng Tianye Certified Public Accountants LLP as the internal control auditor at the cost of RMB120,000.

X Possibility of Listing Suspension or Termination after Disclosure of this Report

☐ Applicable ☒ Not applicable

XI Insolvency and Reorganization

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XII Major Legal Matters

☒ Applicable ☐ Not applicable

| General information | Involved amount (RMB'0,000) | Provision | Progress | Decisions and effects | Execution of decisions | Disclosure date | Index to disclosed information |
|--|--------------------------------|-----------|-----------------------------|-----------------------|--|-----------------|--------------------------------|
| About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April, 2002. Currently, the defendant has started the bankruptcy procedure. | 1,436 | No | Judged for the second trial | N/A | Under the compulsory execution by the court and in the process of liquidation and bankruptcy | | |

XIII Punishments and Rectifications

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XIV Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller

☐ Applicable ☒ Not applicable

XV Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVI Major Related-Party Transactions

1. Continuing Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Other Major Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVII Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(3) Leases

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Major guarantees

☒ Applicable ☐ Not applicable

(1) Guarantees

Unit: RMB'0,000

| Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries) | | | | | | | | |
|--|--|-------------------|--|---|-------------------|-------------------|-----------------------|--------------------------------------|
| Obligor | Disclosure date of the guarantee line announcement | Line of guarantee | Actual occurrence date (date of agreement signing) | Actual guarantee amount | Type of guarantee | Term of guarantee | Having expired or not | Guarantee for a related party or not |
| Guarantees between the Company as the parent and its subsidiaries | | | | | | | | |
| Obligor | Disclosure date of the guarantee line announcement | Line of guarantee | Actual occurrence date (date of agreement signing) | Actual guarantee amount | Type of guarantee | Term of guarantee | Having expired or not | Guarantee for a related party or not |
| Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. | 29 November 2018 | 2,000 | 29 November 2018 | 2,000 | Joint liability | 1 year | No | No |
| Total approved line for such guarantees in the Reporting | | 2,000 | | Total actual amount of such guarantees in the | | 2,000 | | |

| | | | | | | | | |
|---|--|-------------------|--|---|-------------------|-------------------|-----------------------|--------------------------------------|
| Period (B1) | | | | Reporting Period (B2) | | | | |
| Total approved line for such guarantees at the end of the Reporting Period (B3) | | 2,000 | | Total actual balance of such guarantees at the end of the Reporting Period (B4) | | 2,000 | | |
| Guarantees provided between subsidiaries | | | | | | | | |
| Obligor | Disclosure date of the guarantee line announcement | Line of guarantee | Actual occurrence date (date of agreement signing) | Actual guarantee amount | Type of guarantee | Term of guarantee | Having expired or not | Guarantee for a related party or not |
| Total guarantee amount (total of the three kinds of guarantees above) | | | | | | | | |
| Total guarantee line approved in the Reporting Period (A1+B1+C1) | | 2,000 | | Total actual guarantee amount in the Reporting Period (A2+B2+C2) | | 2,000 | | |
| Total approved guarantee line at the end of the Reporting Period (A3+B3+C3) | | 2,000 | | Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4) | | 2,000 | | |
| Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets | | | | 0.98% | | | | |
| Of which: | | | | | | | | |
| Balance of guarantees provided for shareholders, actual controller and their related parties (D) | | | | 0 | | | | |
| Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E) | | | | 2000 | | | | |
| Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F) | | | | 0 | | | | |
| Total of the three amounts above (D+E+F) | | | | 2000 | | | | |
| Explanation on possibility to bear joint liability due to undue guarantees | | | | N/A | | | | |
| Explanation on the external guarantees in violation of stipulated procedures | | | | N/A | | | | |

(2) Irregularities in Provision of Guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

☒ Applicable ☐ Not applicable

Overviews of cash entrusted for wealth management during the Reporting Period

Unit: RMB'0,000

| Specific type | Capital resources | Amount incurred | Undue Balance | Overdue amount |
|---------------------------|-------------------|-----------------|---------------|----------------|
| Broker financial products | Self-owned funds | 2,208.41 | 400.00 | 0.00 |

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for entrusted asset management

☐ Applicable ☒ Not applicable

(2) Entrusted Loans

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Other Major Contracts

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVIII Corporate Social Responsibility (CSR)

1. Measures Taken to Fulfill CSR Commitment

The Company holds the principles of compliance of laws, strict procedures, prudence and integrity. Based on the core values of “customer first, staff first, rewarding shareholders and benefiting the society”, it improves the production efficiency and operation quality and fulfills its responsibilities and obligations to shareholders, employees, consumers and suppliers to realize common development of the Company and stakeholders. Moreover, the Company develops based on national policies and needs to provide support for the construction of agriculture, countryside and farmers. In order to conform to the construction of low-carbon economy and coordinate with the direction of social development, the Company invests a lot in product research and development and completes energy conservation and emission reduction work for a green and better life.

1. Guaranty of interests of shareholders. The Company improves the corporate governance structure and internal management control system based on relevant legal norms and regulations. The work of general meeting of shareholders, board of directors and board of supervisors is carried out in strict accordance with the Articles of Association. The disclosure of company information is based on truth, accuracy and completeness. All

shareholders enjoy fairness and guaranteed legitimate rights and interests entitled.

2. Care for employees. The Company considers staff first and takes the protection of employees' rights and interests seriously. It invests a lot in personnel training to improve staff initiative and creativity for common development of company and staff. Besides performance, the Company also cares for personal and family well-being of staff to build a harmonious labor-management relationship.

3. Protection of the rights and interests of consumers, customers and suppliers. The Company upholds the enterprise ethics of "advocating science, integrity and trustworthiness" in production and operation activities and product sales. It develops good cooperative relations with suppliers and customers and coordinates the work of all parties for sharing of wealth. It improves services according to market demand and response and guarantees the rights and interests of customers. By providing complete services for consumers and improving customer satisfaction, the Company realizes greater achievements.

4. Sustainable development. Based on the national policies and actual situation, the Company takes the opportunity of emission standard updating of non-road machinery and rural construction to promote the research and development of agricultural machinery products and speeds up product updating. Under the support of relevant government departments, the Company proceeds the construction of industrial parks in accordance with urban planning in an orderly manner to form industrial agglomeration for the implement of urban planning and a green and harmonious living environment.

2. Measures Taken for Targeted Poverty Alleviation

The Company didn't take any targeted measures to help people lift themselves out of poverty during the Reporting Period, no subsequent plan temporarily too.

3. Issues Related to Environmental Protection

☐ Applicable ☒ Not applicable

Indicate by tick mark whether the Company or any of its subsidiaries is identified as a major polluter by the environmental protection authorities.

No

The Company and its subsidiaries are not the major polluter identified by the environmental protection authorities of China during the Reporting Period. The Company attaches great importance to the work of environmental protection, and requires the subsidiaries to build corresponding environmental protection facilities according to the actual situation of production and operation, strictly controlling the pollutants, like "waste gas, waste water, and waste residue" generated from the production process.

XIX Other Significant Events

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XX Significant Events of Subsidiaries

☐ Applicable ☒ Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

| | Before | | Increase/decrease in the Reporting Period (+/-) | | | | | After | |
|---|-------------|----------------|---|--|--|-------|----------|-------------|----------------|
| | Shares | Percentage (%) | New issues | Shares as dividend converted from profit | Shares as dividend converted from capital reserves | Other | Subtotal | Shares | Percentage (%) |
| I. Restricted shares | 0 | 0.00% | | | | | | 0 | 0.00% |
| 1. Shares held by the state | 0 | 0.00% | | | | | | 0 | 0.00% |
| 2. Shares held by state-owned Legal-person | 0 | 0.00% | | | | | | 0 | 0.00% |
| 3. Shares held by other domestic investors | 0 | 0.00% | | | | | | 0 | 0.00% |
| Among which: shares held by domestic legal person | 0 | 0.00% | | | | | | 0 | 0.00% |
| Shares held by domestic natural person | 0 | 0.00% | | | | | | 0 | 0.00% |
| 4. Oversea shareholdings | 0 | 0.00% | | | | | | 0 | 0.00% |
| Among which: shares held by overseas legal person | 0 | 0.00% | | | | | | 0 | 0.00% |
| Shares held by overseas natural person | 0 | 0.00% | | | | | | 0 | 0.00% |
| II. Unrestricted shares | 561,374,326 | 100.00% | | | | | | 561,374,326 | 100.00% |
| 1. RMB ordinary shares | 411,374,326 | 73.28% | | | | | | 411,374,326 | 73.28% |
| 2. Domestically listed foreign shares | 150,000,000 | 26.72% | | | | | | 150,000,000 | 26.72% |
| 3. Oversea listed foreign shares | 0 | 0.00% | | | | | | 0 | 0.00% |
| 4. Other | 0 | 0.00% | | | | | | 0 | 0.00% |

| | | | | | | | | | |
|-------------------|-------------|---------|--|--|--|--|--|-------------|---------|
| III. Total shares | 561,374,326 | 100.00% | | | | | | 561,374,326 | 100.00% |
|-------------------|-------------|---------|--|--|--|--|--|-------------|---------|

Reasons for share changes:

☐ Applicable ☒ Not applicable

Approval of share changes:

☐ Applicable ☒ Not applicable

Transfer of share ownership:

☒ Applicable ☐ Not applicable

The former controlling shareholders State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government and Changzhou Investment Group Co., Ltd. signed the Agreement on Gratuitous Transfer of State-owned Shares of Changchai Co., Ltd. on 16 August 2018 for the proposal of transferring 170,845,236 shares of Changchai Co., Ltd. held by the State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government to Changzhou Investment Group Co., Ltd.. The work of gratuitous transfer of 170,845,236 shares (accounting for 30.43% of the Company's total equity) of the Company from State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government to Changzhou Investment Group Co., Ltd. was completed on 22 November 2018. The nature of the shares is unrestricted public shares.

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

☐ Applicable ☒ Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

☐ Applicable ☒ Not applicable

II. Issuance and Listing of Securities

1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

☐ Applicable ☒ Not applicable

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

☐ Applicable ☒ Not applicable

3. Existing Staff-Held Shares

☐ Applicable ☒ Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

| Number of ordinary shareholders | 49,051 | Number of ordinary shareholders at the month-end prior to the disclosure of this Report | 57,411 | Number of preferred shareholders with resumed voting rights | 0 | Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report | 0 | |
|---|--------------------------|---|-------------------------------------|---|------------------------|---|----------------------------|--------|
| 5% or greater shareholders or top 10 shareholders | | | | | | | | |
| Name of shareholder | Nature of shareholder | Shareholding percentage | Total shares held at the period-end | Increase/decrease in the Reporting Period | Restricted shares held | Unrestricted shares held | Shares in pledge or frozen | |
| | | | | | | | Status | Shares |
| Changzhou Investment Group Co., Ltd | State-owned legal person | 30.43% | 170,845,236 | | | 170,845,236 | | |
| KGI Asia Limited | Foreign legal person | 0.57% | 3,189,845 | | | 3,189,845 | | |
| Zhang Ruirong | Domestic natural person | 0.32% | 1,789,800 | | | 1,789,800 | | |
| Wan Peizhong | Domestic natural person | 0.29% | 1,645,800 | | | 1,645,800 | | |
| Huang Guoliang | Domestic natural person | 0.27% | 1,528,891 | | | 1,528,891 | | |
| Hu Wenyong | Domestic natural person | 0.27% | 1,500,066 | | | 1,500,066 | | |
| Gao Yuehua | Domestic | 0.25% | 1,390,500 | | | 1,390,500 | | |

| | | | | | | | | |
|---|-------------------------|---|-----------|------------------------------------|--|-----------|-------------|--|
| | natural person | | | | | | | |
| Li Suinan | Domestic natural person | 0.24% | 1,356,000 | | | 1,356,000 | | |
| Xiong Shunbao | Domestic natural person | 0.23% | 1,282,251 | | | 1,282,251 | | |
| Vanguard Total International Stock Index Fund | Foreign legal person | 0.23% | 1,277,294 | | | 1,277,294 | | |
| Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue | | N/A | | | | | | |
| Related or acting-in-concert parties among the shareholders above | | It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration. | | | | | | |
| Top 10 unrestricted shareholders | | | | | | | | |
| Name of shareholder | | Unrestricted shares held at the period-end | | Shares by type | | | | |
| | | | | Type | | Shares | | |
| Changzhou Investment Group Co., Ltd | | 170,845,236 | | RMB ordinary shares | | | 170,845,236 | |
| KGI Asia Limited | | 3,189,845 | | Domestically listed foreign shares | | | 3,189,845 | |
| Zhang Ruirong | | 1,789,800 | | RMB ordinary shares | | | 1,789,800 | |
| Wan Peizhong | | 1,645,800 | | RMB ordinary shares | | | 1,645,800 | |
| Huang Guoliang | | 1,528,891 | | Domestically listed foreign shares | | | 1,528,891 | |
| Hu Wenyong | | 1,500,066 | | Domestically listed foreign shares | | | 1,500,066 | |
| Gao Yuehua | | 1,390,500 | | RMB ordinary shares | | | 1,390,500 | |
| Li Suinan | | 1,356,000 | | Domestically listed foreign shares | | | 1,356,000 | |
| Xiong Shunbao | | 1,282,251 | | RMB ordinary shares | | | 1,282,251 | |
| Vanguard Total International Stock Index Fund | | 1,277,294 | | Domestically listed foreign shares | | | 1,277,294 | |
| Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as | | It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding | | | | | | |

| | |
|---|--------------------------|
| between top 10 unrestricted public shareholders and top 10 shareholders | Shareholding Alteration. |
| Top 10 ordinary shareholders involved in securities margin trading | N/A |

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

☐ Yea ☒ No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: Controlled by a local state-owned legal person

Type of the controlling shareholder: legal person

| Name of controlling shareholder | Legal representative/ person in charge | Date of establishment | Unified social credit code | Principal activity |
|--|--|-----------------------|----------------------------|------------------------------------|
| Changzhou Investment Group Co., Ltd | Chen Limin | 20 June 2002 | 91320400467283980X | Property investment and management |
| Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period | None | | | |

Change of the controlling shareholder in the Reporting Period:

☒ Applicable ☐ Not Applicable

| | |
|--|--|
| Name of new controlling shareholder | Changzhou Investment Group Co., Ltd |
| Date of change | 22 November 2018 |
| Index to the appointed website | http://www.cninfo.com.cn 2018-031 |
| Disclosure date on the appointed website | 23 November 2018 |

3. Actual Controller

Nature of the actual controller: Local institution for state-owned assets management

Type of the actual controller: legal person

| Name of actual controller | Legal | Date of | Unified social credit code | Principal activity |
|---------------------------|-------|---------|----------------------------|--------------------|
|---------------------------|-------|---------|----------------------------|--------------------|

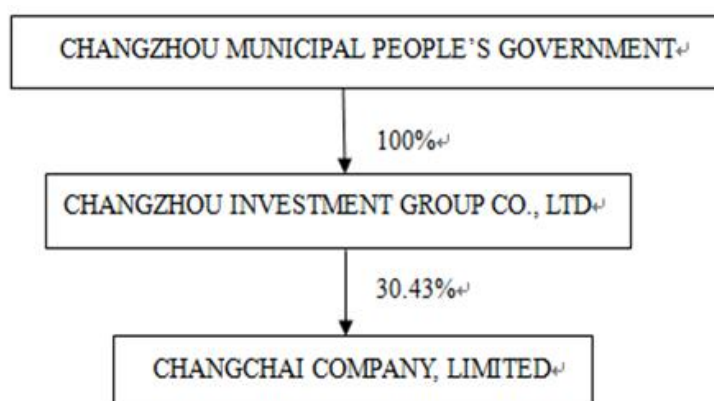
| | representative/person in charge | establishment | | |
|---|---------------------------------|---------------|------------|----------------|
| State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government | Liu Yuedong | | 01411025-1 | Not applicable |
| Other listed companies at home or abroad controlled by the actual controller in the Reporting Period | None | | | |

Change of the actual controller during the Reporting Period:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:



According to the document of Changzhou Municipal People's Government (CZF[2006] No. 62)), both the Company and Changzhou Investment Group Co., Ltd. belong to the enterprises to perform the responsibilities of investors under supervision of the State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government authorized by Changzhou Municipal People's Government. In view of this, after the equity transfer, Changzhou Investment Group Co., Ltd. is the controlling shareholder of the Company, and the State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government is still the actual controller of the Company.

Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

☐ Applicable ☒ Not applicable

4. Other 10% or Greater Corporate Shareholders

☐ Applicable ☒ Not applicable

5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

☐ Applicable ☒ Not applicable

Part VII Preferred Shares

☐ Applicable ☒ Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

| Name | Office title | Incumbent/ Former | Gender | Age | Start of tenure | End of tenure | Ending shareholding (share) |
|--------------|-----------------------------------|----------------------|--------|-----|------------------|------------------|-----------------------------------|
| Shi Xinkun | Chairman of the Board | Incumbent | Male | 55 | 18 October 2016 | 17 October 2019 | 0 |
| He Jianguang | Vice Chairman of the Board | Former | Male | 55 | 18 October 2016 | 29 January 2019 | 0 |
| Zhang Xin | Director, General Manager | Incumbent | Male | 53 | 18 October 2016 | 17 October 2019 | 0 |
| Shi Jianchun | Director, Vice-general Manager | Incumbent | Male | 57 | 18 October 2016 | 17 October 2019 | 0 |
| Xu Qian | Director | Former | Female | 56 | 18 October 2016 | 17 December 2018 | 0 |
| Lin Tian | Director | Incumbent | Male | 56 | 17 December 2018 | 17 October 2019 | 0 |
| Zhang Qiong | Director | Incumbent | Female | 61 | 18 October 2016 | 17 October 2019 | 0 |
| Li Minghui | Independent director | Incumbent | Male | 45 | 18 October 2016 | 17 October 2019 | 0 |
| Jia Bin | Independent director | Incumbent | Male | 41 | 18 October 2016 | 17 October 2019 | 0 |
| Feng Genfu | Independent director | Incumbent | Male | 62 | 18 October 2016 | 17 October 2019 | 0 |
| Yin Lihou | Vice-general Manager | Incumbent | Male | 55 | 18 October 2016 | 17 October 2019 | 0 |
| Xu Yi | Vice-general Manager | Incumbent | Male | 55 | 18 October 2016 | 17 October 2019 | 0 |
| Liu Xiaoyun | Vice-general Manager | Incumbent | Male | 57 | 18 October 2016 | 17 October 2019 | 0 |

| | | | | | | | |
|--------------|----------------------------|-----------|------|----|-----------------|-----------------|---|
| Wei Jinxiang | Vice-general Manager | Incumbent | Male | 56 | 18 October 2016 | 17 October 2019 | 0 |
| Ni Mingliang | Chairman of the Supervisor | Incumbent | Male | 52 | 18 October 2016 | 17 October 2019 | 0 |
| Zhu Min | Supervisor | Incumbent | Male | 55 | 18 October 2016 | 17 October 2019 | 0 |
| Xie Guozhong | Supervisor | Incumbent | Male | 50 | 18 October 2016 | 17 October 2019 | 0 |
| Lu Zhonggui | Supervisor | Incumbent | Male | 52 | 18 October 2016 | 17 October 2019 | 0 |
| Liu Yi | Supervisor | Incumbent | Male | 50 | 18 October 2016 | 17 October 2019 | 0 |
| He Jianjiang | Secretary of the Board | Incumbent | Male | 40 | 18 October 2016 | 17 October 2019 | 0 |
| Total | -- | -- | -- | -- | -- | -- | 0 |

II Change of Directors, Supervisors and Senior Management

√Applicable □ Not applicable

| Name | Office title | Type of change | Date of change | Reason for change |
|--------------|----------------------------|----------------|------------------|------------------------|
| He Jianguang | Vice Chairman of the Board | Left | 29 January 2019 | Job transfer |
| Xu Qian | Director | Left | 17 December 2018 | Changes in shareholder |
| Lin Tian | Director | Appointed | 17 December 2018 | Changes in shareholder |

III Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

Shi Xinkun: He acted as vice-president of Changzhou Investment Group Co., Ltd. Now, he is the Chairman of the Board and Party Secretary in our company.

Zhang Xin: He successively took the posts of Sales Manager, General Manager Assistant, and vice-general manager in our company. Now, he acts as Director, General Manager, and deputy Party Secretary of our company.

Shi Jianchun: He successively acted as Party Secretary, Director, Vice-general Manager and Secretary of the Board of the Company. Now he is the Director, Vice-general Manager and Chairman of the Board of Housheng Investment Co., Ltd.

Lin Tian: He successively worked as deputy director of enterprise development Dept., GM of investment management Dept. II and I, assistant president in Changzhou Investment Group Co., Ltd. Now he is the vice president, director of Changzhou Investment Group Co., Ltd., and the director of the Company.

Zhang Qiong: She successively acted as Lecturer and Associate Professor in Department of Law of Anhui University, Deputy Director of Intellectual Property Office and Director of Legal Affairs Office in Shenzhen Huawei Technologies Co., Ltd, Senior Manager, Assistant Secretary General of Shenzhen Innovation Investment Group Ltd, Director, General Manager, and consultant of Anhui Hongtu Venture Capital Co., Ltd. Now, she works as the supervisor of Synergetic Funds Management Limited, and the director of the Company.

Feng Genfu: he held the post of Dean of Institute of Economics and Finance in Xi'an Jiaotong University. Now, he is Professor and Doctoral Advisor of Institute of Economics and Finance in Xi'an Jiaotong University, Independent Director of Datang International Power Generation Co., Ltd., and China Securities Co., Ltd, and the independent director of the Company.

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

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

Yin Lihou: He worked as Minister of Human Resources Department and General Manager Assistant. Now he acts as Deputy General Manager of the Company, and the Chairman of the Board of Changchai Robin.

Xu Yi: He successively took the posts of Director of Technical Center and General Manager Assistant. Now he is Vice-general Manager of the Company.

Liu Xiaoyun: He successively acted as Multi-cylinder Engine Factory Director, Minister of Purchase Department, and General Manager Assistant in the Company. Now he acts as Deputy General Manager of the Company.

Wei Jinxiang: He successively held the posts of Department Director of Quality Assurance Department, General Manager Assistant of the Company. Now he acts as Deputy General Manager of the Company, and the chairman of Changchai Wanzhou, Changchai Benniu, and Housheng Agricultural Equipment.

Ni Mingliang: Now he acts as Deputy Party Secretary, Secretary of Commission, Chairman of Labor Union and Chairman of the Supervisory.

Zhu Min: Now he acts as Deputy Section Chief and Principal Staff Member of Changzhou SASAC Property Rights, and Section Supervisor of Supervisory., and supervisor of the Company.

Xie Guozhong: Now he acts as General Manager Assistant of the Company, General Manager and Secretary of Party General Branch of the Sales Company, and Supervisor of the Company and Director of Housheng Agriculture Equipment.

Lu Zhonggui: Now he acts as Minister of political Department of the Company, Office Director, Secretary of Organ Party General Branch as well as employee supervisor of the Company.

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

Wanzhou.

He Jianjiang: He successively acted as the Section Member, Assistant Minister, Vice Minister of Investment and Development Department in our Company, Representative of Securities in the Company. Now he is Secretary of the Board and Minister of Investment and Development Department in our Company, and Director of Housheng Investment, Changchai Robin, Housheng Agricultural Equipment, and Changchai Wanzhou.

Offices held concurrently in shareholding entities:

| Name | Shareholding entity | Office held in the shareholding entity | Start of tenure | End of tenure | Remuneration or allowance from the shareholding entity |
|----------|--------------------------------------|--|-----------------|---------------|--|
| Lin Tian | Changzhou Investment Group Co., Ltd. | Vice president, director | December 2017 | | Yes |

Offices held concurrently in other entities:

| Name | Other entity | Office held in the entity | Start of tenure | End of tenure | Remuneration or allowance from the entity |
|-------------|---|---|-----------------|---------------|---|
| Zhang Qiong | Synergetic Funds Management Limited | Supervisor | | | Yes |
| Li Minghui | Nanjing University | Doctoral Supervisor | 1 April 2012 | | Yes |
| | Baosheng Science & Technology Innovation Co., Ltd | Independent Director | 3 December 2014 | | |
| | Nanjing Securities Co., Ltd | Independent Director | 12 May 2016 | | |
| | Jiangsu Fasten Co., Ltd | Independent Director | 20 April 2015 | | |
| Jia Bin | Tianjin Research Institute of Internal Combustion Engine | the Director of No.1 Research office | 1 March 2009 | | Yes |
| | China Internal Combustion Engine Industry Association | Secretary-general of CICEIA Small Gasoline Engine Branch. | 1 November 2011 | | |
| Feng Genfu | Institute of Economics and Finance in Xi'an Jiaotong University | Professor and Doctoral Advisor | 1 March 2016 | | Yes |
| | Datang International Power Generation Co., Ltd. | Independent Director | 30 June 2016 | | |
| | China Securities Co., Ltd. | Independent Director | 15 May 2015 | | |

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors

and senior management as well as those who left in the Reporting Period:

☐ Applicable ☒ Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

In 2018, the monthly salaries of directors, supervisors and senior executives in the Company were in line with the stipulations of relevant salary management and grade standards, and the benefits of the Company and assessment results. The Director Lin Tian obtained salaries in shareholders' entities.

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

| Name | Office title | Gender | Age | Incumbent/Former | Total before-tax remuneration from the Company | Any remuneration from related party |
|--------------|--------------------------------|--------|-----|------------------|--|-------------------------------------|
| Shi Xinkun | Chairman of the Board | Male | 55 | Incumbent | 50.98 | No |
| He Jianguang | Vice Chairman of the Board | Male | 55 | Former | 50.98 | No |
| Zhang Xin | Director, General Manager | Male | 53 | Incumbent | 50.98 | No |
| Shi Jianchun | Director, Vice-general Manager | Male | 57 | Incumbent | 50.98 | No |
| Xu Qian | Director | Female | 56 | Former | 0 | Yes |
| Lin Tian | Director | Male | 56 | Incumbent | 0 | Yes |
| Zhang Qiong | Director | Female | 61 | Incumbent | 0 | No |
| Li Minghui | Independent director | Male | 45 | Incumbent | 5 | No |
| Jia Bin | Independent director | Male | 41 | Incumbent | 5 | No |
| Feng Genfu | Independent director | Male | 62 | Incumbent | 5 | No |
| Yin Lihou | Vice-general Manager | Male | 55 | Incumbent | 42.77 | No |
| Xu Yi | Vice-general | Male | 55 | Incumbent | 44.55 | No |

| | | | | | | |
|--------------|-------------------------------|------|----|-----------|--------|-----|
| | Manager | | | | | |
| Liu Xiaoyun | Vice-general Manager | Male | 57 | Incumbent | 43.66 | No |
| Wei Jinxiang | Vice-general Manager | Male | 56 | Incumbent | 42.33 | No |
| Ni Mingliang | Chairman of the Supervisor | Male | 52 | Incumbent | 43.66 | No |
| Zhu Min | Supervisor | Male | 55 | Incumbent | 0 | Yes |
| Xie Guozhong | Supervisor | Male | 50 | Incumbent | 41.22 | No |
| Lu Zhonggui | Supervisor | Male | 52 | Incumbent | 16.65 | No |
| Liu Yi | Supervisor | Male | 50 | Incumbent | 15.50 | No |
| He Jianjiang | Secretary of the Board | Male | 40 | Incumbent | 31.96 | No |
| Total | -- | -- | -- | -- | 541.22 | -- |

Equity incentives for directors, supervisors and senior management in the Reporting Period:

☐ Applicable ☒ Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

| | |
|--|-----------|
| Number of in-service employees of the Company as the parent | 2,595 |
| Number of in-service employees of major subsidiaries | 591 |
| Total number of in-service employees | 3,186 |
| Total number of paid employees in the Reporting Period | 3,186 |
| Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions | 0 |
| Functions | |
| Function | Employees |
| Production | 2,168 |
| Sales | 230 |
| Technical | 368 |
| Financial | 41 |

| | |
|--|-----------|
| Administrative | 346 |
| Other | 33 |
| Total | 3,186 |
| Educational backgrounds | |
| Educational background | Employees |
| Junior high school graduates and below | 1,417 |
| High school graduates | 918 |
| College graduates and technical secondary school graduates | 556 |
| Bachelors | 275 |
| Masters and above | 20 |
| Total | 3,186 |

2. Employee Remuneration Policy

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

3. Employee Training Plans

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

4. Labor Outsourcing

☐ Applicable ☒ Not applicable

Part IX Corporate Governance

I General Information of Corporate Governance

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

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

Indicate by tick market whether there is any material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies.

☐ Yes ☒ No

No such cases in the Reporting Period.

II The Company's Independence from Its Controlling Shareholder in Business, Personnel, Asset, Organization and Financial Affairs

The Company was totally independent from the controlling shareholder Changzhou Investment Group Co., Ltd in terms of assets, business, personnel, organization and financing, with independent & complete business and capability to operate independently.

III Horizontal Competition

☐ Applicable ☒ Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

| Meeting | Type | Investor participation ratio | Date of the meeting | Disclosure date | Index to disclosed information |
|---------------------------------|------------------------|------------------------------|---------------------|-----------------|--------------------------------|
| The 2017 Annual General Meeting | Annual General Meeting | 0.03% | 17 May 2018 | 18 May 2018 | 2018-014 |

| | | | | | |
|---|-------------------------------|-------|------------------|------------------|----------|
| The 1 st Extraordinary General Meeting of 2018 | Extraordinary General Meeting | 0.02% | 17 December 2018 | 18 December 2018 | 2018-044 |
|---|-------------------------------|-------|------------------|------------------|----------|

2. Special General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

☐ Applicable ☒ Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

1. Attendance of Independent Directors at Board Meetings and General Meetings

| Attendance of independent directors in board meetings | | | | | | |
|---|---|--------------------------|---------------------------------------|----------------------------------|-----------------|----------------------------------|
| Independent director | Due presence in this Reporting Period (times) | Presence on site (times) | Presence by telecommunication (times) | Presence through a proxy (times) | Absence (times) | Absent for two consecutive times |
| Li Minghui | 8 | 3 | 5 | 0 | 0 | No |
| Feng Genfu | 8 | 2 | 5 | 1 | 0 | No |
| Jia Bin | 8 | 2 | 5 | 1 | 0 | No |
| Attendance of independent directors in meetings of shareholders as non-voting delegates (times) | | 2 | | | | |

Why any independent director failed to attend two consecutive board meetings:

Not applicable.

2. Objections Raised by Independent Directors on Matters of the Company

Indicate by tick mark whether any independent directors raised any objections on any matter of the Company.

☐ Yes ☒ No

No such cases in the Reporting Period.

3. Other Information about the Performance of Duty by Independent Directors

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

☒ Yes ☐ No

Suggestions from independent directors adopted or not adopted by the Company:

The independent directors of the Company in line with the law, rules, normative documents and obligations given by the Company of the Company law, Article of Associations and Independent Directors Work Rules, comprehensively focused on the development and operation of the Company, actively attended the general meeting of shareholder and meeting of board of directors, and given independent opinions for the significant

events of the Company, and effectively maintained the profits of the Company and all the shareholders. The Company actively listened to the suggestions from the independent directors upon the significant events and adopted them.

VI Performance of Duty by Specialized Committees under the Board in the Reporting Period

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

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

(1) Major work of Audit Committee in Reporting Period:

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

5) Submitted the summary report on annual audit of the Company conducted by the CPAs firm to the Board of Directors;

6) Advised to continue the appointment of Jiangsu Gongzheng Certified Public Accountants Co., Ltd as the audit institution of the Company in 2019.

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

1) On 22 March 2019, the Audit Committee the Audit Committee examined the financial statements of the Company after the certified public accountants had issued the preliminary opinion on the statements, and issued a written opinion as follows: The financial statements of the Company were prepared in accordance with the New Accounting Standards for Enterprises and relevant financial rules of the Company, and faithfully reflected the financial position of the Company, as well as the business results and cash flows in 2018 in all material aspects.

2) With regard to the audited financial statements 2018, on 9 April 2019, the Audit Committee made the following resolution: the Audit Committee reviewed the financial statements 2018 audited by auditors, and believed that the said financial statements faithfully reflected the financial position of the Company as at 31 December 2018, as well as the business results and cash flows in 2018 in all material aspects. It agreed to submit the statements to the Board of Directors for examination and approval.

(3) Summary report on the audit work conducted by the CPAs firm in 2018:

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

The Audit Committee held that the CPAs firm conducted the audit strictly in accordance with provisions

stipulated in the Independent Auditing Standards for CPAs of the PRC. The time of audit was sufficient, and the auditors with excellent ability to practice were deployed reasonably. The issued auditor's report fully reflected the financial position of the Company as at 31 December 2018, as well as the business results and cash flows in 2018, and the audit conclusion was in line with the actual situation of the Company.

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

The Audit Committee convened a meeting on 9 April 2019 to review the matter concerning the employment of a CPAs firm for the audit in 2019, and the review opinion was as follows: Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd had accomplished the audit of the Company 2018, and the auditor's report reflected the actual financial status of the Company in 2018 objectively and fairly.

The Audit Committee was satisfied with the audit conducted by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd and decided to continue to engage it as the audit institution of the Company in 2019.

The said proposal was agreed to be submitted to the 17th Meeting of the 8th Board of Directors for review.

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

The Remuneration & Appraisal Committee under the Board of Directors was composed of 3 Directors, including 2 Independent Directors and 1 Inner Director. And one of the Independent Directors assumed the position of Chairman of the Committee.

In the Reporting Period, the Remuneration & Appraisal Committee raised the proposal on implementing the appraisal of senior executives in 2018, based on the fulfillment of the main financial indicators and operation targets in 2018, which were determined in the Contract for Appraisal of Senior Executives in 2018.

In the Reporting Period, based on relevant regulations and rules, the Remuneration & Appraisal Committee examined the remuneration of the Company's senior executives in 2018 and issued opinions as follows:

The Remuneration & Appraisal Committee held that, the remuneration of the Company's senior executives in 2018 was in accordance with provisions in the Contract for Appraisal of Senior Executives in 2018, as well as the laws, regulations and rules of the Company.

VII Performance of Duty by the Supervisory Committee

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

☐ Yes ☒ No

The Supervisory Committee raised no objections in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

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

IX Internal Control

1. Material Internal Control Weaknesses Identified for the Reporting Period

☐ Yes ☒ No

2. Internal Control Self-Evaluation Report

| | | |
|---|---|---|
| Disclosure date of the internal control self-evaluation report | | 11 April 2019 |
| Index to the disclosed internal control self-evaluation report | | 2019-008 |
| Evaluated entities' combined assets as % of consolidated total assets | | 100.00% |
| Evaluated entities' combined operating revenue as % of consolidated operating revenue | | 100.00% |
| Identification standards for internal control weaknesses | | |
| Type | Weaknesses in internal control over financial reporting | Weaknesses in internal control not related to financial reporting |
| Nature standard | <p>The Company classified the defects as serious defect, important defect and general defect according to the influence degree from the internal control:</p> <p>(1) Serious defect: refers to one or multiple groups with control defect which may lead the enterprise seriously deviates the control target;</p> <p>(2) Important defect: refers to one or multiple groups with control defect with the severity and the economic results lower than the great defect but may still lead the enterprise seriously deviates the control target;</p> <p>(3) General defect: refers to other defect except for the great defect and significant defect.</p> <p>Nature standards: defects with the following random characteristics should be recognized as serious defect:</p> <p>1) the defect involves with the malpractice of the Directors, Supervisors and Senior Executives;</p> <p>2) revised the disclosed financial report;</p> <p>3) CPAs discovered the great misstatement among the current financial statement while which could not be found during the operating process of the internal control;</p> | <p>Defects with the following random characteristics should be recognized as serious defect:</p> <p>1) Seriously violated the national laws and administrative regulations and the normative documents;</p> <p>2) “three significant one great” event had not been through the collective decision-making process;</p> <p>3) the significant events involved with the production and operation of the Company lacked of systematic control or the institutional system was invalid;</p> <p>4) the internal control of the information disclosure was invalid, which led the Company be open condemned by the supervision department;</p> <p>5) the serious defect from the assessment results of the internal control had not been revised.</p> |

| | | |
|--|---|---|
| | 4) the supervision from the Audit Committee and the internal audit institution of the enterprise was invalid. | |
| Quantitative standard | <p>Quantitative standards: The quantitative standards of recognizing the significant degree of the misstatement (including the false negatives) of the consolidated financial report of the Company based on the data from the 2018 consolidated statements was as: Serious defect: misstatement $\geq 5\%$ of the annual profits Important defect: 2.5% of the annual profits \leq misstatement $< 5\%$ of the annual profits General defect $< 2.5\%$ of the annual profits</p> | <p>Refer to the quantitative criteria of the internal control defect of the financial report, to recognize the quantitative criteria of the significant degree of the internal control defect of the non-financial report of the Company as: Serious defect: possibly caused directly losses $\geq 0.1\%$ of the net assets Important defect: 0.05% of the net assets \leq possibly caused directly losses $< 0.1\%$ of the net assets General defect: possibly caused directly losses $< 0.05\%$ of the net assets</p> |
| Number of material weaknesses in internal control over financial reporting | 0 | |
| Number of material weaknesses in internal control not related to financial reporting | 0 | |
| Number of serious weaknesses in internal control over financial reporting | 0 | |
| Number of serious weaknesses in internal control not related to financial reporting | 0 | |

X Independent Auditor's Report on Internal Control

☒ Applicable ☐ Not applicable

| Opinion paragraph in the independent auditor's report on internal control | |
|---|--------------------------------|
| We believed that Changchai Company, Limited maintained effective internal control of the financial report in significant aspects according to the Basic Norms of Internal Control and relevant regulations on 31 December 2018. | |
| Independent auditor's report on internal control disclosed or not | Disclosed |
| Disclosure date | 11 April 2019 |
| Index to such report disclosed | 2019-008 |
| Type of the auditor's opinion | Unmodified unqualified opinion |
| Material weaknesses in internal control not related to financial reporting | None |

Indicate by tick mark whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

☐ Yes ☒ No

Indicate by tick mark whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

☒ Yes ☐ No

Part X Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No.

Part XI Financial Statements

I Independent Auditor's Report

| | |
|---|---|
| Type of the independent auditor's opinion | Unmodified unqualified opinion |
| Date of signing this report | 9 April 2019 |
| Name of the independent auditor | Jiangsu Gongzheng Tianye Certified Public Accountants LLP |
| No. of the auditor's report | Sugong W[2019]A405 |
| Name of the certified public accountants | Dai Weizhong, Xu Wenxiang |

Text of the Independent Auditor's Report

To the Shareholders of Changchai Company, Limited,

I Opinion

We have audited the accompanying financial statements of Changchai Company, Limited. (together with its consolidated subsidiaries included in the consolidated financial statements, the "Company"), which comprise the parent's and consolidated balance sheets as at 31 December 2018, the parent's and consolidated income statements, the parent's and consolidated cash flow statements, the parent's and consolidated statements of changes in owners' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of Changchai Company, Limited. as at 31 December 2018 and the consolidated and parent business performance and cash flow for 2018.

II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the said Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit

of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. And key audit matter identified in our audit is summarized as follows:

(I) Recognition of revenue

1. Description of the item

The consolidated revenue of the Company in 2018 was RMB2,132,902,700. Because of the significant amount of the revenue and being the key performance indicator, related risks of recognition of revenue may existed according to the accounting policies, so we identify income recognition as a key audit item.

2. Response for audit

(1) Know the key internal control related to revenue recognition, evaluate whether its design and execution are valid or not, and test the operation effectiveness of the related internal control.

(2) Analyze and assess the time-point of transferring major risks and rewards related to recognition of sales revenue through the sampling inspection of sales contract and interviews with management, and then evaluate the recognition policies of sales revenue of the Company.

(3) Check the supporting documents related to revenue recognition, such as sales contracts, order form, invoice for sales, shipping order, declaration for exportation, and etc.

(4) Check the operating revenue recognized before and after the balance sheet date to the supporting documents, such as shipping order, declaration for exportation, and etc by sampling method to assess whether the operating revenue is recognized within appropriate period.

(5) Implement the confirmation by drawing sample to recognize the balance of accounts receivable and the amount of sales revenue according to the features and natures of customer transaction.

(II) Bad debt provision for accounts receivable

1. Description of the item

As stated in Notes V. 2 of the Financial Statements, as of 31 December 2018, carrying value of accounts receivable of the Company is RMB378,859,200, accounting for 10.70% of the total assets. Bad debt provision for accounts receivable of the Company is calculated by the assessment of accounts receivable's return ability. The assessment of accounts receivable's return ability needs large judgment of the management, involving the significant accounting estimations with significant influences on amounts. So, we take bad debt provision for account receivable as a key audit item.

2. Response for audit

- (1) Knowing, evaluating and testing the related internal control of bad debt provision for accounts receivable;
- (2) Re-checking the related considerations and objective evidences of impairment test for accounts receivable, paying attention to whether the management has fully recognized the impairment of items;
- (3) For accounts receivable made bad debt provision separately, we re-check the basis and reasonability for the estimated available cash flow in the future;
- (4) For accounts receivable made bad debt provision by the credit risks characteristic group, we evaluate whether the ratio of bad debt provision confirmed by management is reasonable;
- (5) We request for confirmation of accounts receivable, and check the confirmation result with the carrying amount;
- (6) Checking the payment collection after the binding stage, and evaluating the reasonability of bad debt provision made by management.

IV Other Information

The Company's management (hereinafter referred to as "management") is responsible for the other information. The other information comprises all of the information included in the Company's 2017 Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

V Responsibilities of Management and Those Charged with Governance for Financial Statements

The management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI Auditor's Responsibilities for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free

from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

Jiangsu Gongzheng Tianye Certified Public Accountants
(LLP)

Wuxi · China

Chinese CPA Dai Weizhong
(Engagement Partner)
Chinese CPA Xu Wenxiang

9 April 2019

II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

Unit: RMB

| Item | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Current assets: | | |
| Monetary capital | 800,960,036.69 | 430,305,367.71 |
| Settlement reserve | | |
| Interbank loans granted | | |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Notes and accounts receivable | 874,229,941.58 | 1,108,415,299.12 |
| Including: Notes receivable | 495,370,782.47 | 716,404,345.57 |
| Accounts receivable | 378,859,159.11 | 392,010,953.55 |
| Prepayments | 11,352,297.10 | 17,781,007.77 |
| Premiums receivable | | |
| Reinsurance receivables | | |
| Receivable reinsurance contract reserve | | |
| Other receivables | 9,244,584.42 | 5,794,971.22 |
| Including: Interest receivable | | |
| Dividends receivable | | |
| Financial assets purchased under resale agreements | | |
| Inventories | 557,953,891.70 | 508,246,807.48 |
| Assets classified as held for sale | | |
| Current portion of non-current assets | | |
| Other current assets | 34,357,608.97 | 42,540,184.05 |
| Total current assets | 2,288,098,360.46 | 2,113,083,637.35 |
| Non-current assets: | | |
| Loans and advances to customers | | |
| Available-for-sale financial assets | 498,851,369.49 | 793,522,639.04 |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 0.00 | 0.00 |

| | | |
|---|------------------|------------------|
| Investment property | 50,656,007.63 | 52,864,348.43 |
| Fixed assets | 511,250,371.37 | 560,049,970.50 |
| Construction in progress | 89,090,384.71 | 94,581,989.06 |
| Productive living assets | | |
| Oil and gas assets | | |
| Intangible assets | 103,092,879.38 | 107,795,746.86 |
| R&D expense | | |
| Goodwill | | |
| Long-term prepaid expense | | |
| Deferred income tax assets | 979,822.71 | 1,006,953.81 |
| Other non-current assets | 0.00 | 0.00 |
| Total non-current assets | 1,253,920,835.29 | 1,609,821,647.70 |
| Total assets | 3,542,019,195.75 | 3,722,905,285.05 |
| Current liabilities: | | |
| Short-term borrowings | 27,000,000.00 | 24,900,000.00 |
| Borrowings from central bank | | |
| Customer deposits and interbank deposits | | |
| Interbank loans obtained | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Notes and accounts payable | 1,030,130,275.77 | 963,299,000.18 |
| Advances from customers | 34,500,232.97 | 40,153,984.91 |
| Financial assets sold under repurchase agreements | | |
| Handling charges and commissions payable | | |
| Payroll payable | 50,500,592.99 | 51,247,112.66 |
| Taxes payable | 7,066,085.89 | 4,017,920.78 |
| Other payables | 199,412,250.90 | 195,985,676.91 |
| Including: Interest payable | | |
| Dividends payable | 3,891,433.83 | 3,891,433.83 |
| Reinsurance payables | | |
| Insurance contract reserve | | |
| Payables for acting trading of securities | | |
| Payables for underwriting of securities | | |
| Liabilities directly associated with assets classified as held for sale | | |

| | | |
|--|------------------|------------------|
| Current portion of non-current liabilities | 18,500,000.00 | |
| Other current liabilities | 2,082,985.18 | 2,028,937.59 |
| Total current liabilities | 1,369,192,423.70 | 1,281,632,633.03 |
| Non-current liabilities: | | |
| Long-term borrowings | 2,000,000.00 | 21,500,000.00 |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Long-term payables | | |
| Long-term payroll payable | | |
| Provisions | | |
| Deferred income | 59,928,484.84 | 60,992,858.46 |
| Deferred income tax liabilities | 47,971,780.36 | 92,409,779.39 |
| Other non-current liabilities | | |
| Total non-current liabilities | 109,900,265.20 | 174,902,637.85 |
| Total liabilities | 1,479,092,688.90 | 1,456,535,270.88 |
| Owners' equity: | | |
| Share capital | 561,374,326.00 | 561,374,326.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 164,328,665.43 | 164,328,665.43 |
| Less: Treasury stock | | |
| Other comprehensive income | 264,405,675.00 | 515,068,550.00 |
| Specific reserve | 15,182,958.83 | 13,289,059.21 |
| Surplus reserves | 320,133,050.15 | 313,705,210.16 |
| General reserve | | |
| Retained earnings | 717,883,351.33 | 679,131,047.06 |
| Total equity attributable to owners of the Company as the parent | 2,043,308,026.74 | 2,246,896,857.86 |
| Non-controlling interests | 19,618,480.11 | 19,473,156.31 |
| Total owners' equity | 2,062,926,506.85 | 2,266,370,014.17 |
| Total liabilities and owners' equity | 3,542,019,195.75 | 3,722,905,285.05 |

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

2. Balance Sheet of the Company as the Parent

Unit: RMB

| Item | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Current assets: | | |
| Monetary capital | 759,404,219.72 | 366,907,287.64 |
| Financial assets at fair value through profit or loss | | |
| Derivative financial assets | | |
| Notes and accounts receivable | 790,877,079.72 | 1,031,361,397.27 |
| Including: Notes receivable | 490,519,795.91 | 711,474,345.57 |
| Accounts receivable | 300,357,283.81 | 319,887,051.70 |
| Prepayments | 4,768,038.11 | 9,815,561.98 |
| Other receivables | 21,681,331.85 | 11,798,211.40 |
| Including: Interest receivable | 0.00 | 0.00 |
| Dividends receivable | 0.00 | 0.00 |
| Inventories | 437,423,195.46 | 376,814,388.82 |
| Assets classified as held for sale | | |
| Current portion of non-current assets | | |
| Other current assets | 23,099,858.67 | 20,692,057.15 |
| Total current assets | 2,037,253,723.53 | 1,817,388,904.26 |
| Non-current assets: | | |
| Available-for-sale financial assets | 470,940,000.00 | 785,837,500.00 |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 241,752,730.03 | 231,752,730.03 |
| Investment property | 50,656,007.63 | 52,864,348.43 |
| Fixed assets | 413,186,680.19 | 453,155,359.47 |
| Construction in progress | 87,007,215.91 | 93,681,793.26 |
| Productive living assets | | |
| Oil and gas assets | | |
| Intangible assets | 72,184,608.63 | 75,623,219.49 |
| R&D expense | | |
| Goodwill | | |
| Long-term prepaid expense | | |
| Deferred income tax assets | 930,641.19 | 934,554.06 |

| | | |
|---|------------------|------------------|
| Other non-current assets | | |
| Total non-current assets | 1,336,657,883.58 | 1,693,849,504.74 |
| Total assets | 3,373,911,607.11 | 3,511,238,409.00 |
| Current liabilities: | | |
| Short-term borrowings | 10,000,000.00 | |
| Financial liabilities at fair value through profit or loss | | |
| Derivative financial liabilities | | |
| Notes and accounts payable | 987,550,797.44 | 883,244,989.22 |
| Advances from customers | 32,072,387.55 | 38,382,261.14 |
| Payroll payable | 43,597,759.22 | 41,401,495.39 |
| Taxes payable | 2,443,767.89 | 1,373,036.64 |
| Other payables | 185,022,961.56 | 185,981,889.23 |
| Including: Interest payable | | |
| Dividends payable | 3,243,179.97 | 3,243,179.97 |
| Liabilities directly associated with assets classified as held for sale | | |
| Current portion of non-current liabilities | 18,500,000.00 | |
| Other current liabilities | | |
| Total current liabilities | 1,279,187,673.66 | 1,150,383,671.62 |
| Non-current liabilities: | | |
| Long-term borrowings | | 19,500,000.00 |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Long-term payables | | |
| Long-term payroll payable | | |
| Provisions | | |
| Deferred income | 59,928,484.84 | 60,992,858.46 |
| Deferred income tax liabilities | 46,659,825.00 | 90,894,450.00 |
| Other non-current liabilities | | |
| Total non-current liabilities | 106,588,309.84 | 171,387,308.46 |
| Total liabilities | 1,385,775,983.50 | 1,321,770,980.08 |
| Owners' equity: | | |
| Share capital | 561,374,326.00 | 561,374,326.00 |
| Other equity instruments | | |

| | | |
|--------------------------------------|------------------|------------------|
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 183,071,147.70 | 183,071,147.70 |
| Less: Treasury stock | | |
| Other comprehensive income | 264,405,675.00 | 515,068,550.00 |
| Specific reserve | 15,182,958.83 | 13,289,059.21 |
| Surplus reserves | 320,133,050.15 | 313,705,210.16 |
| Retained earnings | 643,968,465.93 | 602,959,135.85 |
| Total owners' equity | 1,988,135,623.61 | 2,189,467,428.92 |
| Total liabilities and owners' equity | 3,373,911,607.11 | 3,511,238,409.00 |

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

3. Consolidated Income Statement

Unit: RMB

| Item | 2018 | 2017 |
|---|------------------|------------------|
| 1. Revenue | 2,132,902,718.60 | 2,423,058,958.29 |
| Including: Operating revenue | 2,132,902,718.60 | 2,423,058,958.29 |
| Interest income | | |
| Premium income | | |
| Handling charge and commission income | | |
| 2. Costs and expenses | 2,177,879,797.73 | 2,412,300,893.20 |
| Including: Cost of sales | 1,813,444,585.66 | 2,072,877,976.77 |
| Interest expense | | |
| Handling charge and commission expense | | |
| Surrenders | | |
| Net claims paid | | |
| Net amount provided as insurance contract reserve | | |
| Expenditure on policy dividends | | |
| Reinsurance premium expense | | |
| Taxes and surcharges | 12,532,729.68 | 13,904,298.45 |
| Selling expense | 126,997,066.87 | 102,297,713.37 |
| Administrative expense | 116,027,838.96 | 107,835,619.11 |
| R&D expense | 72,182,840.78 | 76,715,296.15 |
| Finance costs | -903,762.30 | -2,290,794.39 |
| Including: Interest expense | 4,553,608.46 | 2,119,903.67 |
| Interest income | 4,665,445.23 | 7,613,535.50 |
| Asset impairment loss | 37,598,498.08 | 40,960,783.74 |
| Add: Other income | 6,291,685.65 | 8,456,560.85 |
| Investment income (“-” for loss) | 113,270,824.83 | 13,115,817.10 |
| Including: Share of profit or loss of joint ventures and associates | | |
| Gain on changes in fair value (“-” for loss) | | |
| Foreign exchange gain (“-” for loss) | | |
| Asset disposal income (“-” for loss) | 662,151.89 | 1,373,236.33 |
| 3. Operating profit (“-” for loss) | 75,247,583.24 | 33,703,679.37 |
| Add: Non-operating income | 1,938,995.76 | 22,907,878.36 |

| | | |
|--|-----------------|-----------------|
| Less: Non-operating expense | 1,474,218.49 | 7,792,658.00 |
| 4. Profit before tax (“-” for loss) | 75,712,360.51 | 48,818,899.73 |
| Less: Income tax expense | 13,545,662.67 | 1,681,667.26 |
| 5. Net profit (“-” for net loss) | 62,166,697.84 | 47,137,232.47 |
| 5.1 Net profit from continuing operations (“-” for net loss) | 62,166,697.84 | 47,137,232.47 |
| 5.2 Net profit from discontinued operations (“-” for net loss) | | |
| Net profit attributable to owners of the Company as the parent | 62,021,374.04 | 46,431,302.73 |
| Net profit attributable to non-controlling interests | 145,323.80 | 705,929.74 |
| 6. Other comprehensive income, net of tax | -250,662,875.00 | -107,979,750.00 |
| Attributable to owners of the Company as the parent | -250,662,875.00 | -107,979,750.00 |
| 6.1 Items that will not be reclassified to profit or loss | | |
| 6.1.1 Changes caused by remeasurements on defined benefit pension schemes | | |
| 6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method | | |
| 6.2 Items that may subsequently be reclassified to profit or loss | -250,662,875.00 | -107,979,750.00 |
| 6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method | | |
| 6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets | -250,662,875.00 | -107,979,750.00 |
| 6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | |
| 6.2.4 Effective gain/loss on cash flow hedges | | |
| 6.2.5 Differences arising from translation of foreign currency-denominated financial statements | | |
| 6.2.6 Other | | |
| Attributable to non-controlling interests | | |
| 7. Total comprehensive income | -188,496,177.16 | -60,842,517.53 |
| Attributable to owners of the Company as the parent | -188,641,500.96 | -61,548,447.27 |
| Attributable to non-controlling interests | 145,323.80 | 705,929.74 |
| 8. Earnings per share | | |
| 8.1 Basic earnings per share | 0.11 | 0.08 |
| 8.2 Diluted earnings per share | 0.11 | 0.08 |

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

4. Income Statement of the Company as the Parent

Unit: RMB

| Item | 2018 | 2017 |
|--|------------------|------------------|
| 1. Operating revenue | 1,968,727,065.36 | 2,235,805,990.99 |
| Less: Cost of sales | 1,689,706,860.63 | 1,931,679,323.68 |
| Taxes and surcharges | 9,550,011.21 | 11,611,908.48 |
| Selling expense | 113,219,756.42 | 91,518,856.80 |
| Administrative expense | 99,399,032.15 | 90,013,191.80 |
| R&D expense | 70,981,785.06 | 76,589,354.80 |
| Finance costs | -2,269,683.27 | -5,269,152.69 |
| Including: Interest expense | 1,150,062.50 | 243,305.56 |
| Interest income | 4,320,565.70 | 7,398,676.24 |
| Asset impairment loss | 33,088,706.77 | 36,843,390.33 |
| Add: Other income | 6,156,851.75 | 7,921,898.35 |
| Investment income (“-” for loss) | 112,464,720.49 | 10,709,750.99 |
| Including: Share of profit or loss of joint ventures and associates | | |
| Gain on changes in fair value (“-” for loss) | | |
| Asset disposal income (“-” for loss) | 577,265.23 | 1,184,146.48 |
| 2. Operating profit (“-” for loss) | 74,249,433.86 | 22,634,913.61 |
| Add: Non-operating income | 1,231,701.78 | 1,324,306.44 |
| Less: Non-operating expense | 1,442,817.89 | 6,979,953.83 |
| 3. Profit before tax (“-” for loss) | 74,038,317.75 | 16,979,266.22 |
| Less: Income tax expense | 9,759,917.90 | -1,270,346.56 |
| 4. Net profit (“-” for net loss) | 64,278,399.85 | 18,249,612.78 |
| 4.1 Net profit from continuing operations (“-” for net loss) | 64,278,399.85 | 18,249,612.78 |
| 4.2 Net profit from discontinued operations (“-” for net loss) | | |
| 5. Other comprehensive income, net of tax | -250,662,875.00 | -107,979,750.00 |
| 5.1 Items that will not be reclassified to profit or loss | | |
| 5.1.1 Changes in caused by remeasurements on defined benefit pension schemes | | |
| 5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method | | |
| 5.2 Items that may subsequently be reclassified to profit or loss | -250,662,875.00 | -107,979,750.00 |
| 5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method | | |

| | | |
|--|-----------------|-----------------|
| 5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets | -250,662,875.00 | -107,979,750.00 |
| 5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | |
| 5.2.4 Effective gain/loss on cash flow hedges | | |
| 5.2.5 Differences arising from translation of foreign currency-denominated financial statements | | |
| 5.2.6 Other | | |
| 6. Total comprehensive income | -186,384,475.15 | -89,730,137.22 |
| 7. Earnings per share | | |
| 7.1 Basic earnings per share | | |
| 7.2 Diluted earnings per share | | |

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

5. Consolidated Cash Flow Statement

Unit: RMB

| Item | 2018 | 2017 |
|---|------------------|------------------|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 2,425,197,716.22 | 2,340,135,466.05 |
| Net increase in customer deposits and interbank deposits | | |
| Net increase in borrowings from central bank | | |
| Net increase in loans from other financial institutions | | |
| Premiums received on original insurance contracts | | |
| Net proceeds from reinsurance | | |
| Net increase in deposits and investments of policy holders | | |
| Net increase in proceeds from disposal of financial assets at fair value through profit or loss | | |
| Interest, handling charges and commissions received | | |
| Net increase in interbank loans obtained | | |
| Net increase in proceeds from repurchase transactions | | |
| Tax rebates | 57,089,558.17 | 45,280,119.53 |
| Cash generated from other operating activities | 12,322,331.45 | 20,703,603.65 |
| Subtotal of cash generated from operating activities | 2,494,609,605.84 | 2,406,119,189.23 |
| Payments for commodities and services | 1,748,699,087.54 | 2,068,207,850.42 |
| Net increase in loans and advances to customers | | |
| Net increase in deposits in central bank and in interbank loans granted | | |
| Payments for claims on original insurance contracts | | |
| Interest, handling charges and commissions paid | | |
| Policy dividends paid | | |
| Cash paid to and for employees | 321,746,157.63 | 332,974,762.36 |
| Taxes paid | 33,740,896.03 | 38,505,023.00 |
| Cash used in other operating activities | 116,603,937.75 | 88,100,832.84 |
| Subtotal of cash used in operating activities | 2,220,790,078.95 | 2,527,788,468.62 |
| Net cash generated from/used in operating activities | 273,819,526.89 | -121,669,279.39 |
| 2. Cash flows from investing activities: | | |
| Proceeds from disinvestment | 43,589,736.75 | 8,000,000.00 |
| Investment income | 113,425,932.70 | 11,364,613.67 |
| Net proceeds from disposal of fixed assets, intangible assets | 979,093.38 | 835,345.89 |

| | | |
|---|----------------|-----------------|
| and other long-lived assets | | |
| Net proceeds from disposal of subsidiaries or other business units | | |
| Cash generated from other investing activities | | 1,000,000.00 |
| Subtotal of cash generated from investing activities | 157,994,762.83 | 21,199,959.56 |
| Payments for acquisition of fixed assets, intangible assets and other long-lived assets | 18,482,660.75 | 57,507,086.97 |
| Payments for investments | 33,293,147.06 | 113,985,139.04 |
| Net increase in pledged loans granted | | |
| Net payments for acquisition of subsidiaries and other business units | | 4,272,350.99 |
| Cash used in other investing activities | | |
| Subtotal of cash used in investing activities | 51,775,807.81 | 175,764,577.00 |
| Net cash generated from/used in investing activities | 106,218,955.02 | -154,564,617.44 |
| 3. Cash flows from financing activities: | | |
| Capital contributions received | | |
| Including: Capital contributions by non-controlling interests to subsidiaries | | |
| Increase in borrowings obtained | 40,700,000.00 | 51,900,000.00 |
| Net proceeds from issuance of bonds | | |
| Cash generated from other financing activities | | |
| Subtotal of cash generated from financing activities | 40,700,000.00 | 51,900,000.00 |
| Repayment of borrowings | 39,600,000.00 | 15,500,000.00 |
| Payments for interest and dividends | 19,322,496.75 | 18,180,577.83 |
| Including: Dividends paid by subsidiaries to non-controlling interests | | |
| Cash used in other financing activities | | |
| Subtotal of cash used in financing activities | 58,922,496.75 | 33,680,577.83 |
| Net cash generated from/used in financing activities | -18,222,496.75 | 18,219,422.17 |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | | |
| 5. Net increase in cash and cash equivalents | 361,815,985.16 | -258,014,474.66 |
| Add: Cash and cash equivalents, beginning of the period | 325,263,654.43 | 583,278,129.09 |
| 6. Cash and cash equivalents, end of the period | 687,079,639.59 | 325,263,654.43 |

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

| Item | 2018 | 2017 |
|---|------------------|------------------|
| 1. Cash flows from operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 2,373,022,957.25 | 2,272,196,372.83 |
| Tax rebates | 40,981,398.83 | 29,635,115.60 |
| Cash generated from other operating activities | 10,293,262.16 | 16,533,875.78 |
| Subtotal of cash generated from operating activities | 2,424,297,618.24 | 2,318,365,364.21 |
| Payments for commodities and services | 1,748,150,322.59 | 2,059,024,833.30 |
| Cash paid to and for employees | 268,331,025.24 | 277,811,436.98 |
| Taxes paid | 21,464,799.34 | 28,251,524.17 |
| Cash used in other operating activities | 114,428,231.52 | 81,615,494.68 |
| Subtotal of cash used in operating activities | 2,152,374,378.69 | 2,446,703,289.13 |
| Net cash generated from/used in operating activities | 271,923,239.55 | -128,337,924.92 |
| 2. Cash flows from investing activities: | | |
| Proceeds from disinvestment | 30,000,000.00 | |
| Investment income | 112,621,521.91 | 10,709,750.99 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets | 867,615.38 | 131,366.89 |
| Net proceeds from disposal of subsidiaries or other business units | | |
| Cash generated from other investing activities | | 1,000,000.00 |
| Subtotal of cash generated from investing activities | 143,489,137.29 | 11,841,117.88 |
| Payments for acquisition of fixed assets, intangible assets and other long-lived assets | 16,631,342.48 | 45,733,282.92 |
| Payments for investments | 10,000,000.00 | 126,280,000.00 |
| Net payments for acquisition of subsidiaries and other business units | | |
| Cash used in other investing activities | | |
| Subtotal of cash used in investing activities | 26,631,342.48 | 172,013,282.92 |
| Net cash generated from/used in investing activities | 116,857,794.81 | -160,172,165.04 |
| 3. Cash flows from financing activities: | | |
| Capital contributions received | | |
| Increase in borrowings obtained | 10,000,000.00 | 20,000,000.00 |
| Net proceeds from issuance of bonds | | |
| Cash generated from other financing activities | | |

| | | |
|---|----------------|-----------------|
| Subtotal of cash generated from financing activities | 10,000,000.00 | 20,000,000.00 |
| Repayment of borrowings | 1,000,000.00 | 500,000.00 |
| Payments for interest and dividends | 17,991,292.28 | 17,084,535.34 |
| Cash used in other financing activities | | |
| Sub-total of cash used in financing activities | 18,991,292.28 | 17,584,535.34 |
| Net cash generated from/used in financing activities | -8,991,292.28 | 2,415,464.66 |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | | |
| 5. Net increase in cash and cash equivalents | 379,789,742.08 | -286,094,625.30 |
| Add: Cash and cash equivalents, beginning of the period | 272,064,464.71 | 558,159,090.01 |
| 6. Cash and cash equivalents, end of the period | 651,854,206.79 | 272,064,464.71 |

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

7. Consolidated Statements of Changes in Owners' Equity

2018

Unit: RMB

| Item | 2018 | | | | | | | | | | | | |
|--|--|---------------------------------|------------------------|-----------|---------------------|----------------------------|--------------------------------------|---------------------|---------------------|--------------------|----------------------|----------------------------------|----------------------------|
| | Equity attributable to owners of the Company as the parent | | | | | | | | | | | Non-con trolling interests | Total owners’ equity |
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other compreh ensive income | Specific reserve | Surplus reserves | General reserve | Retained earnings | | |
| | | Pref erre d shar es | Perpet ual bonds | Oth er | | | | | | | | | |
| 1. Balances as at the end of the prior year | 561,374, 326.00 | | | | 164,328, 665.43 | | 515,068, 550.00 | 13,289,0 59.21 | 313,705, 210.16 | | 679,131, 047.06 | 19,473,1 56.31 | 2,266,37 0,014.17 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | | | |
| Adjustments for business combinations under common control | | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | | |
| 2. Balances as at the beginning of the year | 561,374, 326.00 | | | | 164,328, 665.43 | | 515,068, 550.00 | 13,289,0 59.21 | 313,705, 210.16 | | 679,131, 047.06 | 19,473,1 56.31 | 2,266,37 0,014.17 |
| 3. Increase/ decrease in the period (“-” for | | | | | | | -250,662 | 1,893,89 | 6,427,83 | | 38,752,3 | 145,323. | -203,443 |

| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|-----------------|------|--------------|--|----------------|------------|----------------|
| decrease) | | | | | | | ,875.00 | 9.62 | 9.99 | | 04.27 | 80 | ,507.32 |
| 3.1 Total comprehensive income | | | | | | | -142,712,875.00 | | | | 62,021,374.04 | 145,323.80 | -80,546,177.16 |
| 3.2 Capital increased and reduced by owners | | | | | | | | | | | | | |
| 3.2.1 Ordinary shares increased by shareholders | | | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | | | |
| 3.2.3 Share-based payments included in owners' equity | | | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | 6,427,839.99 | | -23,269,069.77 | | -16,841,229.78 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | 6,427,839.99 | | -6,427,839.99 | | |
| 3.3.2 Appropriation to general reserve | | | | | | | | | | | | | |
| 3.3.3 Appropriation to owners (or shareholders) | | | | | | | | | | | -16,841,229.78 | | -16,841,229.78 |
| 3.3.4 Other | | | | | | | | | | | | | |
| 3.4 Transfers within owners' equity | | | | | | | | | | | | | |
| 3.4.1 Increase in | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|---|--------------------|--|--|--|--------------------|--|---------------------|-------------------|--------------------|--|--------------------|-------------------|----------------------|
| capital (or share capital) from capital reserves | | | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | | | |
| 3.4.3 Loss offset by surplus reserves | | | | | | | | | | | | | |
| 3.4.4 Changes in defined benefit pension schemes transferred to retained earnings | | | | | | | | | | | | | |
| 3.4.5 Other | | | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | 1,893,89 9.62 | | | | | 1,893,89 9.62 |
| 3.5.1 Increase in the period | | | | | | | | 4,135,80 5.99 | | | | | 4,135,80 5.99 |
| 3.5.2 Used in the period | | | | | | | | 2,241,90 6.37 | | | | | 2,241,90 6.37 |
| 3.6 Other | | | | | | | -107,950 ,000.00 | | | | | | -107,950 ,000.00 |
| 4. Balances as at the end of the period | 561,374, 326.00 | | | | 164,328, 665.43 | | 264,405, 675.00 | 15,182,9 58.83 | 320,133, 050.15 | | 717,883, 351.33 | 19,618,4 80.11 | 2,062,92 6,506.85 |

2017

Unit: RMB

| Item | 2017 | | | | | | | | | | | | |
|--|--|-----------------------------|----------------------------|-----------|---------------------|----------------------------|--------------------------------------|---------------------|---------------------|--------------------|----------------------|----------------------------------|---------------------------|
| | Equity attributable to owners of the Company as the parent | | | | | | | | | | | Non-con trolling interests | Total owners equity |
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other compreh ensive income | Specific reserve | Surplus reserves | General reserve | Retained earnings | | |
| | | Prefe rred share s | Perp etual bond s | Othe r | | | | | | | | | |
| 1. Balances as at the end of the prior year | 561,374,326.00 | | | | 164,328,665.43 | | 623,048,300.00 | 11,715,417.22 | 311,880,248.88 | | 651,365,935.39 | 18,767,226.57 | 2,342,480,119.49 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | | | |
| Adjustments for business combinations under common control | | | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | | | |
| 2. Balances as at the beginning of the year | 561,374,326.00 | | | | 164,328,665.43 | | 623,048,300.00 | 11,715,417.22 | 311,880,248.88 | | 651,365,935.39 | 18,767,226.57 | 2,342,480,119.49 |
| 3. Increase/ decrease in the period (“-” for decrease) | | | | | | | -107,979,750.00 | 1,573,641.99 | 1,824,961.28 | | 27,765,111.67 | 705,929.74 | -76,110,105.32 |

| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|-----------------|--|--------------|--|----------------|------------|----------------|
| 3.1 Total comprehensive income | | | | | | | -107,979,750.00 | | | | 46,431,302.73 | 705,929.74 | -60,842,517.53 |
| 3.2 Capital increased and reduced by owners | | | | | | | | | | | | | |
| 3.2.1 Ordinary shares increased by shareholders | | | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | | | |
| 3.2.3 Share-based payments included in owners' equity | | | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | 1,824,961.28 | | -18,666,191.06 | | -16,841,229.78 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | 1,824,961.28 | | -1,824,961.28 | | |
| 3.3.2 Appropriation to general reserve | | | | | | | | | | | | | |
| 3.3.3 Appropriation to owners (or shareholders) | | | | | | | | | | | -16,841,229.78 | | -16,841,229.78 |
| 3.3.4 Other | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|---|--------------------|--|--|--|--------------------|--|--------------------|-------------------|--------------------|--|--------------------|-------------------|----------------------|
| 3.4 Transfers within owners' equity | | | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | | | |
| 3.4.3 Loss offset by surplus reserves | | | | | | | | | | | | | |
| 3.4.4 Changes in defined benefit pension schemes transferred to retained earnings | | | | | | | | | | | | | |
| 3.4.5 Other | | | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | 1,573,64 1.99 | | | | | 1,573,64 1.99 |
| 3.5.1 Increase in the period | | | | | | | | 4,161,42 4.06 | | | | | 4,161,42 4.06 |
| 3.5.2 Used in the period | | | | | | | | 2,587,78 2.07 | | | | | 2,587,78 2.07 |
| 3.6 Other | | | | | | | | | | | | | |
| 4. Balances as at the end of the period | 561,374,3 26.00 | | | | 164,328, 665.43 | | 515,068, 550.00 | 13,289,0 59.21 | 313,705, 210.16 | | 679,131, 047.06 | 19,473,1 56.31 | 2,266,37 0,014.17 |

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

8. Statements of Changes in Owners' Equity of the Company as the Parent

2018

Unit: RMB

| Item | 2018 | | | | | | | | | | |
|--|----------------|--------------------------|-----------------|-------|------------------|----------------------|----------------------------|------------------|------------------|-------------------|----------------------|
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | |
| 1. Balances as at the end of the prior year | 561,374,326.00 | | | | 183,071,147.70 | | 515,068,550.00 | 13,289,059.21 | 313,705,210.16 | 602,959,135.85 | 2,189,467,428.92 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | |
| 2. Balances as at the beginning of the year | 561,374,326.00 | | | | 183,071,147.70 | | 515,068,550.00 | 13,289,059.21 | 313,705,210.16 | 602,959,135.85 | 2,189,467,428.92 |
| 3. Increase/ decrease in the period ("-" for decrease) | | | | | | | -250,662,875.00 | 1,893,899.62 | 6,427,839.99 | 41,009,330.08 | -201,331,805.31 |
| 3.1 Total comprehensive income | | | | | | | -142,712,875.00 | | | 64,278,399.85 | -78,434,475.15 |
| 3.2 Capital increased and reduced by owners | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--------------|----------------|----------------|
| 3.2.1 Ordinary shares increased by owners | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | |
| 3.2.3 Share-based payments included in owners' equity | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | 6,427,839.99 | -23,269,069.77 | -16,841,229.78 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | 6,427,839.99 | -6,427,839.99 | |
| 3.3.2 Appropriation to owners (or shareholders) | | | | | | | | | | -16,841,229.78 | -16,841,229.78 |
| 3.3.3 Other | | | | | | | | | | | |
| 3.4 Transfers within owners' equity | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|--|-----------------|---------------|----------------|----------------|------------------|
| 3.4.2 Increase in capital (or share capital) from surplus reserves | | | | | | | | | | | |
| 3.4.3 Loss offset by surplus reserves | | | | | | | | | | | |
| 3.4.4 Changes in defined benefit pension schemes transferred to retained earnings | | | | | | | | | | | |
| 3.4.5 Other | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | 1,893,899.62 | | | 1,893,899.62 |
| 3.5.1 Increase in the period | | | | | | | | 4,135,805.99 | | | 4,135,805.99 |
| 3.5.2 Used in the period | | | | | | | | 2,241,906.37 | | | 2,241,906.37 |
| 3.6 Other | | | | | | | -107,950,000.00 | | | | -107,950,000.00 |
| 4. Balances as at the end of the period | 561,374,326.00 | | | | 183,071,147.70 | | 264,405,675.00 | 15,182,958.83 | 320,133,050.15 | 643,968,465.93 | 1,988,135,623.61 |

2017

Unit: RMB

| Item | 2017 | | | | | | | | | | |
|--|----------------|--------------------------|-----------------|-------|------------------|----------------------|----------------------------|------------------|------------------|-------------------|----------------------|
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | |
| 1. Balances as at the end of the prior year | 561,374,326.00 | | | | 183,071,147.70 | | 623,048,300.00 | 11,715,417.22 | 311,880,248.88 | 603,375,714.13 | 2,294,465,153.93 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | |
| Other adjustments | | | | | | | | | | | |
| 2. Balances as at the beginning of the year | 561,374,326.00 | | | | 183,071,147.70 | | 623,048,300.00 | 11,715,417.22 | 311,880,248.88 | 603,375,714.13 | 2,294,465,153.93 |
| 3. Increase/ decrease in the period ("-" for decrease) | | | | | | | -107,979,750.00 | 1,573,641.99 | 1,824,961.28 | -416,578.28 | -104,997,725.01 |
| 3.1 Total comprehensive income | | | | | | | -107,979,750.00 | | | 18,249,612.78 | -89,730,137.22 |
| 3.2 Capital increased and reduced by owners | | | | | | | | | | | |
| 3.2.1 Ordinary | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--------------|----------------|----------------|
| shares increased by owners | | | | | | | | | | | |
| 3.2.2 Capital increased by holders of other equity instruments | | | | | | | | | | | |
| 3.2.3 Share-based payments included in owners' equity | | | | | | | | | | | |
| 3.2.4 Other | | | | | | | | | | | |
| 3.3 Profit distribution | | | | | | | | | 1,824,961.28 | -18,666,191.06 | -16,841,229.78 |
| 3.3.1 Appropriation to surplus reserves | | | | | | | | | 1,824,961.28 | -1,824,961.28 | |
| 3.3.2 Appropriation to owners (or shareholders) | | | | | | | | | | -16,841,229.78 | -16,841,229.78 |
| 3.3.3 Other | | | | | | | | | | | |
| 3.4 Transfers within owners' equity | | | | | | | | | | | |
| 3.4.1 Increase in capital (or share capital) from capital reserves | | | | | | | | | | | |
| 3.4.2 Increase in capital (or share | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|--|----------------|---------------|----------------|----------------|------------------|
| capital) from surplus reserves | | | | | | | | | | | |
| 3.4.3 Loss offset by surplus reserves | | | | | | | | | | | |
| 3.4.4 Changes in defined benefit pension schemes transferred to retained earnings | | | | | | | | | | | |
| 3.4.5 Other | | | | | | | | | | | |
| 3.5 Specific reserve | | | | | | | | 1,573,641.99 | | | 1,573,641.99 |
| 3.5.1 Increase in the period | | | | | | | | 4,161,424.06 | | | 4,161,424.06 |
| 3.5.2 Used in the period | | | | | | | | 2,587,782.07 | | | 2,587,782.07 |
| 3.6 Other | | | | | | | | | | | |
| 4. Balances as at the end of the period | 561,374,326.00 | | | | 183,071,147.70 | | 515,068,550.00 | 13,289,059.21 | 313,705,210.16 | 602,959,135.85 | 2,189,467,428.92 |

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

III. Company Profile

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

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

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

As examined and approved at the 2nd Extraordinary General Meeting of 2009 in September 2009, based on the total share capital of 374,249,551 shares as at 30 June 2009, the Company implemented the profit distribution plan, i.e. to distribute 5 bonus shares and cash of RMB0.80 for every 10 shares, with registered capital increased by RMB187,124,775.00, as well as registered capital of RMB561,374,326.00 after change. As at 31 December 2015, the total share capital of the Company is 561,374,326.00 shares, as well as registered capital of RMB561,374,326.00, which verified by Jiangsu Gongzheng Tianye Certified Public Accountants Company Limited with issuing Capital Verification Report SGC [2010] No. B002. And the unified social credit code of the enterprise business license of the Company is 91320400134792410W.

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

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

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

The financial report has been approved to be issued by the Board of Directors on 9 April 2019.

The consolidated scope of the Company of the Reporting Period includes the Company as the parent and 5 subsidiaries. For the details of the consolidated scope of the Reporting Period and the changes situation, please refer to the changes of the consolidated scope of the notes to the financial report and the notes to the equities among other entities.

IV. Basis for Preparation of the Financial Report

1. Basis for Preparation

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

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

2. Continuation

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

V. Important Accounting Policies and Estimations

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

No

Notification of specific accounting policies and accounting estimations:

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

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

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

2. Fiscal Period

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

3. Operating Cycle

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

4. Currency Used in Bookkeeping

Renminbi is functional currency of the Company.

5. Accounting Methods for Business Combinations under the Same Control and Business Combinations not under the Same Control

(1) Business combinations under the same control:

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

For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

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

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

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

(2) Business combinations not under the same control

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

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

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

6. Methods for Preparing Consolidated Financial Statements

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

The consolidated financial statement of the Company is compiled according to the regulations of No. 33 of ASBE-Consolidated Financial Statement and the relevant regulations and as for the whole significant come-and-go balance, investment, transaction and the unrealized profits should be written off when compiling the consolidated financial statement. The portion of a subsidiary's shareholders' equity and the portion of a subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

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

As for the added subsidiary company not controlled by the same enterprise preparing the consolidated financial statement, shall adjust individual financial statement based on the fair value of the identifiable net assets on the acquisition date; as for the added subsidiary companies controlled by the same enterprise preparing the

financial statement, shall not adjust the financial statement of the subsidiaries, namely survived by integration as participating in the consolidation when the final control party starts implementing control and should adjust the period-begin amount of the consolidated balance sheet and at the same time adjust the relevant items of the compared statement.

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

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

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

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

7. Classification of Joint Arrangements and Accounting Treatment of Joint Operations

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

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

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

(5) Recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

8. Recognition Standard for Cash and Cash Equivalents

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

9. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements

(1) Foreign currency business

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

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

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

(2) Translation of foreign currency

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

10. Financial Instruments

(1) Category of financial instruments

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

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

(2) Recognition basis and measurement methods of financial instruments

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

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

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

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

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

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

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

(4) De-recognition conditions of financial liabilities

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

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

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

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

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

The Company shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and

losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made. For the financial assets with significant single amount, if there is objective evidence indicates the occurred impairment, should recognize the impairment losses and should include which in the current gains and losses. As for the financial assets with insignificant single amount but not occur impairment, the Company should execute the impairment test by credit groups according to the credit degree of the customers and the actual situation of the happen of the bad debts over the years for recognizing the impairment losses.

The expression “objective evidence proving that the financial asset has been impaired” refers to the actually incurred events which, after the financial asset is initially recognized, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the enterprise.

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

A serious financial difficulty occurs to the issuer or debtor;

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

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

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

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

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

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

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

Other objective evidences showing the impairment of the financial asset.

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

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

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the owner's equity which is directly included shall be transferred out and recorded into the profits and losses of the current period.. The accumulative losses are the initial cost after deducting the principal, the amortization amount, fair value of current period and balance after originally recorded into impairment loss of profits or losses. After the recognition of

impairment losses, if there is any objective evidence indicated that the value of financial assets is resumed and objectively related to the events after the recognition of impairment losses, transfer the impairment losses originally recognized, transfer the impairment losses of available for sale equity instrument investment and recognized as other comprehensive income, and transfer the impairment losses of available for sale liability instruments and record into current profits or losses.

11. Notes and Accounts Receivable

(1) Accounts Receivable with Significant Single Amount for which the Bad Debt Provision is Made Individually

| | |
|--|--|
| Recognition criteria of accounts receivable with individual and significant amount | Significant single amounts refers to the accounts receivable of the single amount more than RMB 1 million (RMB 1 million include) (including accounts receivable and other accounts receivable) |
| Withdrawal method of the bad debt provision of the accounts receivable with significant single amounts | The Company makes an independent impairment test on the accounts receivable with significant single amount, and provision for bad debts shall withdrawn on the basis of the balance between the current values of the predicted future cash flow lower than book value. Upon independent impairment test, the accounts receivable with significant single amounts has not been impaired, it shall be withdrawn bad debt provision based on ending balance by adopting aging analysis method. |

(2) Accounts Receivable which the Bad Debt Provision is withdrawn by Credit Risk Characteristics

| Group name | Withdrawal method of bad debt provision |
|--|---|
| the age of the accounts receivable is divided by the groups of credit risk | aging analysis method |

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

☒ Applicable ☐ Not applicable

| Aging | Withdrawal proportion of account receivables | Withdrawal proportion of other account receivables |
|----------------------------------|--|--|
| Within 1 year (including 1 year) | 2.00% | 2.00% |
| 1 to 2 years | 5.00% | 5.00% |
| 2 to 3 years | 15.00% | 15.00% |
| 3 to 4 years | 30.00% | 30.00% |
| 4 to 5 years | 60.00% | 60.00% |
| Over 5 years | 100.00% | 100.00% |

In the groups, those adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

In the groups, those adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(3) Accounts Receivable with an Insignificant Single Amount but for which the Bad Debt Provision is Made Independently

| | |
|---|---|
| Reason of individually withdrawing bad debt provision | Insignificant single amounts refers to the accounts receivable of the single amount lower than RMB 1 million (RMB1 million not include) (including accounts receivable and other accounts receivable). |
| Withdrawal method for bad debt provision | As for an account receivable with an insignificant single amount and which can not show its risk feature when withdrawing a bad-debt provision for it on the group basis, the bad-debt provision for the account receivable shall be withdrawn based on the difference of the expected present value of the future cash flows of the account receivable that less than its carrying amount. The Company shall withdraw the bad-debt provision for such an account receivable by combining the aging method and individual judgment based on the debtor entity's actual financial position, cash flows and other relevant information. |

12. Inventory

Is the Company subject to any disclosure requirements for special industries?

No

(1) Category of Inventory

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

(2) Pricing method

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

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

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

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

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

(5) Amortization method of low-value consumables and packages

One time amortization method is adopted for low-value consumables and packages.

13. Assets Held for Sale

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

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

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

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

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

14. Long-term Equity Investments

(1) Judgment standard of joint control and significant influences

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

(2) Recognition for initial investment cost

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

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

2) As for long-term equity investment acquired through the merger of enterprises not under the same control, its initial investment cost shall regard as the combination cost calculated by the fair value of the assets, equity instrument issued and liabilities incurred or undertaken on the purchase date adding the direct cost related with the acquisition. The identifiable assets of the combined party and the liabilities (including contingent liability) undertaken on the combining date shall be measured at the fair value without considering the amount of minority interest. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The acquirer shall record the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the consolidated income statement directly. The agent expense and other relevant management expenses such as the audit, legal service and evaluation consultation occurs from the enterprise merger, should be included in the current gains and losses when occur; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

3) Long-term equity investment obtained by other means

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

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

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

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

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

(3) Subsequent measurement and recognition of profits and losses

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

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

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

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

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

owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the owners' equity .

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

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

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

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

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

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

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

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owing to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of

the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

For those the Company lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Group acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

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

15. Investment Real Estate

Measurement mode of investment real estate:

Measurement of cost model

Depreciation or amortization method

The investment real estate shall be measured at its cost. Of which, the cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expense directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The investment real estate invested by investors shall be recorded at the value stipulated in the

investment contracts or agreements, but the unfair value appointed in the contract or agreement shall be entered into the account book at the fair value.

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

16. Fixed Assets

(1) Recognition Conditions

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

(2) Depreciation Method

| Category of fixed assets | Method | Useful life | Annual deprecation |
|--------------------------|-------------------------------|-------------|--------------------|
| Housing and building | Average method of useful life | 20-40 | 2.50%-5% |
| Machinery equipment | Average method of useful life | 6-15 | 6.67%-16.67% |
| Transportation equipment | Average method of useful life | 5-10 | 10%-20% |
| Other equipment | Average method of useful life | 5-10 | 10%-20% |

(3) Recognition Basis, Pricing and Depreciation Method of Fixed Assets by Finance Lease

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

1) The leasing contract had agreed that (or made the reasonable judgment according to the relevant conditions on the lease starting date) when the lease term expires, the ownership of leasing the fixed assets could be transferred to the Company;

2) The Company owns the choosing right for purchasing and leasing the fixed assets, with the set purchase price which is estimated far lower than the fair value of the fixed assets by finance lease when executing the choosing right, so the Company could execute the choosing right reasonably on the lease starting date;

3) Even if the ownership of the fixed assets not be transferred, the lease period is of 75% or above of the useful life of the lease fixed assets;

4) The current value of the minimum lease payment on the lease starting date of the Company is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date; the current value of the minimum lease receipts on the lease starting date of the leaser is equal to 90% or above of the fair value of the lease fixed assets on the lease starting date;

5) The nature of the lease assets is special that only the Company could use it if not execute large transformation.

The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and

the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term.

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

17. Construction in Progress

Is the Company subject to any disclosure requirements for special industries?

No

(1) Valuation of the progress in construction

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

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

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

18. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

The borrowing costs shall include the interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing costs occurred belong to specifically borrowed loan or general borrowing used for the acquisition and construction of investment real estates and inventories over one year (including one year) shall be capitalized, and record into relevant assets cost. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The borrowing costs shall not be capitalized unless they simultaneously meet the following three requirements: (1) The asset disbursements have already incurred; (2) The borrowing costs have already incurred; and (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) The period of capitalization of borrowing costs

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

ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased, the borrowing costs occurred later shall be included into the financial expense directly at the current period.

(3) Measurement method of capitalization amount of borrowing costs

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

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

19. Intangible Assets

(1) Pricing Method, Service Life, and Impairment Test

(1) Pricing method of intangible assets

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

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

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

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

(2) Amortization method and term of intangible assets

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

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

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

(2) Accounting Polices of Internal R & D Expenses

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

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

20. Impairment of Long-term Assets

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

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

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

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

21. Amortization Method of Long-term Deferred Expenses

Long-term deferred expanses of the Company shall be recorded in light of the actual expenditure, and

amortized averagely within benefit period. In case of no benefit in the future accounting period, the amortized value of such project that fails to be amortized shall be transferred into the profits and losses of the current period.

22. Payroll

(1) Accounting Treatment of Short-term Compensation

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

(2) Accounting Treatment of the Welfare after Demission

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

Defined contribution plans

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

(3) Accounting Treatment of the Demission Welfare

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

23. Estimated Liabilities

(1) Criteria of estimated liabilities

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

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

(2) Measurement of estimated liabilities

The Company shall measure the estimated debts in accordance with the best estimate of the necessary

expenses for the performance of the current obligation.

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

24. Revenue

Is the Company subject to any disclosure requirements for special industries?

No

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

(2) Recognition of revenue from providing labor services: When the total revenue and costs from providing labor can be measured in a reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be measured in a reliable way, the revenue from providing labor shall be recognized. If the Company can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method on the date of the balance sheet, otherwise the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred and expected to be compensated. The Company recognized the completion process of the transaction concerning the labor services according to the proportion of the occurred cost of the estimated total cost. The total amount of the revenue from providing services should be recognized according to the contract price received or receivable from the accepting of the labor services or the agreement price except for those unfair prices.

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

25. Government Subsidies

(1) Type

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

For those the government documents not definite stipulate the assistance object, the judgment basis of the

Company classifies the government subsidies pertinent to assets and government subsidies pertinent to income is: whether are used for purchasing or constructing or for forming the long-term assets by other methods.

(2) Recognition of Government Subsidies

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

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

(3) Accounting Treatment

The government subsidies pertinent to assets shall be recognized as deferred income, and included in the current gains and losses or offset the book value of related assets within the useful lives of the relevant assets with a reasonable and systematic method. Government subsidies pertinent to income used to compensate the relevant costs, expenses or losses of the Company in the subsequent period shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant costs, expenses or losses; those used to compensate the relevant costs, expenses or losses of the Company already happened shall be included in the current gains and losses or used to offset relevant costs directly.

For government subsidies that include both assets-related and income-related parts, they should be distinguished separately for accounting treatment; for government subsidies that are difficult to be distinguished, they should be classified as income-related.

Government subsidies related to the daily activities of the Company shall be included into other income or used to offset relevant costs by the nature of economic business; those unrelated shall be included into non-operating income.

The government subsidies recognized with relevant deferred income balance but need to return shall be used to offset the book balance of relevant deferred income, the excessive part shall be included in the current gains and losses or adjusting the book value of assets for the government subsidies assets-related that offset the book value of relevant assets when they are initially recognized; those belong to other cases shall be directly included in the current gains and losses.

26. Deferred Income Tax Assets and Liabilities

(1) Basis of recognizing the deferred income tax assets

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

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

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

(2) Basis of recognizing the deferred income tax liabilities

According to the difference between the book value of the assets and liabilities and their tax basis, A deferred

tax liabilities shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

27. Lease

(1) Accounting Treatment of Operating Lease

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

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

(2) Accounting Treatments of Financial Lease

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

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

28. Other Significant Accounting Policies and Estimates

(1) Operation termination

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

1) The compose part represents an individual main business or a main operation area;

2) The compose part is a part intends to dispose and plan an individual main business or a main operation area;

3) The compose part is a subsidiary which be acquired only for resold.

(2) Hedging accounting

The term “hedging” refers to one or more hedging instruments which are designated by an enterprise for avoiding the risks of foreign exchange, interest rate, commodity price, stock price, credit and etc., and which is

expected to make the changes in fair value or cash flow of hedging instrument(s) to offset all or part of the changes in the fair value or cash flow of the hedged item.

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

The “hedged item” shall refer to the following items which make an enterprise faced to changes in fair value or cash flow and are designated as the hedged objectives.

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

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

29. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

| Contents and reasons | Procedures | Remarks |
|---|--|---|
| In the balance sheet, “Notes Receivable” and “Accounts Receivable” are combined into “Notes Receivable and Accounts Receivable”; “Notes Payable” and “Accounts Payable” are combined into “Notes Payable and Accounts Payable”; “Interest Receivable” and “Dividends Receivable” are incorporated into “Other Receivables”; “Interest Payable” and “Dividends Payable” are incorporated into “Other Payables” “Fixed Assets Liquidation” is incorporated into “Fixed Assets”; “Engineering Materials” is incorporated into “Construction in Progress”; “Specific Payables” is incorporated into “Long-term Payables”. The | The 14 th Meeting of the 8 th Board of Directors | <p>The impact on the items of Consolidated Balance Sheet as at 31 December 2017 is as follows:</p> <p>1. “Notes Receivable and Accounts Receivable” increased by RMB1,108,415,299.12; “Notes receivable” decreased by RMB716,404,345.57 ; “Accounts receivable” decreased by RMB392,010,953.55;</p> <p>2. “Notes Payable and Accounts Payable ” increased by RMB 963,299,000.18, “Notes Payable” decreased by RMB347,070,500.00 and “Accounts Payable” decreased by RMB616,228,500.18.</p> <p>3. The “Dividends Payable” decreased by RMB3,891,433.83</p> |

| | | |
|--|--|---|
| comparative data shall be adjusted accordingly. | | and was incorporated into "Other Payables"; the "Other Payables" increased by RMB3,891,433.83, and the adjusted balance of "Other Payables" was RMB195,985,676.91. |
| In the income statement, the item of "R&D Expense" is added and the original R&D expense in the item of "Administrative Expense" is reclassified into "R&D Expense"; in the income statement, the items of "Of which: interest expense" and "Interest income" are added under the item of "Finance Costs". The comparative data shall be adjusted accordingly. | | The impact on the items of Consolidated Income Statement for the year 2017 is as follows: The "Administrative Expense" was reduced by RMB76,715,296.15, reclassified to "R&D Expense", and the adjusted "Administrative Expense" was RMB107,835,619.11, while the "R&D Expense" increased by RMB76,715,296.15. |

Notes of the Ministry of Finance on Revising and Printing the Format of 2018 General Enterprises Financial Statement (CK [2018] No. 15) was issued by the Ministry of Finance on 15 June 2018, which revised the format of general enterprises financial statements. After it was being reviewed and approved by the 14th Meeting of the 8th Board of Directors, the Company began to implement the above-mentioned notice on the required time by the Ministry of Finance.

(2) Changes in Accounting Estimates

☐ Applicable ☒ Not applicable

30. Other

Critical accounting judgments and estimates

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

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

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

(1) Provision for Bad Debts

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

(2) Provision for Falling Price of Inventories

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

(3) Held-to-maturity Investment

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

(4) Held-to-maturity Investment Impairment

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

(5) The Impairment of Financial Assets Available for Sale

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

(6) Provision for Impairment of Non-financial Non-current Assets

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

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

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

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

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

(7) Depreciation and Amortization

For the investment real estate, fixed assets and intangible assets, the Group withdrew the depreciation and amortization by adopting the straight-line method during the service life after full consideration of the salvage value. The Group checked the service life periodically so as to decide the amount of depreciation and amortization at each Reporting Period. The service life was fixed by the Group in accordance with the previous experience of the similar assets and the expected technical update. If there was any significant change on the previous estimates, the depreciation and amortization expenses should be adjusted.

(8) Income Tax

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

VI. Taxation**1. Main Taxes and Tax Rate**

| Category of taxes | Tax basis | Tax rate |
|--|--------------------------|---|
| VAT | Payable to sales revenue | 17%, 16%, 13%, 11%, 10%, 6% |
| Urban maintenance and construction tax | Taxable turnover amount | Tax paid in accordance with the tax regulations of tax units location |
| Enterprise income tax | Taxable income | 25% or 15% |

| | | |
|---------------------|-------------------------|----|
| Education surcharge | Taxable turnover amount | 5% |
|---------------------|-------------------------|----|

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

| Name | Income tax rate |
|---|-----------------|
| Changchai Co., Ltd. | 15% |
| Changchai Wanzhou Diesel Engine Co., Ltd. | 15% |
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. | 25% |
| Changzhou Housheng Investment Co., Ltd. | 25% |
| Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. | 25% |
| Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. | 25% |

2. Tax Preference

In 2018, the Company has been identified as High-tech Enterprises, therefore, it enjoys 15-percent preferential rate for corporate income tax; the Company's controlling subsidiary—Changchai Wanzhou Diesel Engine Co., Ltd., the controlling subsidiary company, shall pay the corporate income tax at tax rate 15% from 1 January 2011 to 31 December 2020 in accordance with the Notice of the Ministry of Finance, the General Administration of Customs of PRC and the National Administration of Taxation about the Preferential Tax Policies for the Western Development.

VII. Notes to Major Items in the Consolidated Financial Statements of the Company

1. Monetary Capital

Unit: RMB

| Item | Ending balance | Beginning balance |
|------------------------|----------------|-------------------|
| Cash on hand | 441,363.70 | 466,356.31 |
| Bank deposits | 684,620,907.41 | 324,781,747.27 |
| Other monetary capital | 115,897,765.58 | 105,057,264.13 |
| Total | 800,960,036.69 | 430,305,367.71 |

At the period-end, the restricted monetary capital of the Company was RMB113,880,397.10, of which, RMB111,740,012.93 was the cash deposit for bank acceptance bills and RMB2,140,384.17 was cash deposit for L/C.

2. Notes Receivable and Accounts Receivable

| Item | Ending balance | Beginning balance |
|------------------|----------------|-------------------|
| Notes receivable | 495,370,782.47 | 716,404,345.57 |

| | | |
|---------------------|----------------|------------------|
| Accounts receivable | 378,859,159.11 | 392,010,953.55 |
| Total | 874,229,941.58 | 1,108,415,299.12 |

(1) Notes Receivable**1) Notes Receivable Listed by Category**

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 495,370,782.47 | 716,404,345.57 |
| Total | 495,370,782.47 | 716,404,345.57 |

2) There Was No Notes Receivable Pledged by the Company at the Period-end**3) Notes Receivable which Had Endorsed by the Company or had Discounted and had not Due on the Balance Sheet Date at the Period-end**

Unit: RMB

| Item | Amount of recognition termination at the period-end | Amount of not terminated recognition at the period-end |
|----------------------|---|--|
| Bank acceptance bill | 485,209,946.33 | |
| Total | 485,209,946.33 | |

4) There Was No Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement**(2) Accounts Receivable****1) Accounts Receivable Classified by Category**

Unit: RMB

| Category | Ending balance | | | | | Beginning balance | | | | |
|----------|-----------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
| | Carrying amount | | Bad debt provision | | Carrying value | Carrying amount | | Bad debt provision | | Carrying value |
| | Amount | Proportion | Amount | Withdrawal proportion | | Amount | Proportion | Amount | Withdrawal proportion | |

| | | | | | | | | | | |
|--|----------------|---------|----------------|---------|----------------|----------------|---------|----------------|---------|----------------|
| Accounts receivable with significant single amount for which bad debt provision separately accrued | 28,205,070.58 | 4.52% | 27,317,634.16 | 96.85% | 887,436.42 | 26,482,933.51 | 4.19% | 25,729,422.09 | 97.15% | 753,511.42 |
| Accounts receivable withdrawal of bad debt provision by credit risks characteristics | 591,489,450.66 | 94.87% | 213,517,727.97 | 36.10% | 377,971,722.69 | 604,209,510.47 | 95.65% | 212,952,068.34 | 35.24% | 391,257,442.13 |
| Accounts receivable with insignificant single amount for which bad debt provision separately accrued | 3,815,656.95 | 0.61% | 3,815,656.95 | 100.00% | | 974,986.14 | 0.16% | 974,986.14 | 100.00% | |
| Total | 623,510,178.19 | 100.00% | 244,651,019.08 | 39.24% | 378,859,159.11 | 631,667,430.12 | 100.00% | 239,656,476.57 | 37.94% | 392,010,953.55 |

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

√ Applicable □ Not applicable

Unit: RMB

| Accounts receivable (classified by units) | Ending balance | | | |
|---|---------------------|--------------------|-----------------------|---------------------------------|
| | Accounts receivable | Bad debt provision | Withdrawal proportion | Withdrawal reason |
| Customer 1 | 1,902,326.58 | 1,902,326.58 | 100.00% | Difficult to recover |
| Customer 2 | 1,161,700.00 | 580,850.00 | 50.00% | Expected to difficultly recover |
| Customer 3 | 6,215,662.64 | 6,215,662.64 | 100.00% | Difficult to recover |
| Customer 4 | 2,484,497.34 | 2,177,910.92 | 87.66% | Expected to difficultly recover |
| Customer 5 | 3,279,100.00 | 3,279,100.00 | 100.00% | Expected to difficultly recover |
| Customer 6 | 2,068,377.01 | 2,068,377.01 | 100.00% | Expected to difficultly recover |
| Customer 7 | 5,359,381.00 | 5,359,381.00 | 100.00% | Difficult to recover |

| | | | | |
|-------------|---------------|---------------|---------|---------------------------------|
| Customer 8 | 2,584,805.83 | 2,584,805.83 | 100.00% | Difficult to recover |
| Customer 9 | 1,679,109.54 | 1,679,109.54 | 100.00% | Difficult to recover |
| Customer 10 | 1,470,110.64 | 1,470,110.64 | 100.00% | Expected to difficultly recover |
| Total | 28,205,070.58 | 27,317,634.16 | -- | -- |

In the groups, accounts receivable adopted aging analysis methods to accrue bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB

| Aging | Ending balance | | |
|---------------------------|---------------------|--------------------|-----------------------|
| | Accounts receivable | Bad debt provision | Withdrawal proportion |
| Sub-item within 1 year | | | |
| Subtotal of within 1 year | 363,307,344.78 | 7,266,147.87 | 2.00% |
| 1 to 2 years | 18,019,515.24 | 900,975.76 | 5.00% |
| 2 to 3 years | 4,691,418.52 | 703,712.78 | 15.00% |
| 3 to 4 years | 929,020.59 | 278,706.18 | 30.00% |
| 4 to 5 years | 434,915.38 | 260,949.23 | 60.00% |
| Over 5 years | 204,107,236.15 | 204,107,236.15 | 100.00% |
| Total | 591,489,450.66 | 213,517,727.97 | |

Notes of the basis of recognizing the group:

Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB6,540,830.48; the amount of the reversed or collected part during the Reporting Period was of RMB1,546,287.97.

3) There Were No Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

4) Top 5 of the Ending Balance of the Accounts Receivable Collected according to the Arrears Party

At the period-end, the total top 5 of the ending balance of the accounts receivable collected according to the arrears party was RMB206,150,555.84 accounting for 33.06% of the total ending balance of accounts receivable. And the ending balance of bad debt provision withdrawn was RMB4,123,011.12.

3. Prepayments

(1) List by Aging Analysis

Unit: RMB

| Aging | Ending balance | | Beginning balance | |
|---------------|----------------|------------|-------------------|------------|
| | Amount | Proportion | Amount | Proportion |
| Within 1 year | 9,535,876.40 | 84.01% | 16,300,217.23 | 91.67% |
| 1 to 2 years | 437,529.70 | 3.85% | 110,270.90 | 0.62% |
| 2 to 3 years | 57,536.24 | 0.51% | 384,622.72 | 2.16% |
| Over 3 years | 1,321,354.76 | 11.63% | 985,896.92 | 5.55% |
| Total | 11,352,297.10 | -- | 17,781,007.77 | -- |

(2) Top 5 of the Ending Balance of the Prepayments Collected according to the Prepayment Target

At the period-end, the total top 5 of the ending balance of the prepayments collected according to the prepayment target was RMB6,371,752.62 accounting for 56.13% of the total ending balance of prepayments.

4. Other Receivables

(1) Other Receivables Classified by Category

Unit: RMB

| Category | Ending balance | | | | | Beginning balance | | | | |
|--|-----------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
| | Carrying amount | | Bad debt provision | | Carrying value | Carrying amount | | Bad debt provision | | Carrying value |
| | Amount | Proportion | Amount | Withdrawal proportion | | Amount | Proportion | Amount | Withdrawal proportion | |
| Other receivables with significant single amount for which bad debt provision separately accrued | 2,853,188.02 | 6.76% | 2,853,188.02 | 100.00% | | 2,853,188.02 | 7.45% | 2,853,188.02 | 100.00% | |
| Other receivables withdrawn bad | 37,222,241.84 | 88.13% | 27,977,657.42 | 75.16% | 9,244,584.42 | 33,367,460.9 | 87.08% | 27,572,489.76 | 82.63% | 5,794,971.22 |

| | | | | | | | | | | |
|--|---------------|---------|---------------|---------|--------------|---------------|---------|---------------|---------|--------------|
| debt provision according to credit risks characteristics | | | | | | 8 | | | | |
| Other receivables with insignificant single amount for which bad debt provision separately accrued | 2,158,775.14 | 5.11% | 2,158,775.14 | 100.00% | | 2,099,382.02 | 5.47% | 2,099,382.02 | 100.00% | |
| Total | 42,234,205.00 | 100.00% | 32,989,620.58 | 78.11% | 9,244,584.42 | 38,320,311.02 | 100.00% | 32,525,059.80 | 84.88% | 5,794,971.22 |

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

√ Applicable □ Not applicable

Unit: RMB

| Other receivables (by unit) | Ending balance | | | |
|---|-------------------|--------------------|-----------------------|----------------------|
| | Other receivables | Bad debt provision | Withdrawal proportion | Withdrawal reason |
| Changchai Group Import & Export Company | 2,853,188.02 | 2,853,188.02 | 100.00% | Difficult to recover |
| Total | 2,853,188.02 | 2,853,188.02 | -- | -- |

Among these groups, other receivables adopting aging analysis method to withdraw bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

| Aging | Ending balance | | |
|---------------------------|-------------------|--------------------|-----------------------|
| | Other receivables | Bad debt provision | Withdrawal proportion |
| Subentry within 1 year | | | |
| Subtotal of within 1 year | 7,235,781.27 | 144,715.62 | 2% |
| 1 to 2 years | 1,914,609.00 | 95,730.46 | 5% |
| 2 to 3 years | 284,706.89 | 42,706.03 | 15% |
| 3 to 4 years | 96,930.77 | 29,079.23 | 30% |
| 4 to 5 years | 61,969.57 | 37,181.74 | 60% |
| Over 5 years | 27,628,244.34 | 27,628,244.34 | 100% |

| | | | |
|-------|---------------|---------------|--|
| Total | 37,222,241.84 | 27,977,657.42 | |
|-------|---------------|---------------|--|

Notes:

Among these groups, other receivables adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, other receivables adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB466,360.42; the amount of the reversed or collected part during the Reporting Period was of RMB1,799.64.

(3) There Were No Particulars of the Actual Verification of Other Receivables during the Reporting Period

(4) Other Receivables Classified by Account Nature

Unit: RMB

| Nature | Ending carrying amount | Beginning carrying amount |
|--|------------------------|---------------------------|
| Margin & cash pledge | 4,200.00 | 4,200.00 |
| Intercourse funds | 25,451,250.34 | 21,072,102.14 |
| Petty cash and borrowings by employees | 1,232,153.09 | 1,854,174.11 |
| Other | 15,546,601.57 | 15,389,554.77 |
| Total | 42,234,205.00 | 38,320,031.02 |

(5) Top 5 of the Ending Balance of the Other Receivables Collected according to the Arrears Party

Unit: RMB

| Name of the entity | Nature | Ending balance | Aging | Proportion to ending balance of other receivables% | Ending balance of bad debt provision |
|--|-------------------|----------------|---------------|--|--------------------------------------|
| Changzhou Changjiang Casting Materials Co., Ltd. | Intercourse funds | 5,000,000.00 | Within 1 year | 11.84% | 100,000.00 |
| Changzhou Compressors Factory | Intercourse funds | 2,940,000.00 | Over 5 years | 6.96% | 2,940,000.00 |
| Changchai Group Imp. & Exp. Co., Ltd. | Intercourse funds | 2,853,188.02 | Over 5 years | 6.76% | 2,853,188.02 |
| Changzhou New District Accounting Centre | Intercourse funds | 1,626,483.25 | Over 5 years | 3.85% | 1,626,483.25 |

| | | | | | |
|-----------------------------------|-------------------|---------------|--------------|--------|--------------|
| Changzhou Group Settlement Centre | Intercourse funds | 1,140,722.16 | Over 5 years | 2.70% | 1,140,722.16 |
| Total | -- | 13,560,393.43 | -- | 32.11% | 8,660,393.43 |

5. Inventories

Whether the Company need satisfy relevant disclosure requirements governing the real estate industry

No

(1) Category of Inventories

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|---|-----------------|------------------------|----------------|-------------------|------------------------|----------------|
| | Carrying amount | Falling price reserves | Carrying value | Carrying amount | Falling price reserves | Carrying value |
| Raw materials | 134,454,498.93 | 5,845,504.24 | 128,608,994.69 | 137,637,917.36 | 5,646,775.16 | 131,991,142.20 |
| Goods in process | 166,798,553.34 | 24,187,100.54 | 142,611,452.80 | 142,366,956.08 | 18,705,451.92 | 123,661,504.16 |
| Inventory goods | 288,979,920.46 | 16,035,855.03 | 272,944,065.43 | 247,668,232.73 | 15,020,818.93 | 232,647,413.80 |
| Revolving materials | | | | | | |
| Consumptive living assets | | | | | | |
| Completed but Unsettled Assets Generated from Construction Contacts | | | | | | |
| Materials processed on commission | 13,330,233.29 | 993,300.18 | 12,336,933.11 | 17,692,442.71 | 183,111.28 | 17,509,331.43 |
| Low priced and easily worn articles | 3,632,711.20 | 2,180,265.53 | 1,452,445.67 | 4,212,709.15 | 1,775,293.26 | 2,437,415.89 |
| Total | 607,195,917.22 | 49,242,025.52 | 557,953,891.70 | 549,578,258.03 | 41,331,450.55 | 508,246,807.48 |

Whether the Company need satisfy relevant disclosure requirements stated in SZSE Industrial Information Disclosure Guidance No.4---Listed Company Specialized in Seed Industry and Planting Businesses or not?

No

(2) Falling Price Reserves of Inventories

Unit: RMB

| Item | Beginning balance | Increase | | Decrease | | Ending balance |
|--|-------------------|---------------|-------|----------------------|-------|----------------|
| | | Withdrawal | Other | Reverse or write-off | Other | |
| Raw materials | 5,646,775.16 | 802,784.22 | | 604,055.14 | | 5,845,504.24 |
| Goods in process | 18,705,451.92 | 24,187,100.54 | | 18,705,451.92 | | 24,187,100.54 |
| Inventory goods | 15,020,818.93 | 15,436,905.74 | | 14,421,869.64 | | 16,035,855.03 |
| Revolving materials | | | | | | |
| Consumptive living assets | | | | | | |
| Completed but Unsettled Assets Generated from Construction Contracts | | | | | | |
| Materials processed on commission | 183,111.28 | 810,188.90 | | 0.00 | | 993,300.18 |
| Low priced and easily worn articles | 1,775,293.26 | 902,415.39 | | 497,443.12 | | 2,180,265.53 |
| Total | 41,331,450.55 | 42,139,394.79 | | 34,228,819.82 | | 49,242,025.52 |

(3) There Was No Capitalized Borrowing Expense in the Ending Balance of Inventories**(4) There Was No Completed but Unsettled Assets Generated from Construction Contracts at the Period-end****6. Other Current Assets**

Unit: RMB

| Item | Ending balance | Beginning balance |
|--------------------------------------|----------------|-------------------|
| The VAT tax credits | 25,962,369.29 | 28,078,565.33 |
| Bank financial products | 0.00 | 825,933.00 |
| Prepaid expense | 86,761.81 | 135,685.72 |
| Securities company financial product | 8,253,873.41 | 13,500,000.00 |
| Other | 54,604.46 | 0.00 |
| Total | 34,357,608.97 | 42,540,184.05 |

7. Available-for-sale Financial Assets**(1) List of Available-for-sale Financial Assets**

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|--|-----------------|-----------------------|----------------|-------------------|-----------------------|----------------|
| | Carrying amount | Depreciation reserves | Carrying value | Carrying amount | Depreciation reserves | Carrying value |
| Available-for-sale debt instruments: | | | | | | |
| Available-for-sale equity instruments: | 500,061,369.49 | 1,210,000.00 | 498,851,369.49 | 794,732,639.04 | 1,210,000.00 | 793,522,639.04 |
| Measured at fair value | 370,940,000.00 | | 370,940,000.00 | 685,837,500.00 | | 685,837,500.00 |
| Measured at cost | 129,121,369.49 | 1,210,000.00 | 127,911,369.49 | 108,895,139.04 | 1,210,000.00 | 107,685,139.04 |
| Total | 500,061,369.49 | 1,210,000.00 | 498,851,369.49 | 794,732,639.04 | 1,210,000.00 | 793,522,639.04 |

(2) Available-for-sale Financial Assets at Fair Value at the Period-end

Unit: RMB

| Category | Available-for-sale equity instruments | Total |
|--|---------------------------------------|----------------|
| Cost of equity instruments /amortized cost of debt instruments | 59,874,500.00 | 59,874,500.00 |
| Fair value | 370,940,000.00 | 370,940,000.00 |
| Accumulated changes in fair value recorded into other comprehensive income | 264,405,675.00 | 264,405,675.00 |
| Amount withdrawn impairment | | |

(3) Available-for-sale Financial Assets Measured by Cost at the Period-end

Unit: RMB

| Investee | Carrying amount | | | | Depreciation reserves | | | | Shareholding proportion among the investees | Cash bonus of the Reporting Period |
|---|------------------|---------------|----------|---------------|-----------------------|----------|----------|------------|---|------------------------------------|
| | Period-beginning | Increase | Decrease | Period-end | Period-beginning | Increase | Decrease | Period-end | | |
| Jiangsu Liance Electromechanical Technology Co., LTD. | 7,200,000.00 | | | 7,200,000.00 | | | | | 3.02% | |
| Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) | 100,000.00 | | | 100,000.00 | | | | | 70.92% | |
| Kailong High Technology Co., Ltd. | | 20,001,268.00 | | 20,001,268.00 | | | | | 1.20% | |
| Guizhou Warmen Pharmaceutical Co, Ltd. | 200,104.80 | | | 200,104.80 | | | | | | 920.00 |
| Guizhou Anda Energy Technology Co., Ltd. | 195,297.49 | | | 195,297.49 | | | | | | 3,000.00 |

| | | | | | | | | | | |
|---|------------------------|-----------------------|-------------------|------------------------|----------------------|--|--|------------------|----|--------------|
| FUNIK Ultrasound Material Co., Ltd | 63,09 6.08 | | 63,0 96.0 8 | | | | | | | |
| Epitop Optoelectronic Co., LTD | 26,64 0.67 | | 26,6 40.6 7 | | | | | | | |
| HENAN LANTIAN GAS., LTD. | | 160,7 44.76 | | 160,74 4.76 | | | | | | 6,000.0 0 |
| Hebei Songhe Recycling Resources Co., Ltd. | | 104,6 99.44 | | 104,69 9.44 | | | | | | |
| Hunan Litian High-tech Materials Co., Ltd. | | 49,25 5.00 | | 49,255. 00 | | | | | | |
| Other | 1,210 ,000. 00 | | | 1,210,0 00.00 | 1,210, 000.0 0 | | | 1,210,0 00.00 | | |
| Total | 108,8 95,13 9.04 | 20,31 5,967 .20 | 89,7 36.7 5 | 129,12 1,369.4 9 | 1,210, 000.0 0 | | | 1,210,0 00.00 | -- | 9,920.0 0 |

Note: Other respectively refers to as follows: RMB0.51 million for Chengdu Changwan Diesel Machine Distribution Co.,Ltd., RMB0.29 million for Chongqing Wanzhou Changwan Diesel Engine Fittings Co., Ltd., RMB20,000 for Changzhou Economic and Technological Development Company, RMB0.1 million for Changzhou Tractor Company, RMB0.2 million for Changzhou Economic Commission Industrial Fund Rotating Savings and Credit Associations, RMB90,000 for Beijing Engineering Machinery Agricultural Machinery Company. The above-mentioned investments are difficult to recover, thus the depreciation reserves are withdrawn in full.

(4) Changes in Depreciation of Available-for-sale Financial Assets during the Reporting Period

Unit: RMB

| Category | Available-for-sale equity instruments | Available-for-sale debt instruments | Total |
|---|--|--|--------------|
| Beginning balance withdrawn impairment | 1,210,000.00 | | 1,210,000.00 |
| Withdrawal in the Reporting Period | | | |
| Of which: transferred from other comprehensive income | | | |

| | | | |
|--|--------------|--|--------------|
| Decrease in the Reporting Period | | | |
| Of which: transferred back due to rally of fair value after the Reporting Period | | | |
| Ending balance withdrawn impairment | 1,210,000.00 | | 1,210,000.00 |

8. Long-term Equity Investments

Unit: RMB

| Investees | Beginning balance | Increase/decrease | | | | | | | | Ending balance | Ending balance of depreciation reserves |
|---|-------------------|-----------------------|--------------------|---|--|-------------------------|--|--------------------------------------|-------|----------------|---|
| | | Additional investment | Reduced investment | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced to issue | Withd rawal of depreciation reserves | Other | | |
| I. Joint ventures | | | | | | | | | | | |
| II. Associated enterprises | | | | | | | | | | | |
| Beijing Tsinghua Industrial Investment Management Co., Ltd. | 44,182.50 | | | | | | | | | 44,182.50 | 44,182.50 |
| Subtotal | 44,182.50 | | | | | | | | | 44,182.50 | 44,182.50 |
| Total | 44,182.50 | | | | | | | | | 44,182.50 | 44,182.50 |

9. Investment Property

(1) Investment Property Adopting the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

| Item | Houses and buildings | Land use right | Construction in progress | Total |
|---|----------------------|----------------|--------------------------|---------------|
| I. Original carrying value | | | | |
| 1. Beginning balance | 87,632,571.14 | | | 87,632,571.14 |
| 2. Increased amount of the period | | | | |
| (1) Outsourcing | | | | |
| (2) Transfer from inventories\fixed assets\construction in progress | | | | |
| (3) Enterprise combination increase | | | | |
| 3. Decreased amount of the period | | | | |
| (1) Disposal | | | | |
| (2) Other transfer | | | | |
| 4. Ending balance | 87,632,571.14 | | | 87,632,571.14 |
| II. Accumulative depreciation and accumulative amortization | | | | |
| 1. Beginning balance | 30,351,541.11 | | | 30,351,541.11 |
| 2. Increased amount of the period | 2,208,340.80 | | | 2,208,340.80 |
| (1) Withdrawal or amortization | 2,208,340.80 | | | 2,208,340.80 |
| 3. Decreased amount of the period | | | | |
| (1) Disposal | | | | |
| (2) Other transfer | | | | |
| 4. Ending balance | 32,559,881.91 | | | 32,559,881.91 |

| | | | | |
|-----------------------------------|---------------|--|--|---------------|
| III. Depreciation reserves | | | | |
| 1. Beginning balance | | | | |
| 2. Increased amount of the period | | | | |
| (1) Withdrawal | | | | |
| 3. Decreased amount of the period | | | | |
| (1) Disposal | | | | |
| (2) Other transfer | | | | |
| 4. Ending balance | | | | |
| IV. Carrying value | | | | |
| 1. Ending carrying value | 55,072,689.23 | | | 55,072,689.23 |
| 2. Beginning carrying value | 57,281,030.03 | | | 55,072,689.23 |

10. Fixed Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|--------------|----------------|-------------------|
| Fixed assets | 511,250,371.37 | 560,049,970.50 |
| Total | 511,250,371.37 | 560,049,970.50 |

(1) List of Fixed Assets

Unit: RMB

| Item | Houses and buildings | Machinery equipment | Transportation equipment | Other equipment | Total |
|-----------------------------------|----------------------|---------------------|--------------------------|-----------------|------------------|
| I. Original carrying value | | | | | |
| 1. Beginning balance | 445,235,823.37 | 910,680,568.87 | 23,363,510.00 | 44,350,166.61 | 1,423,630,068.85 |
| 2. Increased amount of the period | 1,840,550.18 | 31,574,161.21 | 1,081,805.53 | 2,940,725.89 | 37,437,242.81 |

| | | | | | |
|---|----------------|----------------|---------------|---------------|------------------|
| (1) Purchase | 807,517.05 | 1,478,874.00 | 46,410.26 | 680,597.77 | 3,013,399.08 |
| (2) Transfer from construction in progress | 1,033,033.13 | 30,095,287.21 | 1,035,395.27 | 2,260,128.12 | 34,423,843.73 |
| (3) Enterprise combination increase | | | | | |
| 3. Decreased amount of the period | | 6,143,815.14 | 6,361,487.00 | 2,868,503.04 | 15,373,805.18 |
| (1) Disposal or Scrap | | 6,143,815.14 | 6,361,487.00 | 2,868,503.04 | 15,373,805.18 |
| 4. Ending balance | 447,076,373.55 | 936,110,914.94 | 18,083,828.53 | 44,422,389.46 | 1,445,693,506.48 |
| II. Accumulative depreciation | | | | | |
| 1. Beginning balance | 249,203,618.96 | 561,623,572.09 | 17,903,567.46 | 33,355,224.84 | 862,085,983.35 |
| 2. Increased amount of the period | 16,575,213.22 | 62,874,579.95 | 1,657,207.90 | 3,491,318.83 | 84,598,319.90 |
| (1) Withdrawal | 16,575,213.22 | 62,874,579.95 | 1,657,207.90 | 3,491,318.83 | 84,598,319.90 |
| 3. Decreased amount of the period | | 4,875,587.40 | 6,219,137.33 | 2,640,558.41 | 13,735,283.14 |
| (1) Disposal or Scrap | | 4,875,587.40 | 6,219,137.33 | 2,640,558.41 | 13,735,283.14 |
| 4. Ending balance | 265,778,832.18 | 619,622,564.64 | 13,341,638.03 | 34,205,985.26 | 932,949,020.11 |
| III. Depreciation reserves | | | | | |
| 1. Beginning | | 1,494,115.00 | | | 1,494,115.00 |

| | | | | | |
|-----------------------------------|----------------|----------------|--------------|---------------|----------------|
| balance | | | | | |
| 2. Increased amount of the period | | | | | |
| (1) Withdrawal | | | | | |
| 3. Decreased amount of the period | | | | | |
| (1) Disposal or Scrap | | | | | |
| 4. Ending balance | | 1,494,115.00 | | | 1,494,115.00 |
| IV. Carrying value | | | | | |
| 1. Ending carrying value | 181,297,541.37 | 314,994,235.30 | 4,742,190.50 | 10,216,404.20 | 511,250,371.37 |
| 2. Beginning carrying value | 196,032,204.41 | 347,562,881.78 | 5,459,942.54 | 10,994,941.77 | 560,049,970.50 |

The depreciation in the Reporting Period was RMB84,598,319.90. the original value of the fixed assets transferred from construction in progress in the Reporting Period was RMB 34,423,843.73.

11. Construction in Progress

Unit: RMB

| Item | Ending balance | Beginning balance |
|--------------------------|----------------|-------------------|
| Construction in progress | 89,090,384.71 | 94,581,989.06 |
| Total | 89,090,384.71 | 94,581,989.06 |

(1) List of Construction in Progress

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|-----------------------------------|-----------------|-----------------------|----------------|-------------------|-----------------------|----------------|
| | Carrying amount | Depreciation reserves | Carrying value | Carrying amount | Depreciation reserves | Carrying value |
| Trial production workshop project | 14,349,461.80 | | 14,349,461.80 | 14,349,461.80 | | 14,349,461.80 |

| | | | | | | |
|---|---------------|--|---------------|---------------|--|---------------|
| technology center | | | | | | |
| Casting renovation project | 396,000.00 | | 396,000.00 | 396,000.00 | | 396,000.00 |
| Expansion capacity of multi-cylinder (The 2 nd Period) | 11,371,098.24 | | 11,371,098.24 | 11,217,706.49 | | 11,217,706.49 |
| Diesel Engine Cylinder Body Flexible Manufacturing Line | 19,061,813.95 | | 19,061,813.95 | 20,125,955.51 | | 20,125,955.51 |
| 35KV Substation | 1,321,959.41 | | 1,321,959.41 | 1,218,587.83 | | 1,218,587.83 |
| Equipment to be installed and payment for projects | 42,590,051.31 | | 42,590,051.31 | 47,274,277.43 | | 47,274,277.43 |
| Total | 89,090,384.71 | | 89,090,384.71 | 94,581,989.06 | | 94,581,989.06 |

(2) Changes in Significant Construction in Progress during the Reporting Period

Unit: RMB

| Item | Budget | Beginning balance | Increased amount | Transferred in fixed assets | Other decreased amount | Ending balance | Proportion of accumulated investment in constructions to budget | Job schedule | Accumulated amount of interest capitalization | Of which : amount of capitalized interests for the Reporting Period | Capitalization rate of interests for the Reporting Period | Capital resources |
|-----------------------------------|----------|-------------------|------------------|-----------------------------|------------------------|----------------|---|--------------|---|---|---|-------------------|
| Trial production workshop project | 2,289.63 | 14,349,461.80 | | | | 14,349,461.80 | 62.67% | Uncompleted | | | | Other |

| | | | | | | | | | | | | |
|--|-------------------|---------------------------|----------------------|----------------------|--|-----------------------|------------|---------------------|--|--|--|-------|
| technolog y center | | | | | | | | | | | | |
| Expansion capacity of multi-cyli nder (The 2 nd Period) | 7,0 19. 00 | 11,2 17,7 06.4 9 | 172, 084. 91 | 18,69 3.16 | | 11,37 1,098 .24 | 91.94 % | Unco mplet ed | | | | Other |
| Diesel Engine Cylinder Body Flexible Manufactu ring Line | 11, 604 .00 | 20,1 25,9 55.5 1 | 1,16 7,19 7.29 | 2,231 ,338. 85 | | 19,06 1,813 .95 | 35.24 % | Unco mplet ed | | | | Other |
| 35KV Substation | | 1,21 8,58 7.83 | 103, 371. 58 | | | 1,321 ,959. 41 | | Unco mplet ed | | | | Other |
| Total | 20, 912 .63 | 46,9 11,7 11.6 3 | 1,44 2,65 3.78 | 2,250 ,032. 01 | | 46,10 4,333 .40 | -- | | | | | |

12. Intangible Assets

(1) List of Intangible Assets

Unit: RMB

| Item | Land use right | Software | Patent | Total |
|-----------------------------------|----------------|---------------|--------------|----------------|
| I. Original carrying value | | | | |
| 1. Beginning balance | 144,770,507.85 | 10,972,366.81 | 5,488,000.00 | 161,230,874.66 |
| 2. Increased amount of the period | | 545,213.13 | | 545,213.13 |
| (1) Purchase | | 545,213.13 | | 545,213.13 |
| (2) Internal R&D | | | | |
| (3) Business combination increase | | | | |
| 3. Decreased amount of the period | | | | |

| | | | | |
|-----------------------------------|----------------|---------------|--------------|----------------|
| (1) Disposal | | | | |
| 4. Ending balance | 144,770,507.85 | 11,517,579.94 | 5,488,000.00 | 161,776,087.79 |
| II. Accumulated amortization | | | | |
| 1. Beginning balance | 45,156,044.23 | 7,821,750.27 | 457,333.30 | 53,435,127.80 |
| 2. Increased amount of the period | 2,971,978.28 | 1,727,302.37 | 548,799.96 | 5,248,080.61 |
| (1) Withdrawal | 2,971,978.28 | 1,727,302.37 | 548,799.96 | 5,248,080.61 |
| 3. Decreased amount of the period | | | | |
| (1) Disposal | | | | |
| 4. Ending balance | 48,128,022.51 | 9,549,052.64 | 1,006,133.26 | 58,683,208.41 |
| III. Depreciation reserves | | | | |
| 1. Beginning balance | | | | |
| 2. Increased amount of the period | | | | |
| (1) Withdrawal | | | | |
| 3. Decreased amount of the period | | | | |
| (1) Disposal | | | | |
| 4. Ending balance | | | | |
| IV. Carrying value | | | | |
| 1. Ending carrying value | 96,642,485.34 | 1,968,527.30 | 4,481,866.74 | 103,092,879.38 |
| 2. Beginning carrying value | 99,614,463.62 | 3,150,616.54 | 5,030,666.70 | 107,795,746.86 |

13. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets that Had not Been Set-off

Unit: RMB

| Item | Ending balance | | Beginning balance | |
|------------------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------|
| | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Provision for impairment of assets | 6,401,000.68 | 979,822.71 | 6,519,959.41 | 1,006,953.81 |
| Total | 6,401,000.68 | 979,822.71 | 6,519,959.41 | 1,006,953.81 |

(2) Deferred Income Tax Liabilities Had Not Been Off-set

Unit: RMB

| Item | Ending balance | | Beginning balance | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Deductible temporary difference | Deferred income tax liabilities | Deductible temporary difference | Deferred income tax liabilities |
| Assets evaluation appreciation for business combination not under the same control | 5,247,821.44 | 1,311,955.36 | 6,061,317.56 | 1,515,329.39 |
| Changes in fair value of available-for-sale financial assets | 311,065,500.00 | 46,659,825.00 | 605,963,000.00 | 90,894,450.00 |
| Total | 316,313,321.44 | 47,971,780.36 | 612,024,317.56 | 92,409,779.39 |

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------------------------|----------------|-------------------|
| Bad debt provision | 271,239,638.98 | 265,661,576.96 |
| Inventory falling price reserves | 49,242,025.52 | 41,331,450.55 |
| Total | 320,481,664.50 | 306,993,027.51 |

14. Other Non-current Assets

Unit: RMB

| Item | Ending balance | Ending depreciation reserve | Beginning balance | Beginning depreciation reserve |
|-----------------|----------------|-----------------------------|-------------------|--------------------------------|
| Entrusted loans | 4,000,000.00 | 4,000,000.00 | 14,000,000.00 | 14,000,000.00 |
| Total | 4,000,000.00 | 4,000,000.00 | 14,000,000.00 | 14,000,000.00 |

15. Short-term Borrowings**(1) Category of Short-term Borrowings**

Unit: RMB

| Item | Ending balance | Beginning balance |
|------------------|----------------|-------------------|
| Mortgage loans | 7,000,000.00 | 14,900,000.00 |
| Guaranteed loans | 10,000,000.00 | 10,000,000.00 |
| Credit loans | 10,000,000.00 | |

| | | |
|-------|---------------|---------------|
| Total | 27,000,000.00 | 24,900,000.00 |
|-------|---------------|---------------|

16. Notes Payable and Accounts Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|------------------|------------------|-------------------|
| Notes payable | 438,375,400.00 | 347,070,500.00 |
| Accounts payable | 591,754,875.77 | 616,228,500.18 |
| Total | 1,030,130,275.77 | 963,299,000.18 |

(1) List of Notes Payable

Unit: RMB

| Category | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 438,375,400.00 | 347,070,500.00 |
| Total | 438,375,400.00 | 347,070,500.00 |

There was no overdue notes payable at the period-end.

(2) List of Accounts Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------|----------------|-------------------|
| Loans | 591,754,875.77 | 616,228,500.18 |
| Total | 591,754,875.77 | 616,228,500.18 |

(3) There Were No Significant Accounts Payable Aging over One Year

17. Advances from Customers

(1) List of Advances from Customers

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------|----------------|-------------------|
| Loans | 34,500,232.97 | 40,153,984.91 |
| Total | 34,500,232.97 | 40,153,984.91 |

(2) There Were No Significant Advances from Customers Aging over One Year**18. Payroll Payable****(1) List of Payroll Payable**

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|--|-------------------|----------------|----------------|----------------|
| I. Short-term salary | 51,247,112.66 | 280,901,398.81 | 281,647,918.48 | 50,500,592.99 |
| II. Post-employment benefit-defined contribution plans | | 40,098,239.15 | 40,098,239.15 | |
| III. Termination benefits | | | | |
| IV. Current portion of other welfares | | | | |
| Total | 51,247,112.66 | 320,999,637.96 | 321,746,157.63 | 50,500,592.99 |

(2) List of Short-term Salary

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|---|-------------------|----------------|----------------|----------------|
| 1. Salary, bonus, allowance, subsidy | 42,781,111.59 | 232,330,506.45 | 233,171,760.21 | 41,939,857.83 |
| 2. Employee welfare | 177,592.74 | 4,437,251.44 | 4,525,251.44 | 89,592.74 |
| 3. Social insurance | | 19,902,879.86 | 19,902,879.86 | |
| Of which: Medical insurance premiums | | 16,483,144.57 | 16,483,144.57 | |
| Work-related injury insurance | | 1,810,165.12 | 1,810,165.12 | |
| Maternity insurance | | 1,609,570.17 | 1,609,570.17 | |
| 4. Housing fund | | 19,768,075.80 | 19,768,075.80 | |
| 5. Labor union budget and employee education budget | 8,288,408.33 | 4,462,685.26 | 4,279,951.17 | 8,471,142.42 |
| 6. Short-term absence with salary | | | | |
| 7 Short-term profit sharing scheme | | | | |
| Total | 51,247,112.66 | 280,901,398.81 | 281,647,918.48 | 50,500,592.99 |

(3) List of Defined Contribution Plans

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|---------------------------|-------------------|---------------|---------------|----------------|
| 1. Basic pension benefits | | 39,068,369.04 | 39,068,369.04 | |
| 2. Unemployment insurance | | 1,029,870.11 | 1,029,870.11 | |
| 3. Annuity | | | | |
| Total | | 40,098,239.15 | 40,098,239.15 | |

19. Taxes Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|--|----------------|-------------------|
| VAT | 876,055.81 | 257,634.15 |
| Corporate income tax | 3,665,483.92 | 1,220,803.03 |
| Personal income tax | 140,662.05 | 397,114.88 |
| Urban maintenance and construction tax | 993,210.56 | 850,853.05 |
| Property tax | 94,256.40 | 173,200.76 |
| Land use tax | 100,135.19 | 21,000.00 |
| Stamp duty | 4,594.61 | 7,508.61 |
| Education Surcharge | 116,355.46 | 14,671.54 |
| Comprehensive fees | 1,075,134.76 | 1,075,134.76 |
| Environmental protection tax | 197.13 | |
| Total | 7,066,085.89 | 4,017,920.78 |

20. Other Payables

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Dividends payable | 3,891,433.83 | 3,891,433.83 |
| Other payables | 195,520,817.07 | 192,094,243.08 |
| Total | 199,412,250.90 | 195,985,676.91 |

(1) Dividends Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|------|----------------|-------------------|
|------|----------------|-------------------|

| | | |
|--|--------------|--------------|
| Ordinary share dividends | 3,243,179.97 | 3,243,179.97 |
| Dividends for non-controlling shareholders | 648,253.86 | 648,253.86 |
| Total | 3,891,433.83 | 3,891,433.83 |

The reason for non-payment for over one year: not gotten by shareholders yet.

(2) Other Payables

1) Other Payables Listed by Nature of Account

Unit: RMB

| Item | Ending balance | Beginning balance |
|-------------------------------------|----------------|-------------------|
| Margin & cash pledged | 3,369,213.08 | 3,266,453.59 |
| Intercourse funds among units | 10,977,924.77 | 10,838,311.11 |
| Intercourse funds among individuals | 375,201.04 | 457,465.63 |
| Sales discount and three guarantees | 144,278,468.99 | 142,449,844.40 |
| Other | 36,520,009.19 | 35,082,168.35 |
| Total | 195,520,817.07 | 192,094,243.08 |

2) Significant Other Payables Aging over One Year

The significant other payables aging over one year at the period-end mainly referred to the unsettled temporary credits and charges owned.

21. Current Portion of Non-current Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Current portion of long-term borrowings | 18,500,000.00 | |
| Total | 18,500,000.00 | |

The current portion of long-term borrowings was RMB18,500,000.00 which was the borrowing for technical transformation project of the Company as the parent provided by China Merchants Bank Changzhou Branch with the term from 20 September 2017 to 19 September 2019 and the interest rate of 4.75%.

22. Other Current Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|------|----------------|-------------------|
|------|----------------|-------------------|

| | | |
|-----------------|--------------|--------------|
| Sewage charge | | 54,000.00 |
| Electric charge | 2,082,985.18 | 1,974,937.59 |
| Total | 2,082,985.18 | 2,028,937.59 |

23. Long-term Borrowings

Unit: RMB

| Item | Ending balance | Beginning balance |
|---------------------|----------------|-------------------|
| Mortgage borrowings | 2,000,000.00 | 2,000,000.00 |
| Loan on credit | | 19,500,000.00 |
| Total | 2,000,000.00 | 21,500,000.00 |

The mortgage loan at the period-end was RMB2,000,000.00, which was the loan by the subsidiary-Changchai Wanzhou from Gaosuntang Branch of Chongqing Three Gorges Bank with the duration from 14 December 2017 to 6 November 2020 and the interest rate of 6.15%.

24. Deferred Income

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance | Reason for formation |
|----------------------|-------------------|----------|--------------|----------------|--------------------------|
| Government subsidies | 60,992,858.46 | — | 1,064,373.62 | 59,928,484.84 | Government appropriation |
| Total | 60,992,858.46 | — | 1,064,373.62 | 59,928,484.84 | -- |

Item involving government subsidies:

Unit: RMB

| Item | Beginning balance | Amount of newly subsidy | Amount recorded into non-operating income in the Reporting Period | Amount recorded into other income in the Reporting Period | Amount offset cost in the Reporting Period | Other changes | Ending balance | Related to assets/related income |
|-----------------------------------|-------------------|-------------------------|---|---|--|---------------|----------------|----------------------------------|
| Electric control of diesel engine | 1,045,200.00 | | | 398,400.00 | | | 646,800.00 | Related to assets |

| | | | | | | | | |
|--|---------------|--|--|------------|--|--|---------------|-------------------|
| research and development and industrialization allocations | | | | | | | | |
| National major project special allocations | 28,770,000.00 | | | | | | 28,770,000.00 | Related to assets |
| Remove compensation | 21,177,658.46 | | | 665,973.62 | | | 20,511,684.84 | Related to assets |
| Research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use | 10,000,000.00 | | | | | | 10,000,000.00 | Related to assets |

25. Share Capital

Unit: RMB

| | Beginning balance | Increase/decrease (+/-) | | | | | Ending balance |
|-------------------|-------------------|-------------------------|--------------|-------------------------|-------|----------|----------------|
| | | New shares issued | Bonus shares | Bonus issue from profit | Other | Subtotal | |
| The sum of shares | 561,374,326.00 | | | | | | 561,374,326.00 |

26. Capital Reserves

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|------------------------------------|-------------------|----------|----------|----------------|
| Capital premium (premium on stock) | 143,990,690.24 | | | 143,990,690.24 |
| Other capital reserves | 20,337,975.19 | | | 20,337,975.19 |
| Total | 164,328,665.43 | | | 164,328,665.43 |

27. Other Comprehensive Income

Unit: RMB

| Item | Beginning balance | Reporting Period | | | | | Ending balance |
|--|-------------------|--|--|--------------------------|---|---|----------------|
| | | Income before taxation in the Current Period | Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period | Less: Income tax expense | Attributable to owners of the Company as the parent after tax | Attributable to non-controlling interests after tax | |
| I. Other comprehensive income that will not be reclassified to profit or loss | | | | | | | |
| Of which: Changes caused by re-measurements on defined benefit pension schemes | | | | | | | |
| Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method | | | | | | | |

| | | | | | | | |
|--|----------------|-----------------|----------------|----------------|-----------------|--|----------------|
| II. Other comprehensive income that may subsequently be reclassified to profit or loss | 515,068,550.00 | -167,897,500.00 | 107,950,000.00 | -25,184,625.00 | -250,662,875.00 | | 264,405,675.00 |
| Of which: Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method | | | | | | | |
| Gain/Loss on changes in fair value of available-for-sale financial assets | 515,068,550.00 | -167,897,500.00 | 107,950,000.00 | -25,184,625.00 | -250,662,875.00 | | 264,405,675.00 |
| Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets | | | | | | | |
| Effective gain/loss on cash flow hedges | | | | | | | |
| Differences arising from translation of foreign currency-denominated financial statements | | | | | | | |
| Total of other comprehensive income | 515,068,550.00 | -167,897,500.00 | 107,950,000.00 | -25,184,625.00 | -250,662,875.00 | | 264,405,675.00 |

28. Specific Reserve

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|------------------------|-------------------|--------------|--------------|----------------|
| Safety production cost | 13,289,059.21 | 4,135,805.99 | 2,241,906.37 | 15,182,958.83 |
| Total | 13,289,059.21 | 4,135,805.99 | 2,241,906.37 | 15,182,958.83 |

29. Surplus Reserves

Unit: RMB

| Item | Beginning balance | Increase | Decrease | Ending balance |
|--------------------------------|-------------------|--------------|----------|----------------|
| Statutory surplus reserves | 300,548,352.26 | 6,427,839.99 | | 306,976,192.25 |
| Discretionary surplus reserves | 13,156,857.90 | | | 13,156,857.90 |
| Total | 313,705,210.16 | 6,427,839.99 | | 320,133,050.15 |

30. Retained Earnings

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Beginning balance of retained earnings before adjustments | 679,131,047.06 | 651,365,935.39 |
| Total retained earnings at the beginning of the adjustment period (“+” means up, “-“ means down) | | |
| Beginning balance of retained earnings after adjustments | 679,131,047.06 | 651,365,935.39 |
| Add: Net profit attributable to owners of the Company as the parent | 62,021,374.04 | 46,431,302.73 |
| Less: withdrawal of statutory surplus reserves | 6,427,839.99 | 1,824,961.28 |
| Withdrawal of discretionary surplus reserves | | |
| Withdrawal of general reserve | | |
| Dividend of ordinary shares payable | 16,841,229.78 | 16,841,229.78 |
| Dividend of ordinary shares transferred as share capital | | |
| Ending retained earnings | 717,883,351.33 | 679,131,047.06 |

31. Operating Revenue and Cost of Sales

Unit: RMB

| Item | Reporting Period | | Same Period of last year | |
|------------------|-------------------|------------------|--------------------------|------------------|
| | Operating revenue | Cost of sales | Operating revenue | Cost of sales |
| Main operations | 2,093,039,249.58 | 1,782,146,126.35 | 2,393,799,573.65 | 2,053,982,326.15 |
| Other operations | 39,863,469.02 | 31,298,459.31 | 29,259,384.64 | 18,895,650.62 |
| Total | 2,132,902,718.60 | 1,813,444,585.66 | 2,423,058,958.29 | 2,072,877,976.77 |

32. Taxes and Surtaxes

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|--|------------------|--------------------------|
| Urban maintenance and construction tax | 1,538,140.51 | 2,565,415.20 |
| Education Surcharge | 1,098,335.32 | 1,832,439.41 |
| Property tax | 4,720,363.62 | 4,650,467.91 |

| | | |
|----------------------------|---------------|---------------|
| Land use tax | 3,813,015.72 | 3,659,038.57 |
| Vehicle and vessel use tax | 1,920.00 | 1,920.00 |
| Stamp Duty | 1,046,929.90 | 1,151,693.01 |
| Environment tax | 194,011.91 | |
| Other | 120,012.70 | 43,324.35 |
| Total | 12,532,729.68 | 13,904,298.45 |

33. Selling Expense

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|---------------------------|------------------|--------------------------|
| Office expenses | 15,226,739.67 | 16,073,409.43 |
| Employee's remuneration | 30,898,847.11 | 30,109,247.54 |
| Sales promotional expense | 11,065,465.84 | 17,037,228.20 |
| Three guarantees | 59,459,243.39 | 28,911,112.28 |
| Transport charge | 7,875,890.07 | 7,199,785.26 |
| Other | 2,470,880.79 | 2,966,930.66 |
| Total | 126,997,066.87 | 102,297,713.37 |

34. Administrative Expense

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|-------------------------------|------------------|--------------------------|
| Office expenses | 13,620,335.64 | 14,110,423.74 |
| Employee's remuneration | 63,552,532.88 | 56,985,514.29 |
| Depreciation and amortization | 12,141,787.46 | 13,290,918.09 |
| Transport fees | 2,203,781.08 | 2,699,980.24 |
| Repair charge | 918,265.20 | 1,831,393.13 |
| Safety expenses | 4,135,805.99 | 4,161,424.06 |
| Other | 19,455,330.71 | 14,755,965.56 |
| Total | 116,027,838.96 | 107,835,619.11 |

35. R&D Expense

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|------|------------------|--------------------------|
|------|------------------|--------------------------|

| | | |
|-------------------------------|---------------|---------------|
| Direct input expense | 44,893,971.91 | 51,378,796.38 |
| Employee's remuneration | 22,101,113.31 | 20,303,733.38 |
| Depreciation and amortization | 2,812,179.10 | 2,833,926.92 |
| Entrusted R&D charges | 700,000.00 | |
| Other | 1,675,576.46 | 2,198,839.47 |
| Total | 72,182,840.78 | 76,715,296.15 |

36. Finance Costs

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|--------------------------------------|------------------|--------------------------|
| Interest expense | 4,553,608.46 | 2,119,903.67 |
| Less: Interest income | 4,665,445.23 | 7,613,535.50 |
| Net foreign exchange gains or losses | -6,194,688.23 | 6,421,288.87 |
| Other | 5,402,762.70 | -3,218,451.43 |
| Total | -903,762.30 | -2,290,794.39 |

37. Asset Impairment Loss

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|-----------------------------|------------------|--------------------------|
| Bad debt loss | 5,459,103.29 | 5,093,473.40 |
| Loss on inventory valuation | 42,139,394.79 | 35,867,310.34 |
| Other | -10,000,000.00 | |
| Total | 37,598,498.08 | 40,960,783.74 |

38. Other Income

Unit: RMB

| Resource | Reporting Period | Same Period of last year |
|----------------------|------------------|--------------------------|
| Government subsidies | 6,291,685.65 | 8,456,560.85 |
| Total | 6,291,685.65 | 8,456,560.85 |

List of government subsidies recorded into other income

Unit: RMB

| Item | Reporting Period | Same period of last year | Related to assets/income |
|------|------------------|--------------------------|--------------------------|
|------|------------------|--------------------------|--------------------------|

| | | | |
|--|--------------|--------------|-------------------|
| Subsidy for the transformation and upgrading of industrial and information sectors | 150,000.00 | 2,070,000.00 | Related to income |
| Trinity subsidy | 2,300,000.00 | 1,696,000.00 | Related to income |
| Subsidy for stabilizing posts | 992,136.63 | 1,355,883.23 | Related to income |
| Subsidy for the special rectification of coal fired boilers | | 60,000.00 | Related to income |
| Subsidy for participating in the international brand campaign | | 300,000.00 | Related to income |
| Commercial development fund | 511,400.00 | 21,700.00 | Related to income |
| Development funds for small and medium-sized enterprises | | 32,000.00 | Related to income |
| Relocation compensation | 665,973.62 | 1,780,757.62 | Related to assets |
| R & D and industrialization of off-road diesel engine controlled by electricity | 398,400.00 | 398,400.00 | Related to assets |
| Industry-university-research cooperation subsidy | 200,000.00 | | Related to income |
| One Belt and One Road Project Fund | 30,000.00 | | Related to income |
| Other rewards and subsidies | 235,775.40 | 110,820.00 | Related to income |
| Appropriation of other technological projects | 808,000.00 | 631,000.00 | Related to income |
| Total | 6,291,685.65 | 8,456,560.85 | |

39. Investment Income

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|---|------------------|--------------------------|
| Investment income from holding of available for sale financial assets | 7,607,870.00 | 10,709,750.99 |
| Investment income from disposal of available-for-sale financial assets | 104,824,084.63 | |
| Investment income from disposal of financial products of securities companies | 838,870.20 | 654,862.68 |
| Gains or losses generated from re-measurement on stock rights at fair value held before the purchase date for the business combination not under the same control | | 1,751,203.43 |
| Total | 113,270,824.83 | 13,115,817.10 |

40. Asset Disposal Income

Unit: RMB

| Sources | Reporting Period | Same period of last year |
|-----------------------------|------------------|--------------------------|
| Fixed asset disposal income | 662,151.89 | 1,373,236.33 |
| Total | 662,151.89 | 1,373,236.33 |

41. Non-operating Income

Unit: RMB

| Item | Reporting Period | Same Period of last year | Amount recorded in the current non-recurring profit or loss |
|--|------------------|--------------------------|---|
| Insurance indemnity | 1,179,518.37 | 1,453,805.83 | 1,179,518.37 |
| Income from penalty | 112,645.60 | 218,421.07 | 112,645.60 |
| Income generated from disposal of current assets | 502,640.00 | 303,456.00 | 502,640.00 |
| Other | 144,191.79 | 1,007,709.34 | 144,191.79 |
| Negative goodwill generated from business combination not under the same control | | 19,924,486.12 | |
| Total | 1,938,995.76 | 22,907,878.36 | 1,938,995.76 |

42. Non-operating Expense

Unit: RMB

| Item | Reporting Period | Same Period of last year | Amount recorded in the current non-recurring profit or loss |
|--|------------------|--------------------------|---|
| Donation | | 210,000.00 | |
| Loss on disposal of non-current assets | 928,118.57 | 367,435.71 | 928,118.57 |
| Of which: loss on disposal of fixed assets | 928,118.57 | 367,435.71 | 928,118.57 |
| Loss on disposal of current assets | 539,665.92 | 7,047,215.23 | 539,665.92 |
| Other | 6,434.00 | 168,007.06 | 6,434.00 |
| Total | 1,474,218.49 | 7,792,658.00 | 1,474,218.49 |

43. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|------|------------------|--------------------------|
|------|------------------|--------------------------|

| | | |
|---|---------------|--------------|
| The current income tax calculated as stipulated in the tax law and relevant regulations | 13,721,905.60 | 2,030,954.40 |
| Deferred income tax expense | -176,242.93 | -349,287.14 |
| Total | 13,545,662.67 | 1,681,667.26 |

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

| Item | Reporting Period |
|--|------------------|
| Profit before taxation | 75,712,360.51 |
| Current income tax expense accounted at statutory/applicable tax rate | 11,356,854.08 |
| Influence of applying different tax rates by subsidiaries | 362,218.33 |
| Influence of income tax before adjustment | 247,877.80 |
| Influence of non-taxable income | -1,301,828.54 |
| Influence of non-deductible costs, expenses and losses | 4,128,125.59 |
| Influence of deductible loss of unrecognized deferred income tax assets at the beginning of the Reporting Period | 23,218.23 |
| Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax assets in the Reporting Period | 2,295,717.17 |
| Tax preference generated from eligible expense | -3,566,519.99 |
| Income tax expense | 13,545,662.67 |

44. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|----------------------------|------------------|--------------------------|
| Subsidy and appropriation | 5,227,312.03 | 8,003,187.23 |
| Other intercourses in cash | 2,429,574.19 | 5,034,680.92 |
| Interest income | 4,665,445.23 | 7,665,735.50 |
| Total | 12,322,331.45 | 20,703,603.65 |

(2) Cash Used in Other Operating Activities

Unit: RMB

| Item | Reporting Period | Same Period of last year |
|------------------------------|------------------|--------------------------|
| Selling expense paid in cash | 70,472,280.14 | 42,623,103.17 |

| | | |
|-------------------------------------|----------------|---------------|
| Administrative expense paid in cash | 44,119,952.70 | 42,894,223.56 |
| Handling charge | 517,221.04 | 797,242.10 |
| Other | 1,494,483.87 | 1,786,264.01 |
| Total | 116,603,937.75 | 88,100,832.84 |

45. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Unit: RMB

| Supplemental information | Reporting Period | Same period of last year |
|---|------------------|--------------------------|
| 1. Reconciliation of net profit to net cash flows generated from operating activities | -- | -- |
| Net profit | 62,166,697.84 | 47,137,232.47 |
| Add: Provision for impairment of assets | 37,598,498.08 | 40,960,783.74 |
| Depreciation of fixed assets, of oil-gas assets, of productive biological assets | 86,806,660.70 | 90,190,434.30 |
| Amortization of intangible assets | 5,248,080.61 | 6,018,505.30 |
| Amortization of long-term deferred expenses | | |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by "-") | -662,151.89 | -1,373,236.33 |
| Losses on the scrapping of fixed assets (gains by "-") | 928,118.57 | 367,435.71 |
| Losses on the changes in fair value (gains by "-") | | |
| Financial expenses (gains by "-") | 4,553,608.46 | 2,119,903.67 |
| Investment losses (gains by "-") | -113,270,824.83 | -13,115,817.10 |
| Decrease in deferred income tax assets (increase by "-") | 27,131.10 | -95,724.39 |
| Increase in deferred income tax liabilities (decrease by "-") | -203,374.03 | -253,562.75 |
| Decrease in inventory (increase by "-") | -91,846,479.01 | -16,207,075.64 |
| Decrease in accounts receivable from operating activities (increase by "-") | 232,739,906.78 | -255,524,512.29 |
| Increase in payables from operating activities (decrease by "-") | 63,742,812.33 | 15,592,612.02 |
| Other | -14,009,157.82 | -37,486,258.10 |
| Net cash flows generated from operating activities | 273,819,526.89 | -121,669,279.39 |
| 2. Investing and financing activities that do not | -- | -- |

| | | |
|--|----------------|-----------------|
| involving cash receipts and payment: | | |
| Debt transferred as capital | | |
| Convertible corporate bond due within one year | | |
| Fixed assets from financing lease | | |
| 3. Net increase in cash and cash equivalents | -- | -- |
| Closing balance of cash | 687,079,639.59 | 325,263,654.43 |
| Less: Opening balance of cash | 325,263,654.43 | 583,278,129.09 |
| Add: Closing balance of cash equivalents | | |
| Less: Opening balance of cash equivalents | | |
| Net increase in cash and cash equivalents | 361,815,985.16 | -258,014,474.66 |

(2) Cash and Cash Equivalents

Unit: RMB

| Item | Ending balance | Beginning balance |
|--|----------------|-------------------|
| I. Cash | 687,079,639.59 | 325,263,654.43 |
| Including: Cash on hand | 441,363.70 | 466,356.31 |
| Bank deposit on demand | 684,620,907.41 | 324,781,747.27 |
| Other monetary capital on demand | 2,017,368.48 | 15,550.85 |
| Accounts deposited in the central bank available for payment | | |
| Deposits in other banks | | |
| Accounts of interbank | | |
| II. Cash equivalents | | |
| Of which: bond investment expired within three months | | |
| III. Ending balance of cash and cash equivalents | 687,079,639.59 | 325,263,654.43 |
| Of which: cash and cash equivalents with restriction in use for the Company as the parent or subsidiaries of the Group | | |

46. Assets with Restricted Ownership or Right to Use

Unit: RMB

| Item | Ending carrying value | Reason for restriction |
|----------------------|-----------------------|--|
| Monetary capital | 113,880,397.10 | As cash deposit for bank acceptance bill and L/C |
| Houses and buildings | 9,151,848.69 | Mortgaged for borrowings from banks |
| Land use right | 1,005,328.00 | Mortgaged for borrowings from banks |
| Machinery equipment | 51,191,810.97 | Mortgaged for borrowings from banks |

| | | |
|-------|----------------|----|
| Total | 175,229,384.76 | -- |
|-------|----------------|----|

47. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

| Item | Ending foreign currency balance | Exchange rate | Ending balance converted to RMB |
|---------------------|---------------------------------|---------------|---------------------------------|
| Monetary capital | -- | -- | |
| Of which: USD | 8,960,950.31 | 6.8632 | 61,500,794.17 |
| HKD | 254,028.39 | 0.8762 | 222,579.68 |
| SGD | 54,427.95 | 5.0062 | 272,477.20 |
| JPY | 52,511,025.00 | 0.061887 | 3,249,749.80 |
| Accounts receivable | -- | -- | -- |
| Of which: USD | 8,969,144.29 | 6.8632 | 61,557,031.09 |
| Accounts payable | -- | -- | -- |
| Of which: USD | 302.60 | 6.8632 | 2,076.80 |

48. Government Subsidy

(1) Basic Information on Government Subsidy

Unit: RMB

| Category | Amount | Listed items | Amount recorded in the current profit or loss |
|--|--------------|--------------|---|
| Subsidy for the transformation and upgrading of industrial and information sectors | 150,000.00 | Other income | 150,000.00 |
| Trinity subsidy | 2,300,000.00 | Other income | 2,300,000.00 |
| Subsidy for stabilizing posts | 992,136.63 | Other income | 992,136.63 |
| Commercial development fund | 511,400.00 | Other income | 511,400.00 |
| Relocation compensation | 665,973.62 | Other income | 665,973.62 |
| R & D and industrialization of off-road diesel engine controlled by electricity | 398,400.00 | Other income | 398,400.00 |
| Industry-university-research cooperation subsidy | 200,000.00 | Other income | 200,000.00 |
| One Belt and One Road Project Fund | 30,000.00 | Other income | 30,000.00 |
| Other rewards and subsidies | 235,775.40 | Other income | 235,775.40 |

| | | | |
|---|---------------|-----------------|------------|
| Appropriation of other technological projects | 808,000.00 | Other income | 808,000.00 |
| Appropriation for R & D and industrialization of off-road diesel engine controlled by electricity | 646,800.00 | Deferred income | |
| National major special appropriation | 28,770,000.00 | Deferred income | |
| Relocation compensation | 20,511,684.84 | Deferred income | |
| Appropriation or research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use | 10,000,000.00 | Deferred income | |

(2) Return of Government Subsidy

☐ Applicable ☒ Not applicable

VIII. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

| Name | Main operating place | Registration place | Nature of business | Holding percentage (%) | | Way of gaining |
|---|----------------------|--------------------|--------------------|------------------------|------------|--|
| | | | | Directly | Indirectly | |
| Changchai Wanzhou Diesel Engine Co., Ltd. | Chongqing | Chongqing | Industry | 60.00% | | Set-up |
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. | Changzhou City | Changzhou City | Industry | 99.00% | 1.00% | Set-up |
| Changzhou Housheng Investment Co., Ltd. | Changzhou City | Changzhou City | Service | 100.00% | | Set-up |
| Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. | Changzhou City | Changzhou City | Industry | 70.00% | 25.00% | Set-up |
| Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. | Changzhou City | Changzhou City | Industry | 100.00% | | Combination not under the same control |

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

| Name | Shareholding proportion of non-controlling interests | The profit or loss attributable to the non-controlling interests | Declaring dividends distributed to non-controlling interests | Balance of non-controlling interests at the period-end |
|---|--|--|--|--|
| Changchai Wanzhou Diesel Engine Co., Ltd. | 40.00% | 447,173.52 | | 19,549,806.55 |
| Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. | 5.00% | -301,849.72 | | 68,673.56 |

Holding proportion of non-controlling interests in subsidiary different from voting proportion: not applicable

(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Unit: RMB

| Name | Ending balance | | | | | | Beginning balance | | | | | |
|---|----------------|--------------------|---------------|---------------------|-------------------------|-------------------|-------------------|--------------------|---------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Changchai Wanzhou Diesel Engine Co., Ltd. | 44,946,886.20 | 26,693,776.10 | 71,640,662.30 | 20,766,145.92 | 2,000,000.00 | 22,766,145.92 | 51,974,844.72 | 27,420,469.36 | 79,395,314.08 | 29,638,731.50 | 2,000,000.00 | 31,638,731.50 |
| Changzhou Changchai Housheng Agricultural | 35,776,302.79 | 625,680.72 | 36,401,983.51 | 35,028,512.30 | | 35,028,512.30 | 38,597,424.23 | 346,526.83 | 38,943,951.06 | 31,533,485.51 | | 31,533,485.51 |

| | | | | | | | | | | | | |
|------------------------------------|--|--|--|--|--|--|--|--|--|--|--|--|
| ural Equipm ent Co., Ltd. | | | | | | | | | | | | |
|------------------------------------|--|--|--|--|--|--|--|--|--|--|--|--|

Unit: RMB

| Name | Reporting Period | | | | Same period of last year | | | |
|---|-------------------|---------------|----------------------------|--------------------------------------|--------------------------|--------------|----------------------------|--------------------------------------|
| | Operating revenue | Net profit | Total comprehensive income | Cash flows from operating activities | Operating revenue | Net profit | Total comprehensive income | Cash flows from operating activities |
| Changchai Wanzhou Diesel Engine Co., Ltd. | 46,653,660.46 | 1,117,933.80 | 1,117,933.80 | | 64,348,508.86 | 1,759,213.66 | 1,759,213.66 | 6,032,875.55 |
| Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. | 17,505,784.08 | -6,036,994.34 | -6,036,994.34 | | 15,715,166.92 | 44,885.51 | 44,885.51 | -10,230,832.08 |

2. Equity in the Structured Entity Excluded in the Scope of Consolidated Financial Statements

Notes to the structured entity excluded in the scope of consolidated financial statements:

In 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment. On 18 October 2018, new partners were added. In line with the revised Partnership Agreement, the general partner is Synergetic Innovation Fund Management Co., Ltd., and the limited partners are Changchai Company, Limited, Changzhou Zhongyou Petroleum Sales Co., Ltd., Changzhou Fuel Co., Ltd., Tong Yinzhong and Tong Yinxin. In accordance with the *Partnership Agreement*, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

IX. The Risk Related to Financial Instruments

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

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

(I) Credit Risk

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

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

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

(II) Liquidity Risk

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

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

(III) Market Risk

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

1. Interest Rate Risk

Interest rate risk is refers to fluctuation risk of the fair value or future cash flow of financial instrument change due to the change of market price.

2. Foreign Exchange Risk

Foreign exchange rate risk is referred to the risk incurred form the change of exchange rate. As for the Company's export business, customers will be given a certain credit term, if the RMB appreciates against the dollar, the company's accounts receivable will incur foreign currency exchange loss.

X. The Disclosure of Fair Value

1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

| Item | Ending fair value | | | |
|--|---|---|---|----------------|
| | Fair value measurement items at level 1 | Fair value measurement items at level 2 | Fair value measurement items at level 3 | Total |
| I. Consistent fair value measurement | -- | -- | -- | -- |
| (I) Financial assets at fair value through profit or loss | | | | |
| 1. Trading financial assets | | | | |
| (1) Debt instrument investment | | | | |
| (2) Equity instrument investment | | | | |
| (3) Derivative financial assets | | | | |
| 2. Financial assets designated to be measured at fair value and the changes included into the current profit or loss | | | | |
| (1) Debt instrument investment | | | | |
| (2) Equity instrument investment | | | | |
| (II) Available-for-sale financial assets | 370,940,000.00 | | | 370,940,000.00 |
| (1) Debt instrument investment | | | | |
| (2) Equity instrument investment | 370,940,000.00 | | | 370,940,000.00 |
| (3) Other | | | | |
| (III) Investment property | | | | |
| 1. Land use right for lease | | | | |
| 2. Buildings leased out | | | | |
| 3. Land use right held and plan to be transferred once appreciating | | | | |
| (IV) Living assets | | | | |
| 1. Consumptive living assets | | | | |
| 2. Productive living assets | | | | |

| | | | | |
|---|----------------|----|----|----------------|
| Total assets consistently measured by fair value | 370,940,000.00 | | | 370,940,000.00 |
| (V) Trading financial liabilities | | | | |
| Of which: issued trading bonds | | | | |
| Derivative financial liabilities | | | | |
| Other | | | | |
| (VI) Financial liabilities designated to be measured at fair value and the changes recorded into the current profit or loss | | | | |
| Total liabilities consistently measured by fair value | | | | |
| II. Inconsistent fair value measurement | -- | -- | -- | -- |
| (1) Held-to-sale assets | | | | |
| Total assets inconsistently measured by fair value | | | | |
| Total liabilities inconsistently measured by fair value | | | | |

2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

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

XI. Related Party and Related-party Transactions

1. Information Related to the Company as the Parent of the Company

| Name | Registration place | Nature of business | Registered capital | Proportion of share held by the Company as the parent against the Company | Proportion of voting rights owned by the Company as the parent against the Company |
|-----------|--------------------|--------------------|--------------------|---|--|
| Changzhou | Changzhou | Investment and | RMB1.2 billion | 30.43% | 30.43% |

| | | | | | |
|----------------------------|--|--|--|--|--|
| Investment Group Co., Ltd. | | operations of state-owned assets, assets management (excluding financial business), investment consulting (excluding consulting on investment in securities and options), etc. | | | |
|----------------------------|--|--|--|--|--|

Notes: information on the Company as the parent

On 22 November 2018, Changzhou Government State-owned Assets Supervision and Administration Commission transferred all 170,845,236 shares of the Company (accounting for 30.43% of the total share capital of the Company) to Changzhou Investment Group Co., Ltd. for free. In accordance with Changzhou People's Government Document (CZF [2006] No. 62), both the Company and Changzhou Investment Group Co., Ltd. are enterprises which Changzhou People's Government authorizes Changzhou Government State-owned Assets Supervision and Administration Commission to perform duties of investors. Thus, after the sharer transfer, Changzhou Investment Group Co., Ltd. is the controlling shareholder of the Company and Changzhou Government State-owned Assets Supervision and Administration Commission is still the actual controller of the Company.

The final controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission.

2. Subsidiaries of the Company

Refer to Note IX for details.

3. Information on Other Related Parties

| Name | Relationship with the Company |
|---|--|
| Synergetic Innovation Fund Management Co., Ltd. | The director of the Company serves as the senior management of the company |

4. Related-party Transactions

There was no related-party transaction during the Reporting Period.

XII. Commitments and Contingency

1. Significant Commitments

As of 31 December 2018, there was no significant commitment for the Company to disclose.

2. Contingency

(1) Significant Contingency on Balance Sheet Date

Previous litigations continuing to the Reporting Period the Company involved:

| Name of defendant | Date of accepted | Name of the litigation or arbitration institutions | Amount involved (RMB'0,000) | Remark |
|---------------------------------|------------------|--|-----------------------------|--------------------------------------|
| Shandong Hongli Group Co., Ltd. | 27 June 2001 | Changzhou Intermediate People's Court | 1,436.00 | Under the bankruptcy and liquidation |

Notes:

About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB 14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April 2002. Currently, the defendant has started the bankruptcy procedure. The aforesaid payment has arranged for the full provision for bad debts.

XIII. Events after Balance Sheet Date

1. Profit Distribution

Unit: RMB

| | |
|---|--------------|
| Profits or dividends to be distributed | 14,034,358.2 |
| Profits or dividends announced to be distributed after the approval | |

XVI. Other Significant Events

1. Segment Information

(1) If there Was no Reportable Segment, or the Total Amount of Assets and Liabilities of Each Reportable Segment Could not Be Reported, Relevant Reasons Shall Be Clearly Stated

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

(2) Other Notes**2. Other Significant Transactions and Events with Influence on Investors' Decision-making**

As of the approval issue date of financial statements, the Company did not complete the liquidation procedures of 2018 annual enterprise income tax.

XV. Notes of Main Items in the Financial Statements of the Company as the Parent**1. Notes Receivable and Accounts Receivable**

| Item | Ending balance | Beginning balance |
|---------------------|----------------|-------------------|
| Notes receivable | 490,519,795.91 | 711,474,345.57 |
| Accounts receivable | 300,357,283.81 | 319,887,051.70 |
| Total | 790,877,079.72 | 1,031,361,397.27 |

(1) Notes Payable**1) Notes Receivable Listed by Category**

Unit: RMB

| Item | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 490,519,795.91 | 711,474,345.57 |
| Total | 490,519,795.91 | 711,474,345.57 |

Unit: RMB

2) There Was No Notes Receivable Pledged by the Company at the Period-end**3) Notes Receivable Endorsed by the Company or Discounted and not due on the Balance Sheet Date at the Period-end**

Unit: RMB

| Item | Derecognized Amount at the period-end | Non-derecognized amount at the period-end |
|----------------------|---------------------------------------|---|
| Bank acceptance bill | 379,379,946.33 | |
| Total | 379,379,946.33 | |

4) There Was No Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement**(2) Accounts Receivable****1) Accounts Receivable Classified by Category**

Unit: RMB

| Category | Ending balance | Beginning balance |
|----------|----------------|-------------------|
|----------|----------------|-------------------|

| | Carrying amount | | Bad debt provision | | Carrying value | Carrying amount | | Bad debt provision | | Carrying value |
|--|-----------------|------------|--------------------|-----------------------|----------------|-----------------|------------|--------------------|-----------------------|----------------|
| | Amount | Proportion | Amount | Withdrawal proportion | | Amount | Proportion | Amount | Withdrawal proportion | |
| Accounts receivable with significant single amount for which bad debt provision separately accrued | 32,008,110.06 | 6.12% | 28,990,420.19 | 90.57% | 3,017,689.87 | 35,274,603.67 | 6.52% | 30,401,000.85 | 86.18% | 4,873,602.82 |
| Accounts receivable withdrawal of bad debt provision of by credit risks characteristics: | 487,566,507.88 | 93.15% | 190,226,913.94 | 39.02% | 297,339,593.94 | 505,142,981.60 | 93.30% | 190,129,532.72 | 37.64% | 315,013,448.88 |
| Accounts receivable with insignificant single amount for which bad debt provision separately accrued | 3,815,656.95 | 0.73% | 3,815,656.95 | 100.00% | | 974,986.14 | 0.18% | 974,986.14 | 100.00% | |
| Total | 523,390,274.89 | 100.00% | 223,032,991.08 | 42.61% | 300,357,283.81 | 541,392,571.41 | 100.00% | 221,505,519.71 | 40.91% | 319,887,051.70 |

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

√ Applicable □ not applicable

Unit: RMB

| Accounts receivable (by units) | Ending balance | | | |
|--------------------------------|---------------------|--------------------|-----------------------|----------------------|
| | Accounts receivable | Bad debt provision | Withdrawal proportion | Withdrawal reason |
| Customer 1 | 1,902,326.58 | 1,902,326.58 | 100.00% | Difficult to recover |

| | | | | |
|-------------|---------------|---------------|---------|------------------------------------|
| Customer 2 | 1,161,700.00 | 580,850.00 | 50.00% | Expected to difficultly recover |
| Customer 3 | 6,215,662.64 | 6,215,662.64 | 100.00% | Difficult to recover |
| Customer 4 | 2,484,497.34 | 2,177,910.92 | 87.66% | Expected to difficultly recover |
| Customer 5 | 3,279,100.00 | 3,279,100.00 | 100.00% | Expected to difficultly recover |
| Customer 6 | 2,068,377.01 | 2,068,377.01 | 100.00% | Expected to difficultly recover |
| Customer 7 | 5,359,381.00 | 5,359,381.00 | 100.00% | Difficult to recover |
| Customer 8 | 2,584,805.83 | 2,584,805.83 | 100.00% | Difficult to recover |
| Customer 9 | 1,679,109.54 | 1,679,109.54 | 100.00% | Difficult to recover |
| Customer 10 | 1,470,110.64 | 1,470,110.64 | 100.00% | Expected to difficultly recover |
| Customer 11 | 3,803,039.48 | 1,672,786.03 | 43.99% | Expected to difficultly recover |
| Total | 32,008,110.06 | 28,990,420.19 | -- | -- |

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

√ Applicable □ not applicable

Unit: RMB

| Aging | Ending balance | | |
|---------------------------|---------------------|--------------------|-----------------------|
| | Accounts receivable | Bad debt provision | Withdrawal proportion |
| Subentry within 1 year | | | |
| Subtotal of within 1 year | 289,548,156.74 | 5,790,963.13 | 2.00% |
| 1 to 2 years | 12,197,754.24 | 609,887.71 | 5.00% |
| 2 to 3 years | 1,376,768.52 | 206,515.28 | 15.00% |
| 3 to 4 years | 929,020.59 | 278,706.18 | 30.00% |
| 4 to 5 years | 434,915.38 | 260,949.23 | 60.00% |
| Over 5 years | 183,079,892.41 | 183,079,892.41 | 100.00% |
| Total | 487,566,507.88 | 190,226,913.94 | |

In the groups, accounts receivable adopted balance percentage method to withdraw bad debt provision:

□ Applicable √ Not applicable

(2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB5,902,476.58; the amount of the reversed or collected part during the Reporting Period was of RMB4,375,005.21.

(3) There Was No Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

(4) Top 5 of the Ending Balance of the Accounts Receivable Collected according to Arrears Party

At the period-end, the total top 5 of the ending balance of the accounts receivable collected according to arrears party was RMB206,150,555.84, accounting for 39.39% of the total ending balance of accounts receivable. The ending balance of bad debt provision withdrawn was RMB4,123,011.12.

2. Other Receivables

| Item | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Other receivables | 21,681,331.85 | 11,798,211.40 |
| Total | 21,681,331.85 | 11,798,211.40 |

(1) Other Receivables

1) Other Receivables Disclosed by Category

Unit: RMB

| Category | Ending balance | | | | | Beginning balance | | | | |
|--|-----------------|------------|--------------------|-----------------------|----------------|-------------------|------------|--------------------|-----------------------|----------------|
| | Carrying amount | | Bad debt provision | | Carrying value | Carrying amount | | Bad debt provision | | Carrying value |
| | Amount | Proportion | Amount | Withdrawal proportion | | Amount | Proportion | Amount | Withdrawal proportion | |
| Other receivables with significant single amount for which bad debt provision separately accrued | 2,853,188.02 | 5.46% | 2,853,188.02 | 100.00% | | 2,853,188.02 | 6.83% | 2,853,188.02 | 100.00% | |
| Other receivables withdrawn bad debt provision according to credit risks characteristics | 47,221,087.70 | 90.41% | 25,539,755.85 | 54.09% | 21,681,331.85 | 36,815,645.99 | 88.14% | 25,017,453.19 | 67.95% | 11,798,211.40 |

| | | | | | | | | | | |
|--|---------------|---------|---------------|---------|---------------|---------------|---------|---------------|---------|---------------|
| Other receivables with insignificant single amount for which bad debt provision separately accrued | 2,158,775.14 | 4.13% | 2,158,775.14 | 100.00% | | 2,099,382.02 | 5.03% | 2,099,382.02 | 100.00% | |
| Total | 52,233,050.86 | 100.00% | 30,551,719.01 | 58.49% | 21,681,331.85 | 41,768,234.63 | 100.00% | 29,970,023.23 | 71.75% | 11,798,211.40 |

Other receivables with significant single amount for which bad debt provision separately accrued at the end of the period

☒ Applicable ☐ Not applicable

Unit: RMB

| Other receivables (unit) | Ending balance | | | |
|---------------------------------------|-------------------|--------------------|-----------------------|----------------------|
| | Other receivables | Bad debt provision | Withdrawal proportion | Withdrawal reason |
| Changchai Group Imp. & Exp. Co., Ltd. | 2,853,188.02 | 2,853,188.02 | 100.00% | Difficult to recover |
| Total | 2,853,188.02 | 2,853,188.02 | -- | -- |

Among these groups, other receivables adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB

| Aging | Ending balance | | |
|------------------------|-------------------|--------------------|-----------------------|
| | Other receivables | Bad debt provision | Withdrawal proportion |
| Subentry within 1 year | | | |
| Subtotal within 1 year | 20,056,261.64 | 401,125.23 | 2.00% |
| 1 to 2 years | 1,795,421.38 | 89,771.07 | 5.00% |
| 2 to 3 years | 269,006.89 | 40,351.03 | 15.00% |
| 3 to 4 years | 96,930.77 | 29,079.23 | 30.00% |
| 4 to 5 years | 60,094.33 | 36,056.60 | 60.00% |
| Over 5 years | 24,943,372.69 | 24,943,372.69 | 100.00% |
| Total | 47,221,087.70 | 25,539,755.85 | |

Among these groups, other receivables adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

Among these groups, other receivables adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB581,695.78; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

3) There Was No Particulars of the Actual Verification of Other Receivables during the Reporting Period

4) Other Receivables Classified by Nature

Unit: RMB

| Nature | Ending carrying amount | Beginning carrying amount |
|--|------------------------|---------------------------|
| Cash deposit & Margin | 4,200.00 | 4,200.00 |
| Intercourse funds among units | 36,267,607.16 | 25,497,534.34 |
| Petty cash and borrowings by employees | 596,876.87 | 912,133.46 |
| Other | 15,364,366.83 | 15,354,366.83 |
| Total | 52,233,050.86 | 41,768,234.63 |

5) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

| Name of the entity | Nature | Ending balance | Aging | Proportion to ending balance of total other receivables% | Ending balance of bad debt provision |
|---|-------------------|----------------|---------------|--|--------------------------------------|
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. | Intercourse funds | 10,000,000.00 | Within 1 year | 19.14% | 200,000.00 |
| Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. | Intercourse funds | 8,165,948.87 | Within 1 year | 15.63% | 163,318.98 |
| Changzhou Compressors Factory | Intercourse funds | 2,940,000.00 | Over 5 years | 5.63% | 2,940,000.00 |
| Changchai Group Imp. & Exp. Co., Ltd. | Intercourse funds | 2,853,188.02 | Over 5 years | 5.46% | 2,853,188.02 |
| Changzhou New District Accounting Centre | Intercourse funds | 1,626,483.25 | Over 5 years | 3.11% | 1,626,483.25 |
| Total | -- | 25,585,620.14 | -- | 48.97% | 7,782,990.25 |

3. Long-term Equity Investment

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|---|-----------------|----------------------|----------------|-------------------|----------------------|----------------|
| | Carrying amount | Depreciation reserve | Carrying value | Carrying amount | Depreciation reserve | Carrying value |
| Investment to subsidiaries | 241,752,730.03 | | 241,752,730.03 | 231,752,730.03 | | 231,752,730.03 |
| Investment to joint ventures and associated enterprises | 44,182.50 | 44,182.50 | | 44,182.50 | 44,182.50 | |
| Total | 241,796,912.53 | 44,182.50 | 241,752,730.03 | 231,796,912.53 | 44,182.50 | 231,752,730.03 |

(1) Investment to Subsidiaries

Unit: RMB

| Investee | Beginning balance | Increase | Decrease | Ending balance | Depreciation reserve withdrawn | Ending balance of depreciation reserve |
|---|-------------------|---------------|----------|----------------|--------------------------------|--|
| Changchai Wanzhou Diesel Engine Co., Ltd. | 51,000,000.00 | | | 51,000,000.00 | | |
| Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd. | 96,466,500.00 | | | 96,466,500.00 | | |
| Changzhou Housheng Investment Co., Ltd. | 30,000,000.00 | 10,000,000.00 | | 40,000,000.00 | | |
| Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. | 7,000,000.00 | | | 7,000,000.00 | | |
| Changzhou Fuji Changchai Robin | 47,286,230.03 | | | 47,286,230.03 | | |

| | | | | | | |
|---------------------------|----------------|---------------|--|----------------|--|--|
| Gasoline Engine Co., Ltd. | | | | | | |
| Total | 231,752,730.03 | 10,000,000.00 | | 241,752,730.03 | | |

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

| Investee | Beginning balance | Increase/decrease | | | | | | | | Ending balance | Ending balance of depreciation reserve |
|--|-------------------|-----------------------|--------------------|---|--|-------------------------|--|-------------------------------------|-------|----------------|--|
| | | Additional investment | Reduced investment | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced to issue | Withd rawal of impairment provision | Other | | |
| I. Joint ventures | | | | | | | | | | | |
| II. Associated enterprises | | | | | | | | | | | |
| Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd. | 44,182.50 | | | | | | | | | 44,182.50 | 44,182.50 |
| Subtotal | 44,182.50 | | | | | | | | | 44,182.50 | 44,182.50 |
| Total | 44,182.50 | | | | | | | | | 44,182.50 | 44,182.50 |

(3)Other Notes**4. Operating Revenue and Cost of Sales**

Unit: RMB

| Item | Reporting Period | | Same period of last year | |
|------------------|-------------------|------------------|--------------------------|------------------|
| | Operating revenue | Cost of sales | Operating revenue | Cost of sales |
| Main operations | 1,929,864,957.32 | 1,659,272,787.45 | 2,208,546,755.61 | 1,913,570,161.64 |
| Other operations | 38,862,108.04 | 30,434,073.18 | 27,259,235.38 | 18,109,162.04 |
| Total | 1,968,727,065.36 | 1,689,706,860.63 | 2,235,805,990.99 | 1,931,679,323.68 |

5. Investment Income

Unit: RMB

| Item | Reporting Period | Same period of last year |
|--|------------------|--------------------------|
| Investment income from holding of available-for-sale financial assets | 7,597,950.00 | 10,709,750.99 |
| Investment income from disposal of available-for-sale financial assets | 104,866,770.49 | |
| Total | 112,464,720.49 | 10,709,750.99 |

XVI. Supplementary Materials**1. Items and Amounts of Non-recurring Profit or Loss**

√ Applicable □ Not applicable

Unit: RMB

| Item | Amount | Note |
|--|----------------|---|
| Gains/losses on the disposal of non-current assets | -265,966.68 | |
| Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards | 6,291,685.65 | |
| Capital occupation charges on non-financial enterprises that are recorded into current gains and losses | 938,737.87 | |
| Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial | 105,672,874.83 | Sale of the 20,000,000 Bank of Jiangsu shares in the Reporting Period |

| | | |
|---|----------------|----|
| assets, other than valid hedging related to the Company's common businesses | | |
| Reverse of bad debt provision of account receivable individually conducting impairment test | 10,000,000.00 | |
| Other non-operating income and expenses other than the above | 1,392,895.84 | |
| Less: Income tax effects | 18,670,371.98 | |
| Non-controlling interests effects | 5,285.36 | |
| Total | 105,354,570.17 | -- |

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

☐ Applicable ☒ Not applicable

2. Return on Equity and Earnings Per Share

| Profit as of Reporting Period | Weighted average ROE (%) | EPS (Yuan/share) | |
|---|--------------------------|------------------|-------------|
| | | EPS-basic | EPS-diluted |
| Net profit attributable to ordinary shareholders of the Company | 2.84% | 0.11 | 0.11 |
| Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss | -1.99% | -0.08 | -0.08 |

Part XII Documents Available for Reference

1. The financial statements signed and sealed by the Company's legal representative, General Manager and head of the financial department;
2. The original copy of the Independent Auditor's Report signed and sealed by the CPAs, as well as sealed by the CPA firm;
3. The originals of all the Company's documents and announcements which were disclosed on Securities Time and Ta Kung Pao (HK) (newspapers designated by the CSRC for information disclosure) during the Reporting Period; and
4. The Annual Report disclosed on other stock markets.

The above-mentioned documents available for reference are all kept in the Secretariat of the Board of Directors of the Company and the Shenzhen Stock Exchange.

This Annual Report and its abstract have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

The Board of Directors
Changchai Company, Limited
11 April 2019