

Weifu High-Technology Group Co., Ltd.

Summary of Annual Report 2018

I. Important Notice

The summary is abstract from full-text of annual report, for more details of operating results, financial condition and future development plan of the Company; investors should found in the full-text of annual report that published on media appointed by CSRC.

Statement: no directors, supervisors or senior management declare the authenticity, accuracy and integrity of the report cannot be guaranteed or there is objection.

Other directors attending the Meeting for annual report deliberation except for the followed

Name of director absent	Title for absent director	Reasons for absent	Attorney
Zhang Xiaogeng	Director	Travel for business	Hua Wanrong

Prompt of non-standard audit opinion

Applicable Not applicable

Profit distribution pre-plan of common stock or capitalizing of common reserves pre-plan deliberated by the Board in the reporting period

Applicable Not applicable

Whether has capitalizing of common reserves carried out

Yes No

The profit distribution plan that deliberated and approved by the Board is: based on total stock issued 1,008,950,570 shares, distributed 12.00 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 shares bonus issued (tax included) and no capitalizing of common reserves carried out.

Profit distribution pre-plan of preferred stock deliberated and approved by the Board in the reporting period

Applicable Not applicable

II. Company profile

1. Company Profile

Short form of the stock	Weifu High- Tech, Su Weifu-B	Stock code	000581, 200581
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Zhou Weixing	Yan Guohong	
Office add.	No.5, Huashan Road, New District, Wuxi City	No.5, Huashan Road, New District, Wuxi City	
Fax.	0510-80505199	0510-80505199	
Tel.	0510-80505999	0510-80505999	
E-mail	wfjt@public1.wx.js.cn	wfjt@public1.wx.js.cn	

2. Main business or product introduction in the reporting period

(i) Main business of the Company

1. The Company belongs to auto parts industry, and its main business products include diesel fuel injection system products, exhaust after-treatment system products and air management system products.

2. Main uses of the Company's products

(1) The diesel fuel injection system products are widely used in different power diesel engines supporting all types of trucks, passenger cars, buses, construction machinery, marine, and generator sets. The company not only makes products matching with the main engines used at home but also exports some products to the Americas, Southeast Asia, and the Middle East. The products meet the needs of national emission standards.

(2) The auto exhaust after-treatment system products: mainly support the major manufacturers of automobile, motorcycle and general machinery at home which meet the national emission standards.

(3) The intake system products (supercharger): matches with most of the domestic small-bore diesel engine plants and some six-cylinder diesel engine manufacturers, and meet the needs of the light and heavy commercial vehicles and some passenger cars, and meets the national emission standards.

3. Business model of the Company

The Company follows the operating philosophy of making competitive products, creating famous brands, striving for first choices, and creating value for the users, implements the business model that parent company unifies the management and subsidiaries decentralize the production. Namely, the group company is responsible for making strategic development planning and operation targets, and making the unified management, instruction and assessment for the finance, significant personnel management, core raw materials, quality control, and technology of the subsidiaries. The subsidiaries arrange production based on the order management model of market, which makes the subsidiaries keep the consistent quality with the company, helps keep abreast of customer needs and saving logistics costs, maintain the timeliness of products production and supply, and improve the company's economic benefits.

During the reporting period, the Company's main business and business model have no significant changes.

(ii) Development stage and periodic characteristics of the industry the Company involves and the Company's

In the past 40 years of reform and opening up, China's economy has shifted from a high-speed growth stage to a high-quality development stage. Although the market may continue to show unexpected changes in the future, we believe that the fundamentals of China's healthy and stable economic development will not change, and the Chinese economy is fully capable of maintaining a reasonable growth range. At the same time, the Chinese automobile market has entered a period of steady growth since 2010, in order to solve the increasingly severe traffic jams, environmental pollution, energy conservation and consumption reduction, the automobile industry has accelerated the technology upgrades, and the automobile new energy applications are rapidly advancing, nowadays the artificial intelligence, internet of things and other technologies develop rapidly and accelerate the penetration into various fields, it has reached a consensus on the development of intelligent networked automobiles which promotes the development environment of intelligent networked automobiles to become

increasingly perfect.

After 60 years of hard work, the company has become a backbone enterprise of core parts of domestic auto (power engineering), 80% products of the existing Automobile components core business are matched with the electronic control systems and electronically controlled. The company will actively respond to the national new energy and intelligent network strategy, take the Automobile components industry chain as the core and other related fields as supplements, lay out new energy auto drive technology, and promote the hydrogen fuel cell technology and intelligent network technology research and development capacity building. Market objectives: consolidate the existing business market position and take a position in the new business potential market. Technical objectives: strengthen the technical strength of the pillar business, lay out the new business frontier technology, and actively expand new areas based on the existing business. Strive to achieve the goal of becoming a leader in the auto core parts enterprises.

3. Main accounting data and financial indexes

(1) Main accounting data and financial indexes for recently three years

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes No

In RMB

	2018	2017	Changes over last year	2016
Operating income	8,721,674,671.18	9,017,280,159.80	-3.28%	6,422,700,399.27
Net profit attributable to shareholders of the listed company	2,396,077,415.21	2,571,339,490.04	-6.82%	1,672,224,317.05
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	2,014,800,714.20	2,322,218,596.99	-13.24%	1,435,963,836.76
Net cash flow arising from operating activities	874,381,526.63	957,697,901.07	-8.70%	527,344,364.04
Basic earnings per share (RMB/Share)	2.37	2.55	-7.06%	1.66
Diluted earnings per share (RMB/Share)	2.37	2.55	-7.06%	1.66
Weighted average ROE	15.48%	18.52%	-3.04%	13.53%
	End of 2018	End of 2017	Changes over end of last year	End of 2016
Total assets	20,892,041,460.30	20,231,006,224.36	3.27%	17,263,771,897.78
Net assets attributable to shareholder of listed company	15,913,828,778.82	14,835,673,669.75	7.27%	12,927,344,292.47

(2) Quarterly main financial index

In RMB

	1 st Q	2 nd Q	3 rd Q	4 th Q
Operating income	2,391,982,640.39	2,568,819,250.60	1,898,914,219.62	1,861,958,560.57
Net profit attributable to shareholders of the listed company	784,228,178.43	761,014,526.49	510,387,493.91	340,447,216.38
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	691,078,505.55	687,786,996.02	452,953,425.86	182,981,786.77
Net cash flow arising from operating activities	86,416,705.11	292,506,985.37	127,146,119.98	368,311,716.17

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes No

4. Shares and shareholders**(1) Particulars about common stock shareholders, preference shareholders with voting rights recovered and top ten shareholders**

In Share

Total common stock shareholders in reporting period-end	60,946	Total common stock shareholders at end of last month before annual report disclosed	54,791	Total preference shareholders with voting rights recovered at end of reporting period	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed	0
Top ten shareholders							
Name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Number of shares pledged/frozen		
					State of share	Amount	
Wuxi Industry Development Group Co., Ltd	State-owned corporate	20.22%	204,059,398				
ROBERT BOSCH GMBH	Foreign corporate	14.16%	142,841,400				
Hong Kong Securities Clearing Company	Foreign corporate	4.01%	40,482,044				
Bank of Communication – HSBC Jixin Double Core Strategy Mixed Securities Investment Fund	Other	2.64%	26,612,573				
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign corporate	1.78%	18,002,797				
Central Huijin Assets Management Co., Ltd.	State-owned corporate	1.27%	12,811,200				

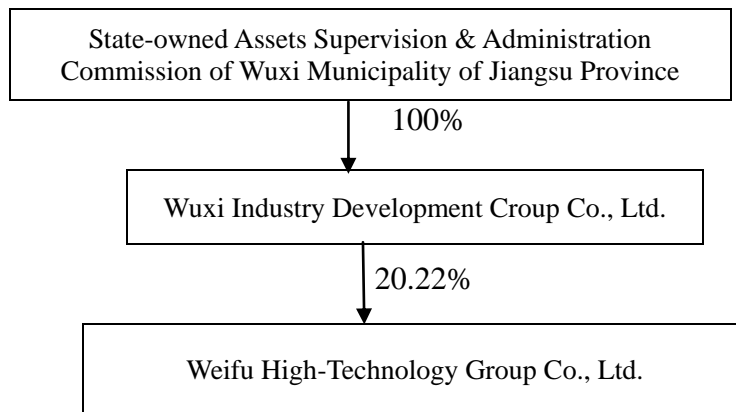
Zhonghai Trust Co., Ltd. - Jinhai No.9 Securities Investment Collective Fund Trust	Other	0.79%	7,931,752			
Agricultural Bank of China - CS 500 ETF	Other	0.62%	6,211,068			
FIDELITY INVMT TRT FIDELITY INTL SMALL CAP FUND	Foreign corporate	0.57%	5,791,618			
Basic pension fund-- 1207 portfolio	Other	0.50%	5,028,007			
Explanation on associated relationship among the aforesaid shareholders	Among the top ten shareholders, there has no associated relationship between Wuxi Industry Development Group Co., Ltd. and other shareholders, the first largest shareholder of the Company; and they do not belong to the person acting in concert regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.					
Explanation on shareholders involving margin business (if applicable)	Not applicable					

(2) Total preferred stock shareholders of the Company and shares held by top ten shareholders with preferred stock held

Applicable Not applicable

The Company had no shareholders with preferred stock held in the reporting.

(3) Property right and controlling relationships between the actual controllers of the Company and the Company is as follows:



5. Corporate bonds

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

No

III. Discussion and analysis by the Management Team

1. Introduction of operation in the reporting period

(i) General introduction

In 2018, the macroeconomic growth rate declined. China's automobile production and sales growth rate was lower than that estimated at the beginning of the year, the total quantity showed the first negative growth in 28 years. According to the data released by the China Association of Automobile Manufacturers, the annual production and sales volume of automobiles were 27.809 million and 28.081 million, respectively declined by 4.2% and 2.8% on a year-on-year basis, and the annual production and sales volume of passenger vehicles were respectively 23.529 million and 23.71 million, respectively declined by 5.2% and 4.1% over the same period of the previous year, while the annual production and sales volume of commercial vehicles were respectively 4.28 million and 4.371 million, respectively increased by 1.7% and 5.1% over the same period of the previous year, and the growth rate declined. Facing the complicated market environment, the company worked hard to overcome difficulties and maintain the overall stability of comprehensive economic operation. During the reporting period, the company achieved operating income of 8.722 billion yuan, a decline of 3.28% on a year-on-year basis, realized total profit of 2.602 billion yuan, a decline of 8.06% on a year-on-year basis; total assets were 20.892 billion yuan, an increase of 3.27% on a year-on-year basis; the owner's equity attributable to the parent company was 15.914 billion yuan, an increase of 7.27% on a year-on-year basis.

(ii) Main work carried out

1. Actively responded to the severe market challenges and fully guaranteed the stability of main business

Under the influence of the decline in automobile market and engine market, the company responded positively, focused on the core market, continuously improved the manufacturing system, strengthened the process control capability, improved the delivery capability of leading products, improved the physical quality of key products, and ensured the total amount of main business products. The market share of fuel injection system related products and supercharger products remained relatively stable and had a certain growth throughout the year, the production and sales volume of multiple-piston pumps for fuel injection systems still exceeded 2 million units, and the sales of supercharger products increased by 10% on a year-on-year basis. Due to market fluctuations, the market share of post-processing system business has slightly declined.

2. Took advantage of information technology means to gradually establish an operation management system to further enhance the company's operating efficiency

The company continuously promoted the optimization and upgrading of management, actively sorted out the management duties, standardized and optimized the existing system processes, planned and designed the company's financial reform and transformation, built the company's financial sharing center, established the company's procurement and sharing platform project, further improved the human resource management system, strengthened the security construction of the Group's information system, thus the comprehensive management capability of the enterprise has been further improved.

3. Started the future layout, established the “double-engine-driven” strategic model of “new business becomes a long-term new engine, and traditional businesses guarantee the enterprise forward again”, and took the auto parts industry chain as the core and other related fields as supplements to further improve the R&D system, promote the research and development of platform products, quickly deploy the forward-looking projects, and actively promote the investment cooperation of new business.

2. Whether the main business had major change in the reporting period

Yes No

3. The industries, products, or regions accounting for over 10% of the company’s operating income or operating profit

Applicable Not applicable

In RMB

Name	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
Auto fuel injection system	5,027,966,298.51	1,469,230,901.34	29.22%	-10.02%	-13.82%	-1.29%
Intake system	440,331,903.61	123,637,620.24	28.08%	15.69%	29.98%	3.09%
Exhaust after-treatment system	2,794,656,676.75	335,946,193.86	12.02%	8.87%	6.73%	-0.24%

4. Whether the characteristics of management seasonal or cyclical need special attention

Yes No

5. In the reporting period, note of major changes in operating income, operating cost, total net profit attributable to common stock shareholders of listed company or composing the previous reporting period

Applicable Not applicable

6. Particular about suspended and delisting

Applicable Not applicable

7 Relevant items involving financial report

(1) Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

Applicable Not applicable

(1) Change of major accounting policy

On June 15, 2018, the Ministry of Finance issued the *Notice on Amending the Format of Financial Statements of General Enterprises in 2018* (CK No. [2018] 15), revised the financial statements format of general enterprises. According to the requirement, relevant content of the accounting policy needs to be adjusted, and the financial statement should be prepared in line with the format of financial statement for general enterprise (applicable to enterprise that have not yet implemented new financial and revenue standards).

The impacts on the items and amounts related to consolidated financial statements and the parent company's financial statements during the comparable period are as:

Changes of accounting policy	Impact on the amount in relevant financial statement of 2017/on 31 December 2017		
	Item	Amount affected (+,-)	
		Consolidate financial statement	Financial statement of parent company
The Company prepared the financial statement of 2018 in line with the format regulated in CK No. [2018] 15, and changed the presentation of relevant financial statements by retrospective method	Note receivable	-1,464,256,934.83	-449,209,323.02
	Account receivable	-1,995,577,830.90	-1,047,012,889.92
	Note receivable and account receivable	3,459,834,765.73	1,496,222,212.94
	Interest receivable	-2,281,979.17	-97,627.77
	Other account receivable	2,281,979.17	97,627.77
	Note payable	-947,976,759.10	-459,762,950.78
	Account payable	-2,570,956,205.83	-1,082,206,882.07
	Note payable and account payable	3,518,932,964.93	1,541,969,832.85
	Interest payable	-401,928.43	-93,777.78
	Other account payable	401,928.43	93,777.78
	Long-term account payable	18,265,082.11	--
	Special account payable	-18,265,082.11	--
	Administrative expenses	-391,315,234.75	-119,083,205.53
	R&D expenses	391,315,234.75	119,083,205.53

(2) Major accounting errors within reporting period that needs retrospective restatement

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

(3) Compare with last year's financial report; explain changes in consolidation statement's scope

Applicable Not applicable

Content changed	Company	Way of obtained the equity	Time when equity obtained	Ratio of fund contribution
Consolidate scope increased	Nanchang Weifu Leader Auto Parts & Components Co., Ltd.	Newly established	2018-3-8	100.00%

Board of Directors of

Weifu High-Technology Group Co., Ltd.

23 April 2019