



无锡威孚高科技集团股份有限公司
Weifu High-Technology Group Co., Ltd.

ANNUAL REPORT 2019

April 2020

Section I. Important Notice, Contents and Interpretation

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Weifu High-Technology Group Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Chen Xuejun, Principal of the Company, Ou Jianbin, person in charger of accounting works and Ou Jianbin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2019 Annual Report is authentic, accurate and complete.

All directors are attend the Meeting for the Report deliberation.

Concerning the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors. Investors should be cautious with investment risks. The Company described the risks that might occurred in the operation in the report “IX- The Company’s future development prospects” of “Section IV- Discussion and Analysis of the Operation” and “X. Risks with financial instrument concerned” in Section XII. Financial Report, as well as the risk management policy the Company will take in order to reduce those risks. Investors should pay attention to relevant content.

The *China Securities Journal*, *Securities Times*, *Hong Kong Commercial Daily* and Juchao Website (www.cninfo.com.cn) are the information disclosure media appointed by the Company, all information should be prevail on the above mentioned media, investors are advice to pay attention on investment risks.

The profit distribution plan that deliberated and approved by the Board is: based on total share capital of 1,008,950,570, distributed 11 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 share bonus issued (tax included) and no public reserve transfer into share capital either.

Contents

| | |
|--|------------|
| Section I Important Notice, Contents and Interpretation | 2 |
| Section II Company Profile and Main Financial Indexes | 5 |
| Section III Summary of Business | 9 |
| Section IV Discussion and Analysis of Operation | 13 |
| Section V Material Matters | 31 |
| Section VI Changes in shares and particular about shareholders..... | 48 |
| Section VII Preferred Stock..... | 54 |
| Section VIII Convertible Bonds | 55 |
| Section IX Particulars about Directors, Supervisors, Senior Executives and Employees..... | 56 |
| Section X Corporate Governance | 65 |
| Section XI Corporate Bond..... | 71 |
| Section XII Financial Report | 72 |
| Section XIII Documents Available for Reference..... | 232 |

Interpretation

| Items | Refers to | Contents |
|--|-----------|---|
| Company, The Company, WFHT | Refers to | Weifu High-Technology Group Co., Ltd. |
| Weifu Group | Refers to | Wuxi Weifu Group Co., Ltd. |
| Industry Group | Refers to | Wuxi Industry Development Group Co., Ltd. |
| Robert Bosch, Robert Bosch Company | Refers to | Robert Bosch Co., Ltd., ROBERT BOSCH GMBH |
| Bosch Automobile Diesel, Bosch Diesel System | Refers to | Bosch Automobile Diesel System Co., Ltd. |
| Weifu Leader | Refers to | Wuxi Weifu Leader Catalytic Converter Co., Ltd. |
| Weifu Jinning | Refers to | Nanjing Weifu Jinning Co., Ltd. |
| Weifu Chang'an | Refers to | Wuxi Weifu Chang'an Co., Ltd. |
| Weifu Mashan | Refers to | Weifu Mashan Pump Glib Co., Ltd. |
| Weifu ITM | Refers to | Wuxi Weifu ITM Supercharging Technique Co., Ltd. |
| Weifu Tianli | Refers to | Ningbo Weifu Tianli Supercharging Technique Co., Ltd. |
| Weifu Schmidt | Refers to | Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd. |
| Weifu International Trade | Refers to | Wuxi Weifu International Trade Co. Ltd. |
| Weifu Autocam | Refers to | Wuxi Weifu-Autocam Fine Machinery Co. Ltd. |
| Weifu Electronic Drive | Refers to | Wuxi Weifu Electric Drive Technology Co., Ltd. |
| SPV | Refers to | Weifu Holding ApS |
| IRD | Refers to | IRD Fuel Cells A/S |
| Weifu Environment | Refers to | Wuxi Weifu Environment Catalyst Co., Ltd. |
| Weifu Precision Machinery | Refers to | Weifu Precision Machinery Manufacturing Co., Ltd. |
| Zhonglian Electronic | Refers to | Zhonglian Automobile Electronic Co., Ltd. |
| Shinwell Automobile | Refers to | Shinwell Automobile Tech. (Wuxi) Co., Ltd. |
| CSRC | Refers to | China Securities Regulatory Commission |
| SZ Stock Exchange | Refers to | Shenzhen Stock Exchange |
| Gongzheng Tianye | Refers to | Gongzheng Tianye Certified Public Accountants (Special General Partnership) |
| The reporting period | Refers to | From 1 Jan. 2019 to 31 Dec. 2019 |

Section II Company Profile and Main Financial Indexes

I. Company information

| | | | |
|---|---|------------|----------------|
| Short form of the stock | WFHT, Su Weifu-B | Stock code | 000581, 200581 |
| Stock exchange for listing | Shenzhen Stock Exchange | | |
| Name of the Company (in Chinese) | 无锡威孚高科技集团股份有限公司 | | |
| Short form of the Company (in Chinese) | 威孚高科 | | |
| Foreign name of the Company (if applicable) | WEIFU HIGH-TECHNOLOGY GROUP CO.,LTD. | | |
| Short form of foreign name of the Company (if applicable) | WFHT | | |
| Legal representative | Chen Xuejun | | |
| Registrations add. | No.5 Huashan Road, Xinwu District, Wuxi | | |
| Code for registrations add | 214028 | | |
| Offices add. | No.5 Huashan Road, Xinwu District, Wuxi | | |
| Codes for office add. | 214028 | | |
| Company's Internet Web Site | http://www.weifu.com.cn | | |
| E-mail | Web @ weifu.com.cn | | |

II. Person/Way to contact

| | Secretary of the Board | Rep. of security affairs |
|--------------|---|---|
| Name | Zhou Weixing | Yan Guohong |
| Contact add. | No.5 Huashan Road, Xinwu District, Wuxi | No.5 Huashan Road, Xinwu District, Wuxi |
| Tel. | 0510-80505999 | 0510-80505999 |
| Fax. | 0510-80505199 | 0510-80505199 |
| E-mail | wfjt@public1.wx.js.cn | wfjt@public1.wx.js.cn |

III. Information disclosure and preparation place

| | |
|---|---|
| Newspaper appointed for information disclosure | <i>China Securities Journal; Securities Times; Hong Kong Commercial Daily</i> |
| Website for annual report publish appointed by CSRC | http://www.cninfo.com.cn |
| Preparation place for annual report | Office of the Board of Directors |

IV. Registration changes of the Company

| | |
|---|--|
| Organization code | 91320200250456967N |
| Changes of main business since listing (if applicable) | No change |
| Previous changes for controlling shareholders (if applicable) | Controlling shareholder of the Company was Weifu Group before 2009. and in 2019, controlling shareholder changed to Industry Group since 31 May 2009 due to the merged of Industry Group and Weifu Group. Weifu Group and Industry Group were wholly state-owned companies of Wuxi State-owned Assets Supervision & Administration Commission of State Council, therefore, actual controller of the Company turns to Wuxi State-owned Assets Supervision & Administration Commission of State Council. |

V. Other relevant information

CPA engaged by the Company

| | |
|----------------------|---|
| Name of CPA | Gongzheng Tianye Certified Public Accountants (Special General Partnership) |
| Offices add. for CPA | 10/F, No.5 Building, Jiakaicheng Fortune Center, Jingrong 3 rd Street, Taihu Xincheng, Binghu District, Wuxi, Jiangsu Province |
| Signing Accountants | Bo Lingjing, Meng Yin |

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

VI. Main accounting data and financial indexes

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

Yes No

| | 2019 | 2018 | Changes over last year | 2017 |
|---|------------------|------------------|------------------------|------------------|
| Operating income (RMB) | 8,784,356,960.30 | 8,721,674,671.18 | 0.72% | 9,017,280,159.80 |
| Net profit attributable to shareholders of the listed company(RMB) | 2,268,026,432.78 | 2,396,077,415.21 | -5.34% | 2,571,339,490.04 |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB) | 1,947,408,959.68 | 2,014,800,714.20 | -3.34% | 2,322,218,596.99 |
| Net cash flows arising from operating activities (RMB) | 1,048,670,053.23 | 874,381,526.63 | 19.93% | 957,697,901.07 |
| Basic earnings per share (RMB/Share) | 2.25 | 2.37 | -5.06% | 2.55 |
| Diluted earnings per share (RMB/Share) | 2.25 | 2.37 | -5.06% | 2.55 |

| | | | | |
|--|-------------------|-------------------|-------------------------------|-------------------|
| Weighted average ROE | 13.77% | 15.48% | -1.71% | 18.52% |
| | Year-end of 2019 | Year-end of 2018 | Changes over end of last year | Year-end of 2017 |
| Total assets (RMB) | 23,958,348,185.78 | 20,892,041,460.30 | 14.68% | 20,231,006,224.36 |
| Net assets attributable to shareholder of listed company (RMB) | 16,990,405,136.62 | 15,913,828,778.82 | 6.77% | 14,835,673,669.75 |

VII. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

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

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

VIII. Quarterly main financial index

In RMB

| | Q 1 | Q 2 | Q 3 | Q 4 |
|--|------------------|------------------|------------------|------------------|
| Operation revenue | 2,270,130,717.54 | 2,133,313,628.51 | 1,916,020,020.78 | 2,464,892,593.47 |
| Net profit attributable to shareholders of the listed company | 699,726,864.34 | 556,934,712.75 | 470,100,118.65 | 541,264,737.04 |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses | 623,891,223.54 | 490,203,601.20 | 426,217,054.93 | 407,097,080.01 |
| Net cash flows arising from operating activities | 145,409,651.46 | 544,914,256.79 | 548,646,172.99 | -190,300,028.01 |

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

IX. Items and amounts of extraordinary profit (gains)/loss

Applicable Not applicable

In RMB

| Item | 2019 | 2018 | 2017 | Note |
|--|----------------|----------------|----------------|------|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets) | 28,992,604.71 | 96,162,222.57 | -3,233,320.26 | |
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business) | 91,170,663.57 | 48,811,314.99 | 48,162,140.65 | |
| Fund possession fees reckoned in current gains/losses that charged to non-financial enterprises | 1,608,477.64 | | | |
| Profit and loss of assets delegation on others' investment or management | 236,832,172.54 | 311,261,918.65 | 221,705,034.02 | |
| Gains/losses of fair value changes from holding the transaction financial asset, derivative financial assets, transaction financial liability and derivative financial liability and investment earnings obtained from disposing the transaction financial asset, derivative financial assets, transaction financial liability, derivative financial liability and other debt investment, except for the effective hedging business related to normal operation of the Company | 24,394,637.95 | 16,880,487.62 | 24,625,516.88 | |
| Switch back of provision for depreciation of account receivable and contractual assets which were singly taken depreciation test | 1,700,000.00 | 466,200.00 | 1,756,052.60 | |
| Other non-operating income and expenditure except for the aforementioned items | 2,183,276.39 | -597,126.12 | 4,479,807.85 | |
| Other gain/loss qualify the definition of non-recurring gains/losses | | 353,111.39 | | |
| Less: Impact on income tax | 57,345,714.82 | 70,234,077.14 | 43,481,221.93 | |
| Impact on minority shareholders' equity (post-tax) | 8,918,644.88 | 21,827,350.95 | 4,893,116.76 | |
| Total | 320,617,473.10 | 381,276,701.01 | 249,120,893.05 | -- |

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

Applicable Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

Section III Summary of Business

I. Main businesses of the company in the reporting period

(i) Main business of the Company

1. The Company belongs to automobile components industry, and its main 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 Air management system products (supercharger): matches with most of the domestic small-bore diesel engine plants and some 6-cyl 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

2020 is the ending year in which China achieves its first century-long goal, builds a well-off society in an all-round way and the "Thirteenth Five-Year Plan", and is also the benchmark year to start a new journey of transforming "from big to strong", and serves as a connecting link between the preceding and the following. Maintaining stable macroeconomic development in 2020 is of great significance, the macro economy will remain

stable under the escort of multiple policies, the fundamentals of China's healthy and stable economic development will not change, and economic growth will remain within a reasonable range. In the next five years, the macro economy will enter a critical period of transformation, reducing speed and improving quality will be the main theme. After more than ten years of rapid growth, the Chinese auto market has begun to enter a period of transformation and adjustment. The "new four modernizations" are reshaping the automotive industry pattern, with the rapid penetration of technological advance, big data and artificial intelligence into the industry, the new energy and intelligent connected vehicles have ushered in a wave of development, the automobile industry is more firmly developing towards intelligence, networking, and coordinated development of vehicles and roads. Therefore, we will unswervingly seek effective resources in line with the corporate vision and meet the challenges of the industry with sufficient confidence.

After more than 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.

II. Major changes in main assets

1. Major changes in main assets

| Major assets | Note of major changes |
|--------------------------|---|
| Equity assets | No major change |
| Fixed assets | No major change |
| Intangible assets | No major change |
| Construction in progress | Construction in progress at period-end has major changes over that of year-begin, mainly because the equipment for technical innovation and expansion increased |

2. Main overseas assets

Applicable Not applicable

| Specific content of the asset | Cause of formation | Asset size | Location | Operation model | Control measures to guarantee asset security | Income status | The proportion of overseas assets to the company's net assets | Whether there are significant risks of impairment (Y/N) |
|--|---|---|----------|------------------------|---|---------------|---|---|
| The Company established SPV (a wholly-owned subsidiary) in Denmark. And to acquire 66% equity of the Danish IRD Fuel Cells A/S (hereinafter referred to as "IRD") with 7.26 million euros (valuation for IRD amounted as 11 million euros) | In order to accelerate the cultivation of the company's new business growth point and accelerate the transformation and upgrading of the company, the 4 th session of the 9 th Board of Directors reviewed and approved the "Proposal on the Company's Foreign Investment". The company established SPV (a wholly-owned subsidiary) in Denmark, and to acquire 66% equity of the Danish IRD with 7.26 million euros | The Company obtained the controlling rights of IRD with 7.26 million euros investment | Denmark | Controlling subsidiary | The Company will pay full attention to changes in the industry and the market, give play to its own advantages, and actively prevent and resolve various risks. | N/A | 0.64% | N |

III. Core Competitiveness Analysis

The Company is a high technology enterprise with a number of patented technologies. For years, based on the scientific research as National Enterprise Technical Center, Post-doctor Scientific Research Station, Jiangsu Provincial Engineering and Technology Research Center and Industrialization Base of National Hi-Tech Research and Development Achievement, we have become the backbone enterprise of the core parts of domestic automobile (power engineering) after more than 60 years of cultivation, 80 percent of the current core business of auto parts are matching with electronic control system and with electronic control realized, which owes a leading position in self-owned brand.

The company lays emphasis on the manufacturing quality management, relies on WPS (Weifu production system) and manufacturing information platform with Weifu characteristics to continuously improve the production system structure, personnel organization, operation mode and market supply and demand relationship, and continues to carry out the process quality indicator quantitative management and process management, and improve production efficiency, product quality and product delivery capabilities, and the company's manufacturing quality control capabilities are further improved.

The company pays attention to the business operation quality of and lays emphasis on the resource integration. At present, the company has established a high-speed, stable and reliable network environment and an efficient data center, successfully built the ERP platform, opened up the value chain, and realized the integration of financial services, which made the information resources fully shared, and the company's comprehensive operational management level has been further improved.

The company pays attention to the construction of core talent system. At present, it has built a relatively complete human resource management platform to strive to build a high-quality core talent team, which provides a strong human resource guarantee for the long-term development of the company.

During the reporting period, the company's core competitiveness (in terms of product manufacturing, quality improvement, personnel quality improvement and utilization of resources, etc.) has been further enhanced.

Section IV Discussion and Analysis of the Operation

I. Introduction

(i) Overall situation

According to the data released by China Association of Automobile Manufacturers:: the production and sales volume of automobiles for year of 2019 in the country amounted to 25,721,000 and 25,769,000 respectively, with 7.5% and 8.2% down from a year earlier respectively; growth of production and sales continued last year's low running state, of which, the production and sales volume of passenger vehicles were 21,360,000 and 21,444,000 respectively, with 9.2% and 9.6% declined over same period of last year respectively, declining scope is greater than the total number of cars; production and sales volume of commercial vehicles were respectively amounted as 4,360,000 and 4,324,000, the production has 1.9% up from a year earlier while sales have 1.1% declined, production and sales for commercial vehicles is better than that of passenger vehicles.

Facing the complex and severe macro situation, the company's management team led all employees to turn external pressure into motivation based on various operating performance indicators formulated at the beginning of the year, gathered strength and responded calmly, collaborated and advanced bravely, laid emphasis on operation and management quality, controlled costs and expenditures, reduced capital occupation, accelerated capital turnover, focused on the layout of National VI products, well completed various goals and tasks throughout the year, and maintained the overall stability of the integrated economic operation. In reporting period, operating revenue achieved 8,784 million yuan with 0.72% up on a y-o-y basis; total net profit amounted to 2,450 million yuan with 5.83% down on a y-o-y basis; total assets of the Company was 23,958 million yuan with 14.68% up from a year earlier; and the owners interest attributable to parent company was 16,990 million yuan, a y-o-y growth of 6.77% achieved.

(ii) Main work carried out

1. Calmly responded to market fluctuations and ensured the stability of the three major system business products.

In 2019, affected by the economic downturn and the decline in consumer demand, the overall sales volume of the automobile market have declined. Facing the severe market situation, the company calmly responded to ensure the stability of its main business products. **Fuel injection system business:** the sales volume of common rail pumps reached 1.75 million units, and the main product CPN2 remained high; the sales volume of VE pumps continued to grow in the off-road market and continued to maintain market share of key customers. **Exhaust After-treatment system business:** seized market opportunities, ensured the market share of CNG purifiers, ensured the supply needs of key customers; steadily advanced the development and realized the mass production of the National VI project products in the heavy truck market, ensured the quality customer market of the self-owned brand passenger car market, and enhanced the integration capabilities of National VI system in the light truck market to further expand target customers in the off-road market. **Air management system business:**

the sales volume of 4-cyl turbochargers were generally stable throughout the year, and the entire series won the National VI project and gradually ramped up production, at the same time, quickly deployed the VNT market. The sales volume of 6-cyl turbochargers increased by 10% on a year-on-year basis, and achieved the simultaneous development of the National VI project. Meanwhile, the company's manufacturing capabilities for precision manufacturing and parts processing have been rapidly improved.

2. Made full use of information technology, improved the system management platform, and promoted the company's operation and management efficiency

Through information technology and means, supported the establishment and improvement of the company's management business platform. Established information security risk assessment mechanism to ensure the control of IT asset management software; completed the process management platform architecture design and system platform selection, continued to advance the promotion of intelligent manufacturing projects, built the overall framework of intelligent manufacturing, and information planning and roadmap, orderly launched the pilot project of intelligent manufacturing, and independently completed the common rail intelligent equipment line, the first phase of intelligent manufacturing project passed acceptance and was rated as the Jiangsu Industrial Internet Development Demonstration Enterprise. Strengthened the overall management of equipment and realized the progress tracking of the entire process of equipment investment; improved the construction of human resources information system platform, improved the company's salary management, career development and other systems, increased talent development, made special training for skills, technology, business, and management personnel, according to business development needs, optimized incentives, formulated special reward schemes for product projects and sales, and gave full play to the effectiveness of incentives; completed the launch of procurement sharing system, and initially realized the full-cycle management from procurement requirements, sourcing, supplier management to payment settlement process, and carried out standardization of direct material procurement management, got through to the information flow, logistics, and capital flow of suppliers, and realized information interconnection; promoted the construction and promotion of financial sharing platform information system, and achieved the stable operation of business and accounting.

3. Planned around strategic goals to promote investment cooperation in new business in an orderly manner

Based on the company's strategic planning and combined with the company's existing business, carried out deep-level research planning one by one, and focused on two major areas of new energy and intelligent network to lay out new business. On the one hand, the company strengthened and promoted a new round of strategic cooperation with its strategic investor Robert Bosch GmbH on the new business of hydrogen vehicles and coordinated the strategic development. On the other hand, the company controlled the Denmark IRD Fuel Cell Company through mergers and acquisitions, IRD Company had a world-class research and development team, mastered advanced manufacturing technologies for membrane electrode and bipolar plate core components, and had a stable market in Europe, North America and China, the controlling of IRD Company enabled the company to quickly enter the field of fuel cell core components and enhance its competitiveness in emerging markets.

II. Main business analysis

1. Introduction

See the “I-Introduction” in “Discussion and Analysis of the Operation”

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

| | 2019 | | 2018 | | Increase/decrease y-o-y |
|--|------------------|-------------------------------|------------------|-------------------------------|----------------------------|
| | Amount | Ratio in operation revenue | Amount | Ratio in operation revenue | |
| Total operation revenue | 8,784,356,960.30 | 100% | 8,721,674,671.18 | 100% | 0.72% |
| According to industries | | | | | |
| Automobile components | 8,354,743,964.67 | 95.11% | 8,262,954,878.87 | 94.74% | 1.11% |
| Other business | 429,612,995.63 | 4.89% | 458,719,792.31 | 5.26% | -6.35% |
| According to products | | | | | |
| Automobile fuel injection system | 4,872,783,878.47 | 55.47% | 5,027,966,298.51 | 57.65% | -3.09% |
| Air management system | 445,878,703.66 | 5.08% | 440,331,903.61 | 5.05% | 1.26% |
| Automobile exhaust after-treatment system | 3,036,081,382.54 | 34.56% | 2,794,656,676.75 | 32.04% | 8.64% |
| Other business | 429,612,995.63 | 4.89% | 458,719,792.31 | 5.26% | -6.35% |
| According to region | | | | | |
| Domestic sales | 8,488,435,602.48 | 96.63% | 8,337,832,868.65 | 95.60% | 1.81% |
| Foreign sales | 295,921,357.82 | 3.37% | 383,841,802.53 | 4.40% | -22.91% |

(2) The industries, products, or regions accounting for over 10% of the company’s operating revenue or operating profit

√Applicable □ Not applicable

In RMB

| | 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 |
|--------------------------|-------------------|------------------|-----------------------|--|---|---|
| According to industries | | | | | | |
| Automobile components | 8,354,743,964.67 | 6,322,810,707.67 | 24.32% | 1.11% | -0.18% | 0.98% |

| According to products | | | | | | |
|---|------------------|------------------|--------|---------|---------|--------|
| Automobile fuel injection system | 4,872,783,878.47 | 3,397,256,695.02 | 30.28% | -3.09% | -4.54% | 1.06% |
| Air management system | 445,878,703.66 | 324,139,902.13 | 27.30% | 1.26% | 2.35% | -0.78% |
| Automobile exhaust after-treatment system | 3,036,081,382.54 | 2,601,414,110.52 | 14.32% | 8.64% | 5.80% | 2.30% |
| According to region | | | | | | |
| Domestic sales | 8,058,822,606.85 | 6,041,131,777.64 | 25.04% | -3.35% | 1.21% | -3.37% |
| Foreign sales | 295,921,357.82 | 281,678,930.03 | 4.81% | -22.91% | -22.91% | 0.01% |

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

(3) Income from physical sales larger than income from labors

Yes No

| Industries | Item | Unit | 2019 | 2018 | Increase/decrease y-o-y |
|--|--------------|-----------------------|------|------|-------------------------|
| Fuel injection system—multiple-piston pump | Sales volume | In 10 thousand units | 223 | 244 | -8.61% |
| | Output | In 10 thousand units | 230 | 245 | -6.21% |
| | Storage | In 10 thousand units | 24 | 17 | 41.18% |
| Fuel injection system—injector | Sales volume | In 10 thousand sets | 235 | 227 | 3.52% |
| | Output | In 10 thousand sets | 237 | 223 | 6.28% |
| | Storage | In 10 thousand sets | 14 | 12 | 16.67% |
| After-treatment system—purifier | Sales volume | In 10 thousand pieces | 184 | 270 | -31.85% |
| | Output | In 10 thousand pieces | 193 | 220 | -12.27% |
| | Storage | In 10 thousand pieces | 37 | 28 | 32.14% |
| Air management system—turbocharger | Sales volume | In 10 thousand units | 70 | 72 | -2.78% |
| | Output | In 10 thousand units | 72 | 73 | -1.37% |
| | Storage | In 10 thousand units | 16 | 14 | 14.29% |

Reasons for y-o-y relevant data with over 30% changes

Applicable Not applicable

Sales of after-treatment system—purifier have a declined on a y-o-y basis mainly due to the decline in demand for passenger vehicles.

(4) Fulfillment of the company's signed significant sales contracts up to this reporting period

□ Applicable √ Not applicable

(5) Constitute of operation cost

Classification of industries and products

In RMB

| Industries | Item | 2019 | | 2018 | | Increase/decrease y-o-y |
|-----------------------|--------------------------|------------------|----------------------------|------------------|----------------------------|----------------------------|
| | | Amount | Ratio in operation cost | Amount | Ratio in operation cost | |
| Automobile components | Direct material | 5,073,943,822.40 | 80.25% | 4,879,991,330.39 | 77.04% | 3.97% |
| Automobile components | Labor cost | 604,002,205.22 | 9.55% | 601,322,359.87 | 9.49% | 0.45% |
| Automobile components | Depreciation | 201,984,066.69 | 3.20% | 171,085,221.37 | 2.70% | 18.06% |
| Automobile components | Varieties of consumption | 442,880,613.36 | 7.00% | 681,741,251.80 | 10.76% | -35.04% |

In RMB

| Products | Item | 2019 | | 2018 | | Increase/decrease y-o-y |
|--------------------------------|--------------------------|------------------|----------------------------|------------------|----------------------------|----------------------------|
| | | Amount | Ratio in operation cost | Amount | Ratio in operation cost | |
| Fuel injection system | Direct material | 2,341,746,790.78 | 68.93% | 2,306,305,694.10 | 64.81% | 1.54% |
| Fuel injection system | Labor cost | 486,814,730.66 | 14.33% | 483,559,687.15 | 13.59% | 0.67% |
| Fuel injection system | Depreciation | 159,352,538.54 | 4.69% | 136,068,633.86 | 3.82% | 17.11% |
| Fuel injection system | Varieties of consumption | 409,342,635.04 | 12.05% | 632,801,382.06 | 17.78% | -35.31% |
| Air management system | Direct material | 277,113,123.65 | 85.49% | 270,908,557.76 | 85.54% | 2.29% |
| Air management system | Labor cost | 18,747,220.70 | 5.78% | 20,768,561.86 | 6.56% | -9.73% |
| Air management system | Depreciation | 18,169,925.82 | 5.61% | 14,081,316.71 | 4.45% | 29.04% |
| Air management system | Varieties of consumption | 10,109,631.96 | 3.12% | 10,935,847.04 | 3.45% | -7.56% |
| Exhaust after-treatment system | Direct material | 2,455,083,907.97 | 94.38% | 2,302,777,078.53 | 93.66% | 6.61% |
| Exhaust after-treatment system | Labor cost | 98,440,253.86 | 3.78% | 96,994,110.86 | 3.94% | 1.49% |

| | | | | | | |
|--------------------------------|--------------------------|---------------|-------|---------------|-------|---------|
| Exhaust after-treatment system | Depreciation | 24,461,602.33 | 0.94% | 20,935,270.80 | 0.85% | 16.84% |
| Exhaust after-treatment system | Varieties of consumption | 23,428,346.36 | 0.90% | 38,004,022.70 | 1.55% | -38.35% |

Note

(6) Whether the changes in the scope of consolidation in Reporting Period

√Yes □No

| Changes of consolidate scope | Enterprise | Equity obtained method | Contribution ratio |
|------------------------------|--|--|--------------------|
| Consolidate scope increased | Wuxi Weifu Electric Drive Technology Co., Ltd. | In September 2018, the Company acquired 80% equity of Weifu Electric Drive through cash contribution. According to the Articles of Association under the name of Weifu Electric Drive, the company could not control Weifu Electric Drive, and its investment was accounted as a joint venture using the equity method. On May 5, 2019, the BOD of Weifu Electric Drive reviewed and approved the proposal to amend the <i>Articles of Association</i> of Weifu Electric Drive. After the revision of the <i>Articles of Association</i> of Weifu Electric Drive, the company was able to control Weifu Electric Drive, so the company incorporated it into the scope of consolidation on May 5, 2019. | 80.00% |
| Consolidate scope increased | Weifu Holding ApS | Newly established in April 2019 | 100.00% |

(7) Major changes or adjustment in business, product or service of the Company in Reporting Period

□ Applicable √ Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

| | |
|--|------------------|
| Total top five clients in sales (RMB) | 4,686,797,459.05 |
| Proportion in total annual sales volume for top five clients | 53.37% |
| Ratio of the related party sales in total annual sales from top five clients | 38.72% |

Information of top five clients of the Company

| Serial | Name | Sales (RMB) | Proportion in total annual sales |
|--------|---------------------|------------------|----------------------------------|
| 1 | Bosch Diesel System | 2,670,139,591.68 | 30.40% |
| 2 | Robert Bosch | 730,599,270.85 | 8.32% |
| 3 | Client 3 | 539,228,641.10 | 6.14% |
| 4 | Client 4 | 522,375,936.68 | 5.95% |

| | | | |
|-------|----------|------------------|--------|
| 5 | Client 5 | 224,454,018.74 | 2.56% |
| Total | | 4,686,797,459.05 | 53.37% |

Other situation of main clients

√Applicable □Not applicable

The Company has association with Bosch Automobile Diesel and Robert Bosch. In addition, the directors, supervisors, senior executives, core technicians and actual controller of the Company have no equity in main suppliers directly or indirectly.

Main suppliers of the Company

| | |
|---|------------------|
| Total purchase amount from top five suppliers (RMB) | 2,254,541,253.97 |
| Proportion in total annual purchase amount for top five suppliers | 32.97% |
| Ratio of the related party purchase in total annual purchase amount from top five suppliers | 26.87% |

Information of top five suppliers of the Company

| Serial | Suppliers | Purchasing amount (RMB) | Ratio in annual total purchasing amount |
|--------|-------------------|-------------------------|---|
| 1 | Weifu Environment | 1,663,362,526.18 | 24.33% |
| 2 | Supplier 1 | 177,118,799.05 | 2.59% |
| 3 | Robert Bosch | 173,854,905.98 | 2.54% |
| 4 | Supplier 2 | 120,294,243.09 | 1.76% |
| 5 | Supplier 3 | 119,910,779.67 | 1.75% |
| Total | -- | 2,254,541,253.97 | 32.97% |

Other notes of main suppliers of the Company

√Applicable □Not applicable

The Company has association with Weifu Environment and Robert Bosch. In addition, the directors, supervisors, senior executives, core technicians and actual controller of the Company have no equity in main suppliers directly or indirectly.

3. Expenses

In RMB

| | 2019 | 2018 | Increase/decrease y-o-y | Note of major changes |
|-------------------------|----------------|----------------|-------------------------|-----------------------|
| Sales expenses | 259,650,752.33 | 237,839,472.28 | 9.17% | |
| Administration expenses | 514,028,451.76 | 585,005,385.75 | -12.13% | |
| Financial expenses | -57,892,276.12 | -17,393,580.55 | | |
| R&D expenses | 417,924,908.28 | 403,263,972.20 | 3.64% | |

4. R&D investment

√Applicable □ Not applicable

During the reporting period, the Company focused on the development strategy of the enterprise, accelerated the research and development of key products, put forth effort to improve the industrialization of new products, and enhanced new power for the enterprises development. The traditional energy products are mainly internal combustion engine power engineering which meet the requirements of energy saving and emission reduction; with continuous improvement of product performance, continue to maintain the leading position in the industry. At the same time, the company carried out layouts in new energy, intelligent network technology and other fields through its own research and development, acquisitions and mergers, promoted the research and development and capacity building of core technology and intelligent network technology of hydrogen automobile components to ensure the company's leading position in the future auto parts industry.

R&D investment of the Company

| | 2019 | 2018 | Change ratio |
|--|----------------|----------------|--------------|
| Number of R&D (people) | 1,020 | 1,109 | -8.03% |
| Ratio of number of R&D | 18.75% | 20.08% | -1.33% |
| R&D investment (RMB) | 417,924,908.28 | 403,263,972.20 | 3.64% |
| R&D investment accounted for R&D income | 4.76% | 4.62% | 0.14% |
| R&D investment capitalization (RMB) | 0.00 | 0.00 | 0.00% |
| Capitalization R&D investment accounted for R&D investment | 0.00% | 0.00% | 0.00% |

The reason of great changes in the proportion of total R&D investment accounted for operation income than last year

□ Applicable √ Not applicable

Reason for the great change in R&D investment capitalization rate and rational description

□ Applicable √ Not applicable

5. Cash flow

In RMB

| Item | 2019 | 2018 | Increase/decrease y-o-y |
|--|-------------------|-------------------|-------------------------|
| Subtotal of cash inflow arising from operating activities | 8,341,575,856.11 | 8,192,375,196.74 | 1.82% |
| Subtotal of cash outflow arising from operating activities | 7,292,905,802.88 | 7,317,993,670.11 | -0.34% |
| Net cash flows arising from operating activities | 1,048,670,053.23 | 874,381,526.63 | 19.93% |
| Subtotal of cash inflow from investing activities | 12,833,209,781.87 | 12,682,037,088.99 | 1.19% |
| Subtotal of cash outflow from investing activities | 14,048,725,074.34 | 12,888,463,580.85 | 9.00% |
| Net cash flows arising from operating activities | -1,215,515,292.47 | -206,426,491.86 | |
| Subtotal of cash inflow from investing activities | 824,385,498.20 | 471,198,213.94 | 74.96% |

| | | | |
|--|-------------------|-------------------|--------|
| Subtotal of cash outflow from investing activities | 2,246,745,266.02 | 1,686,046,969.98 | 33.26% |
| Net cash flows arising from financing activities | -1,422,359,767.82 | -1,214,848,756.04 | |
| Net increase of cash and cash equivalents | -1,584,175,485.64 | -543,765,214.73 | |

Main reasons for y-o-y major changes in aspect of relevant data

√Applicable Not applicable

Net cash flows arising from financing activities declined from a year earlier mainly due to repaying the bank loans at maturity.

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

√Applicable Not applicable

Mainly due to the investment, and specific influencing factors found more in supplementary information of cash flow statement carried in Annotation of the Report.

III. Analysis of the non-main business

√Applicable Not applicable

In RMB

| | Amount | Ratio in total profit | Cause description | Whether be sustainable |
|---------------------------------|------------------|-----------------------|---|--|
| Investment income | 1,614,540,714.83 | 65.89% | Income mainly form the two joint ventures (Bosch Automobile Diesel and Zhonglian Electronic) with stock participated by the Company | The joint ventures Bosch Automobile Diesel and Zhonglian Electronic have stable production and operation , so the investment returns can be sustained and stable |
| Gain/loss of fair value changes | 25,019,666.32 | 1.02% | The fair value of the expected rate of return for financing products in the bank | |
| Asset impairment | -169,460,299.73 | -6.92% | | |
| Non-operating income | 2,413,561.54 | 0.10% | | |
| Non-operating expense | 6,126,427.17 | 0.25% | | |

IV. Assets and liability

1. Major changes of assets composition

New financial instrument standards, new revenue standards or new leasing standards implemented by the Company at first time since 2019 and adjusted relevant items of the financial statement on beginning of the year when implemented the Standards

√Applicable Not applicable

In RMB

| | Year-end of 2019 | | Year-begin of 2019 | | Ratio changes | Note of major changes |
|-----------------------------|------------------|-----------------------|--------------------|-----------------------|---------------|---|
| | Amount | Ratio in total assets | Amount | Ratio in total assets | | |
| Monetary funds | 1,596,893,711.87 | 6.67% | 2,616,321,740.73 | 12.51% | -5.84% | The structured deposit purchased are re-classified to "Other current assets" while implementing the New Financial Instrument Standards |
| Account receivable | 2,310,666,475.89 | 9.64% | 1,919,793,266.91 | 9.18% | 0.46% | |
| Inventory | 2,418,744,835.82 | 10.10% | 1,438,528,714.59 | 6.88% | 3.22% | The price of precious metals rises and the value of inventory increases |
| Investment real estate | 22,410,511.87 | 0.09% | 21,906,134.52 | 0.10% | -0.01% | |
| Long-term equity investment | 5,322,405,953.35 | 22.22% | 4,976,773,946.74 | 23.80% | -1.58% | |
| Fixed assets | 2,845,176,078.20 | 11.88% | 2,707,374,678.61 | 12.95% | -1.07% | |
| Construction in progress | 247,857,777.25 | 1.03% | 166,414,542.18 | 0.80% | 0.23% | Construction in progress at period-end has major changes over that of year-begin, mainly because the equipment for technical innovation and expansion increased |
| Short-term borrowings | 312,153,969.81 | 1.30% | 299,348,692.52 | 1.43% | -0.13% | |
| Long-term borrowings | | | 30,043,541.67 | 0.14% | -0.14% | |

2. Assets and liability measured by fair value

√Applicable □Not applicable

In RMB

| Items | Amount at the beginning period | Changes of fair value gains/losses in this period | Accumulative changes of fair value reckoned into equity | Devaluation of withdrawing in the period | Amount of purchase in the period | Amount of sale in the period | Other changes | Amount at period-end |
|--|--------------------------------|---|---|--|----------------------------------|------------------------------|------------------|----------------------|
| Financial assets | | | | | | | | |
| 1.Transaction financial asset(excluding derivative financial assets) | 4,765,943,018.39 | 25,019,666.32 | | | 9,003,600,000.00 | | 8,810,087,022.96 | 4,984,475,661.75 |
| 2 Derivative financial assets | | | | | | | | |
| 3. Other debt investment | | | | | | | | |
| 4. Investment in other equity instrument | 87,088,272.91 | | | | 204,108,000.00 | 6,148,272.91 | | 285,048,000.00 |
| Subtotal of financial assets | 4,853,031,291.30 | 25,019,666.32 | | | 9,207,708,000.00 | 6,148,272.91 | 8,810,087,022.96 | 5,269,523,661.75 |
| Above total | 4,853,031,291.30 | 25,019,666.32 | | | 9,207,708,000.00 | 6,148,272.91 | 8,810,087,022.96 | 5,269,523,661.75 |
| Financial liabilities | 490,329.13 | | | | | 490,329.13 | | 0.00 |

Other changes

Whether there have major changes on measurement attributes for main assets of the Company in report period or not

Yes No

3. The assets rights restricted till end of the period

In RMB

| Item | Book value at period-end | Restriction reason |
|-----------------------------|--------------------------|---|
| Monetary funds | 158,280.00 | Guarantee deposit |
| Note receivable | 847,613,449.94 | Notes pledge for bank acceptance |
| Monetary funds | 32,372,582.46 | Cash deposit paid for bank acceptance |
| Monetary funds | 2,206,857.75 | Court freeze |
| Monetary funds | 209,180.00 | Cash deposit for Mastercard |
| Transaction financial asset | 119,026,951.14 | In accordance with the civil ruling No.(2016)Y03MC2490 and No.(2016) Y03MC2492 of Guangdong Shenzhen Intermediate People's Court (Hereinafter referred to as Shenzhen Intermediate People's Court), the property with the value of 217 million Yuan under the name of the Company and other seven respondents and the third party Shenzhen Hejun Chuangye Holdings Co., Ltd. (Hereinafter referred to as Hejun Company) was frozen. As of the end of the reporting period, 4.71 million shares of Miracle Automation and 11,739,102 shares of SDEC held by the Company were frozen. |
| Total | 1,001,587,301.29 | -- |

V. Investment

1. Overall situation

Applicable Not applicable

2. The major equity investment obtained in the reporting period

Applicable Not applicable

3. The major non-equity investment doing in the reporting period

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

In RMB

| Variety of securities | Code of securities | Short form of securities | Initial investment cost | Accounting measurement model | Book value at the beginning of the period | Current gain/loss of fair value changes | Cumulative fair value changes in equity | Current purchase amount | Current sales amount | Profit and loss in the Reporting Period | Book value at the end of the period | Accounting subject | Capital Source |
|--|--------------------|--------------------------|-------------------------|------------------------------|---|---|---|-------------------------|----------------------|---|-------------------------------------|-----------------------------|----------------|
| Domestic and foreign stocks | 600841 | SDEC | 199,208,000.00 | Measured by fair value | 85,458,408.00 | 6,363,924.00 | | | | 6,363,924.00 | 91,822,332.00 | Transaction financial asset | Own funds |
| Domestic and foreign stocks | 002009 | Miracle Automation | 69,331,500.00 | Measured by fair value | 35,607,600.00 | 423,900.00 | | | | 423,900.00 | 36,031,500.00 | Transaction financial asset | Own funds |
| Total | | | 268,539,500.00 | -- | 121,066,008.00 | 6,787,824.00 | 0.00 | 0.00 | 0.00 | 6,787,824.00 | 127,853,832.00 | -- | -- |
| Disclosure date of securities investment approval of the Board | | | 24 March 2012 | | | | | | | | | | |
| | | | 4 June 2013 | | | | | | | | | | |

(2) Derivative investment

Applicable Not applicable

The Company has no derivatives investment in the Period

5. Application of raised proceeds

Applicable Not applicable

No application of raised proceeds in the period

VI. Significant asset and equity sales

1. Significant asset sales

Applicable Not applicable

No significant assets being sold in the Period

2. Significant equity sales

Applicable Not applicable

VII. Analysis of the main equity participation and controlling subsidiary

√ Applicable □ Not applicable

Main subsidiary and stock-jointly enterprise with over 10% influence on net profit of the Company

In RMB

| Company name | Type | Main business | Register capital | Total assets | Net assets | Operating revenue | Operating profit | Net profit |
|-------------------------|---------------------------------|---|---------------------|-------------------|------------------|-------------------|------------------|------------------|
| Weifu Leader | Subsidiary | Exhaust after-treatment system products | 502,596,300.00 | 5,026,849,312.80 | 1,662,791,321.37 | 3,020,424,650.65 | 24,328,607.70 | 33,406,696.55 |
| Weifu Jinning | Subsidiary | Fuel injection system products | 346,286,825.80 | 1,333,819,270.2 | 967,798,717.57 | 591,679,134.25 | 137,140,599.41 | 124,990,228.55 |
| Bosch Automobile Diesel | Equity participation enterprise | Fuel injection system products | US\$ 241,000,000.00 | 13,937,877,025.05 | 9,324,362,457.36 | 14,224,084,504.12 | 3,716,458,858.70 | 3,152,063,841.44 |
| Zhonglian Electronic | Equity participation enterprise | Gasoline system products | 600,620,000.00 | 6,304,856,746.62 | 6,299,126,846.74 | 23,049,985.98 | 1,403,908,131.66 | 1,399,783,397.92 |

Subsidiary obtained and disposed in the Period

√ Applicable □ Not applicable

| Company Name | The method of obtaining and handling subsidiaries during the report period | The influence to the whole production and performance |
|-------------------|--|--|
| Weifu Holding ApS | Invest to establish | To accelerate the cultivation of new business growth points, improving the transformation and upgrading of the Company |

Explanation on holding equity participation enterprise

Total assets of Weifu Leader have growth on a y-o-y basis mainly because holds the unmatured note receivable, and the price of precious metals rises and the value of inventory increases;

Profit of Weifu Leader has a declined on a y-o-y basis mainly due to the increase of assets impairment losses;

Profit of Weifu Jinning has a declined on a y-o-y basis mainly because received an income of 100,824,053.07 yuan in 2018 from assets disposal.

VIII. The structured subject controlled by the Company

Applicable Not applicable

IX. Prospects for future development

(i) Industry competition pattern and development trend

2020 is the ending year in which China achieves its first century-long goal, builds a well-off society in an all-round way and the “Thirteenth Five-Year Plan”, and is also the benchmark year to start a new journey of transforming “from big to strong”, and serves as a connecting link between the preceding and the following. Maintaining stable macroeconomic development in 2020 is of great significance, the macro economy will remain stable under the escort of multiple policies, the fundamentals of China’s healthy and stable economic development will not change, and economic growth will remain within a reasonable range. In the next five years, the macro economy will enter a critical period of transformation, reducing speed and improving quality will be the main theme. After more than ten years of rapid growth, the Chinese auto market has begun to enter a period of transformation and adjustment. The “new four modernizations” are reshaping the automotive industry pattern, with the rapid penetration of technological advance, big data and artificial intelligence into the industry, the new energy and intelligent connected vehicles have ushered in a wave of development, the automobile industry is more firmly developing towards intelligence, networking, and coordinated development of vehicles and roads. Therefore, we will unswervingly seek effective resources in line with the corporate vision and meet the challenges of the industry with sufficient confidence.

(ii) Development strategy of the Company

The Company has become the backbone enterprise of the core parts of domestic automobile (power engineering) after more than 60 years of cultivation. 80% of the current core business of automobile components are matching with electronic control system and with electronic control realized, which owes a leading position in self-owned brand. The Company give a positive response to national new energy and intelligent networking strategy, core with the automobile components industry chain and supplemented by other relevant fields, make a layout for new energy automobile drive technology, improve hydrogen fuel battery technology as well as the research and development capability of intelligent networking technology. Market target: consolidating the current business market position and positioning new business for the potential market; technical target: strengthen the technical strength of pillar business, lay out the frontier technology for new business, actively exploit new fields based on the current business. And making efforts to achieved the enterprise goals of leaders of automotive core parts.

(iii) Operation plan for year of 2020

Affected by the epidemic, 2020 is destined to be a very unusual year. There are still uncertainties about the introduction of automobile consumption stimulus policies and the implementation of National VI Standard, opportunities and challenges coexist, the company will do the following key tasks in the new year.

1. Strengthen collaboration, promote strategic marketing, seek new opportunities, develop new markets, and enhance market position in all aspects. Further improve the technical quality level that can meet the National VI and T4 products, enhance the project acquisition capability of the product on the client side, focus on the company's strategic customers and leading products, strive to increase the market share of key products, and further expand the aftermarket and overseas markets. **Fuel injection system business:** ensure smooth and steady delivery of common rail pump products throughout the year; ensure that the stock market share of in-line pump products does not decline; ensure the transition of VE pump products from off-road markets to T4. **Exhaust after-treatment system business:** continue to obtain National VI projects and ensure the shares among key customers, accelerate the development of National VI Point B, and focus on the layout of passenger car joint venture brand markets. **Air management system business:** implement the transfer of National VI Point A projects in diesel engine market for four-cylinder turbocharger, accelerate the development of National VI Point B, develop the T4 market, and cultivate the retail market; the gasoline engine market guarantees the batch production and stable supply of National VI models and accelerate the development of new customers. Speed up the implementation of the sixth-cylinder turbocharger National VI project, highlight the development and matching of differentiated natural gas products, and continuously increase the market influence. **Components manufacturing business:** continue to promote the cooperation with Bosch and UMC in components processing business and casting business, especially the cooperation in new energy components and parts.

2. Promote the development of existing business systems and build the R & D capabilities of new energy technology

Fuel injection system products: focus on the GP projects development of electronically controlled fuel system, continue to expand the adaptive development and application of economical EVP-2 pumps in agricultural machinery, generator sets and other fields, and complete the T3 / T4 design and process development of high-injection pressure mechanical pumps for single-cylinder engines. **Exhaust after-treatment system products:** continue to promote the development of key National VI products for passenger cars; refine the construction of the National VI platform for commercial vehicles, and improve the general rate of parts and components; develop the treatment system for marine engine and fixed-source emissions, mainly make initial design for large-flow urea pumps, more concentrated urea solution and better mix and sensor layout plan. **Air management system products:** achieve batch production of already launched National VI, off-road T4 projects, and gasoline engine projects, enrich customer resources; continue to improve the performance and reliability of natural gas turbochargers, and enhance competitive advantages; combine military projects to further improve the efficiency of diesel National VI turbochargers, and enhance the product competitiveness.

Hydrogen fuel cell products: with the full using of the hydrogen fuel cell test center as an opportunity, establish the ability from core material development, key component research to system integration testing; accelerate the R & D schedule of related products, and promote products to the market.

3. Further improve the construction of information platforms and improve operating efficiency

Support the full life cycle management of the process by constructing the process management platforms and undertaking the results of process architecture, process management system and long-term mechanism. Maximize the company's overall value and minimize costs by cooperating with supply chain optimization and integration projects; build a company's big data asset management platform, and unify the data standardized management, dig the data assets value, and improve the data management level by sorting out data assets, establishing data governance systems, and building data management platforms; combine with the process system construction project, build a risk database of three pilot domains of people and property, gradually form a risk management concept focusing on the management system and integrating risk and compliance elements into the process system, and strengthen the audit of whole process life cycle. Improve the construction of HR informatization platform, optimize talent management mode, strengthen talent planning and cultivation, improve salary and incentive system, control total salary, detail budget items, strengthen use analysis, and improve incentive effect.

4. Deeply detail the strategic planning and accelerate the investment cooperation in new industries

According to the company's strategic objectives, seek external investment cooperation opportunities and effectively integrate strategic development resources to support the company's long-term development. Further improve the company's investment planning and project investment management system, and strengthen investment management capabilities. At the same time, according to the business characteristics and the development stage of new businesses (such as IRD, in-wheel motors, fuel cell core components, etc.), strengthen the incubating capacity building and target management of the company's new businesses. The cultivation of new industries takes market goals, technical goals, cooperation and coordination, core competence building, investment and risk control as the starting point, further enhance the company's competitiveness and influence in the industry from a planning perspective, and it is necessary to further strengthen communication and cooperation with shareholders and strategic partners (Industry Group, Bosch, etc.), and seek new industry synergy.

(iv) Risks and response measures

(1) Macroeconomic and market risks

China's economy has entered a critical period of transformation, and speed reduction and quality improvement are the main theme, through continuous efficiency improvement, the economy has realized a shift to a mid-to-high-end coordinated development model. Although the market will experience unexpected changes, we believe that the Chinese economy is fully capable of maintaining a reasonable range of growth. At the same time, the Chinese automobile market has also entered a period of transformation and adjustment, and future development will also pay more attention to the development of new energy and intelligent network.

Response measures: We must change the habitual and deterministic thinking model to cope with future uncertainties, rely on the existing business, actively expand new areas, consolidate the existing business market position, and take a position in the new business potential market, and strive to improve the company's core competitiveness and overall ability to resist risks.

(2) Operating management and control risks

In 2020, the company's asset scale continues to expand and its business scope continues to extend, especially in the new energy field, the management span is rather large and there are potential operating management and investment risks. In addition, the external environment was affected by the epidemic, the varying affected degree of customers and sales declines, restrictions on logistics and transportation areas, delayed payment by some customers, and increased pressure on fund quality and repayment has brought certain risks to the company's business.

Response measures:

The company will continue to promote the optimization and improvement of internal management, perfect the procedures, further manage standardization and control the management risks; focus on the impact of market dynamics on the Company; continue to develop strategy customers, and gradually strengthen the new business market connection and new new products promotion.

X. Reception of research, communication and interview

1. In the report period, reception of research, communication and interview

√ Applicable □ Not applicable

| Time | Way | Type | Basic situation index of investigation |
|--|-------------------------|-------------|--|
| 28 May 2019 | Spot research | Institution | The scene of the shareholders' general meeting |
| 8 October 2019 | Spot research | Individual | The scene of the shareholders' general meeting |
| 1 Jan. 2019 - 31 Dec. 2019 | Written inquiry | Other | The Company answered 110 questions for investors online through the investor relations interactive platform |
| 1 Jan. 2019 - 31 Dec. 2019 | Telephone communication | Individual | Basic condition of the Company, and views on market, communication with investors by telephone more than 200 |
| Reception (times) | | | 360 |
| Number of hospitality | | | 50 |
| Number of individual reception | | | 200 |
| Number of other reception | | | 110 |
| Disclosed, released or let out major undisclosed information (Y/N) | | | N |

Section V. Material Matters

I. Profit distribution plan of common stock and transfer of public reserve into share capital

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable Not applicable

1. Cash dividend policy: carry out bonus distribution according to the regulations in *Articles of Association*
2. In reporting period, the Company implemented the profit distribution for year of 2018, based on the total share capital 1,008,950,570 shares, distributed 12 Yuan (tax included) bonus in cash for every 10 shares held, no capitalization from public reserves. The plan was completed in June 2019. The implementation of the Company's cash dividend policy is in compliance with the provisions of *Articles of Association*, relevant decision-making procedures are complete and fully listen to the views of independent directors and minority shareholders and maintain the legitimate rights and interests of minority shareholders.

| Special explanation on cash dividend policy | |
|--|----------------|
| Satisfy regulations of General Meeting or requirement of Article of Association (Y/N): | Yes |
| Well-defined and clearly dividend standards and proportion (Y/N): | Yes |
| Completed relevant decision-making process and mechanism (Y/N): | Yes |
| Independent directors perform duties completely and play a proper role (Y/N): | Yes |
| Minority shareholders have opportunity to express opinions and demands totally and their legal rights are fully protected (Y/N): | Yes |
| Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N): | Not applicable |

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

The profit distribution plan for 2019: based on total share capital of 1,008,950,570 shares at end of 2019, distribute cash dividend of 11.00 Yuan (tax included) for every 10 shares, and no public reserve transfer into share capital.

The profit distribution plan for 2018: based on total share capital of 1,008,950,570 shares at end of 2018, distribute cash dividend of 12.00 Yuan (tax included) for every 10 shares, and no public reserve transfer into share capital. The plan was completed in June 2019.

The profit distribution plan for 2017: based on total share capital of 1,008,950,570 shares at end of 2017, distribute cash dividend of 12.00 Yuan (tax included) for every 10 shares, and no public reserve transfer into share capital. The plan was completed in July 2018.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

| Year for bonus shares | Amount for cash bonus (tax included) | Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year | Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement | Proportion for cash bonus by other ways (i.e. share buy-backs) | Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement | Total cash bonus (including other ways) | Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement |
|-----------------------|--------------------------------------|--|--|--|--|---|--|
| 2019 | 1,109,845,627.00 | 2,268,026,432.78 | 48.93% | 0.00 | 0.00% | 1,109,845,627.00 | 48.93% |
| 2018 | 1,210,740,684.00 | 2,396,077,415.21 | 50.53% | 0.00 | 0.00% | 1,210,740,684.00 | 50.53% |
| 2017 | 1,210,740,684.00 | 2,571,339,490.04 | 47.09% | 0.00 | 0.00% | 1,210,740,684.00 | 47.09% |

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable Not applicable

II. Profit distribution plan and transfer of public reserve into share capital for the Period

Applicable Not applicable

| | |
|--|-------------------|
| Bonus shares for every 10-share (Share) | 0 |
| Dividends for every 10-share (RMB) (Tax included) | 11 |
| Shares added for every 10-share base (Share) | 0 |
| Equity base of distribution plan (Share) | 1,008,950,570 |
| Total cash dividend (RMB) (Tax included) | 1,109,845,627.00 |
| Cash dividend by other ways (share buy-back included) (RMB) | 0.00 |
| Total cash dividend (other ways included) (RMB) | 1,109,845,627.00 |
| Profits available for distribution (RMB) | 10,381,863,816.29 |
| Ratio of the total cash dividend (other ways included) in total profit distribution | 100% |
| Cash dividend policy: | |
| Other | |
| Detail explanation on profit distribution or capitalization from capital public reserve | |
| Audited by Gongzheng Tianye Certified Public Accountants, net profit of the parent company for year of 2019 amount as 2,229,782,000 Yuan, as of 31 December 2019 the profit available for distribution for shareholders amounted as 10,381,863,800 Yuan. Profit distribution plan for 2019 was: on base of the total 1,008,950,570 shares at end of 2019, distributed 11.00 Yuan (tax included) in cash for each 10 shares, the total distribution of cash dividends amounted as 1,109,845,627 yuan, no bonus, and no transfer of public reserve into share capital. Independent director of the Company present an independent opinions and agreed the above mentioned Plan, the Plan shall submit for deliberation on AGM of 2019. | |

III. Implementation of undertakings

1. Undertakings that the actual controller, shareholders, related party, buyers and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

Applicable Not applicable

No undertakings that the actual controller, shareholders, related party, buyers and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of the period

2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable Not applicable

IV. Non-operational fund occupation from controlling shareholders and its related party

Applicable Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA

Applicable Not applicable

VI. 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 financial statement format

In accordance with the *Notice on Revised and Printing the Format of Financial Statements for General Enterprises in 2019* (Cai Kuai [2019] No.6), the *Notice on Revised and Printing the Consolidate Financial Statement Format (2019 version)* (Cai Kai [2019] No.16 from Ministry of Finance and requirement of accounting standards for business enterprise, the Company prepared the financial statement for year of 2019 and retroactive adjustment shall prevail for the change of such accounting policy. Items and amount have major impact on financial statement of 2018:

In RMB

| On statement | Items | Book value present on former policy | Book value present on new policy | Number adjusted |
|------------------------------|-----------------------------|--|-------------------------------------|-------------------|
| | | 2018-12-31 | 2018-12-31 | |
| Consolidate balance sheet | Note receivable | -- | 1,148,107,603.68 | 1,148,107,603.68 |
| | Account receivable | -- | 1,919,793,266.91 | 1,919,793,266.91 |
| | Note receivable and account | 3,067,900,870.59 | -- | -3,067,900,870.59 |

| | | | | |
|---------------------------------|--|------------------|------------------|-------------------|
| | receivable | | | |
| | Note payable | -- | 1,018,367,533.74 | 1,018,367,533.74 |
| | Account payable | -- | 2,047,336,834.66 | 2,047,336,834.66 |
| | Note payable and account payable | 3,065,704,368.40 | -- | -3,065,704,368.40 |
| Balance sheet of parent company | Note receivable | -- | 264,264,207.30 | 264,264,207.30 |
| | Account receivable | -- | 742,246,990.99 | 742,246,990.99 |
| | Note receivable and account receivable | 1,006,511,198.29 | -- | -1,006,511,198.29 |
| | Note payable | -- | 330,545,052.37 | 330,545,052.37 |
| | Account payable | -- | 823,693,469.51 | 823,693,469.51 |
| | Note payable and account payable | 1,154,238,521.88 | -- | -1,154,238,521.88 |

②Implementation of New Financial Instrument Standards

The *Accounting Standards for Business Enterprise No.22- Recognition and measurement of financial instrument*, *Accounting Standards for Business Enterprise No.23- Transfer of financial assets*, *Accounting Standards for Business Enterprise No.24- Hedge accounting* and *Accounting Standards for Business Enterprise No.37- Presentation of financial instruments* (collectively name as New Financial Instrument Standards) revised by Ministry of Finance are implemented by the Company since 1 January 2019. No adjustment is required to information in comparable periods in accordance with the linkage between the relevant old and new standards. On initial implementation date, the difference between former and new standards shall retroactively adjusted on the retained earnings or other comprehensive income at beginning of the reporting period.

Main impact on the financial statement dated 1 Jan. 2019 while implementing the new financial instrument standard:

Consolidate financial statement:

In RMB

| Item | 2018-12-31 | Re-classified | Re-measured | 2019-1-1 |
|-------------------------------------|------------------|-------------------|---------------|------------------|
| Assets: | | | | |
| Transaction financial asset | | 4,692,952,711.43 | 25,169,410.96 | 4,718,122,122.39 |
| Other current assets | 4,632,137,600.26 | -4,571,886,703.43 | | 60,250,896.83 |
| Available-for-sale financial assets | 255,975,176.91 | -255,975,176.91 | | |
| Other equity instrument investment | | 87,088,272.91 | | 87,088,272.91 |
| Other non-current financial assets | | 47,820,896.00 | | 47,820,896.00 |
| Deferred income tax assets | 234,697,139.58 | | -3,775,411.64 | 230,921,727.94 |
| Note receivable | 1,148,107,603.68 | -49,984,087.50 | | 1,098,123,516.18 |
| Receivables financing | | 49,984,087.50 | | 49,984,087.50 |
| Liability: | | | | |

| | | | | |
|---|-------------------|----------------|---------------|-------------------|
| Short-term borrowings | 298,928,213.94 | 420,478.58 | | 299,348,692.52 |
| Other account payable | 64,448,723.52 | -510,791.08 | | 63,937,932.44 |
| Non-current liabilities due within one year | 15,000,000.00 | 21,770.83 | | 15,021,770.83 |
| Long-term borrowings | 30,000,000.00 | 43,541.67 | | 30,043,541.67 |
| Long-term account payable | 35,422,354.11 | 25,000.00 | | 35,447,354.11 |
| Owners' equity: | | | | |
| Other comprehensive income | -19,809,442.95 | 19,809,442.95 | | |
| Retained profit | 10,996,945,870.13 | -19,809,442.95 | 21,393,999.32 | 10,998,530,426.50 |

Financial statement of parent company:

In RMB

| Item | 2018-12-31 | Re-classified | Re-measured | 2019-1-1 |
|-------------------------------------|------------------|-------------------|---------------|------------------|
| Assets: | | | | |
| Transaction financial asset | | 4,692,952,711.43 | 25,169,410.96 | 4,718,122,122.39 |
| Other current assets | 4,632,137,600.26 | -4,571,886,703.43 | | 60,250,896.83 |
| Available-for-sale financial assets | 255,975,176.91 | -255,975,176.91 | | |
| Other equity instrument investment | | 87,088,272.91 | | 87,088,272.91 |
| Other non-current financial assets | | 47,820,896.00 | | 47,820,896.00 |
| Deferred income tax assets | 234,697,139.58 | | -3,775,411.64 | 230,921,727.94 |
| Liability: | | | | |
| Short-term borrowings | 112,000,000.00 | 149,966.66 | | 112,149,966.66 |
| Other account payable | 12,142,596.68 | -149,966.66 | | 11,992,630.02 |
| Owners' equity: | | | | |
| Other comprehensive income | -19,809,442.95 | 19,809,442.95 | | |
| Retained profit | 9,340,610,451.36 | -19,809,442.95 | 21,393,999.32 | 9,342,195,007.73 |

VII. 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.

VIII. 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 | Ratio of fund contribution |
|-----------------------------|--|---|----------------------------|
| Consolidate scope increased | Wuxi Weifu Electric Drive Technology Co., Ltd. | In September 2018, the company obtained 80.00% equity of Weifu Electric Drive by way of cash contribution. According to the <i>Articles of Association</i> of Weifu Electric Drive, the company could not control Weifu Electric Drive, and its investment was accounted for as a joint venture using the equity method. On May 5, 2019, the BOD of Weifu Electric Drive reviewed and approved the proposal to amend the <i>Articles of Association</i> of Weifu Electric Drive. After the revision of the <i>Articles of Association</i> of Weifu Electric Drive, the company was able to control Weifu Electric Drive, so the company incorporated it into the scope of consolidation on May 5, 2019. | 80.00% |
| Consolidate scope increased | Weifu Holding ApS | Newly established in April 2019 | 100.00% |

IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

| | |
|--|---|
| Name of domestic accounting firm | Gongzheng Tianye Certified Public Accountants (Special General Partnership) |
| Remuneration for domestic accounting firm (in 10 thousand Yuan) | 158 |
| Continuous life of auditing service for domestic accounting firm | 28 |
| Name of domestic CPA | Bo Lingjing, Meng Yin |
| Continuous life of auditing service for domestic accounting firm | 5 |

Re-appointed accounting firms in this period

Yes No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable Not applicable

Being deliberated in Annual Shareholders General Meeting of 2018, Gongzheng Tianye was appointed as audit accounting firm for internal control of the Company for year of 2019. In the Period, auditing charge for internal control amounting to 220,000 Yuan

X. Particular about suspension and termination of listing after annual report disclosed

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

XII. Major litigations and arbitrations

Applicable Not applicable

| Basic Situation of Litigation (Arbitration) | Amount Related to the Case (Yuan) | Whether Formed Accrued Liabilities | Progress of Litigation (Arbitration) | Trial Results and Effects of Litigation (Arbitration) | Judgment Implementation of Litigation (Arbitration) | Disclosure Date | Disclosure Index |
|---|-----------------------------------|------------------------------------|---|---|---|-----------------|--|
| On March 6, 2017, the company received the civil ruling No.(2016)Y03MC2490 and No.(2016) Y03MC2492 from Shenzhen Intermediate People's Court about the dispute case that the plaintiff applicant China Cinda Asset Management Co., Ltd. Shenzhen Branch (hereinafter referred to as "Cinda Company") appealed the respondent Weifu High Technology and other seven respondents and the shareholders of the third party Hejun Company damaged the interests of corporate creditors, which adopted the mandatory measures to freeze the assets with value of RMB 217 million under the name of the Company and other seven respondents and Hejun Company. Freeze 4.71 million shares of Miracle Automation and 15.3 million shares of SDEC Stock held by the company. | 21,703 | N | By the company's application for reconsideration, Shenzhen Intermediate People's Court deemed the total assets that Cinda Company applied for preservation to be RMB 217,027,697.23. The total value of 15.3 million shares of SDEC Stock and 4.71 million shares of Miracle Automation held by the company has exceeded the total assets that Cinda Company applied for preservation, therefore, 3,560,898 shares of SDEC Stock held by the company was unfrozen. Up to the end of the reporting period, the company's frozen assets were as follows: 4.71 million shares of Miracles Automation held by the company and its fruits, and 11,739,102 shares of SDEC Stock held by the company and its fruits. At present, this litigation is in the first instance (the first trial held on 24 Sept. 2017, and follow trial will wait for notice by the court). | This litigation will not affect the company's daily operating activities for the time being | Not yet implemented | 8 March 2017 | (Announcement No.: 2017-002) published on Juchao Website (www.cninfo.com.cn) |
| The Company has applied to Futian People's Court of Shenzhen for compulsory liquidation with Hejun Company | 3,300 | N | The Company has applied to Futian People's Court of Shenzhen for compulsory liquidation with Hejun Company. The civil ruling paper (Yue (0304) QS [2017] No. 5) made by Shenzhen Futian District People's Court ruled that Hejun Company should be made compulsory | There is no impact on daily operation activities of the Company | Relevant works are in process | 6 Dec. 2017 | (Announcement No.: 2017-023) published on Juchao Website (www.cninfo.com.cn) |

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | liquidation. The Company will actively cooperate with the court to work on the liquidation to protect its legitimate rights and interests. | | | | |
|--|--|--|--|--|--|--|--|

XIII. Penalty and rectification

Applicable Not applicable

No penalty and rectification for the Company in reporting period.

XIV. Integrity of the company and its controlling shareholders and actual controllers

Applicable Not applicable

XV. Implementation of the company's share incentive scheme, employee stock ownership plan or other employee incentives

Applicable Not applicable

On 20 June 2014, the Company held the 2013 AGM which deliberated "the Company's incentive fund implementation methods", the Company has fully implemented it during the reporting period, completed the medium and long term special incentive allocation for core talents, farthest mobilized the enthusiasm and creativity of employees, stabilized the employees, attracted the high-quality talents, and enhance the cohesive force in enterprise.

XVI. Major related party transaction

1. Day-to-day related party transaction

Applicable Not applicable

| Related party | Relationship | Type of related transaction | Content of related transaction | Pricing principle | Related party transaction price | Related party transaction amount (in 10 thousand Yuan) | Proportion in similar transactions | Trading limit approved (in 10 thousand Yuan) | Whether over the approved limited or not (Y/N) | Clearing form for related transaction | Available similar market price | Date of disclosure | Index of disclosure |
|---------------------------|-----------------------|-----------------------------|--------------------------------|---------------------|---------------------------------|--|------------------------------------|--|--|---------------------------------------|--------------------------------|--------------------|---------------------|
| Weifu Precision Machinery | Associated enterprise | Procurement of goods | Procurement of goods | Fair market pricing | Market price | 3,764.94 | 0.55% | 4,000 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |

| | | | | | | | | | | | | | |
|---------------------------|---|----------------------|----------------------|---------------------|--------------|------------|--------|---------|---|---------------------------|--------------|------------|--------------------|
| Bosch Diesel System | Associated enterprise, controlling subsidiary of Robert Bosch | Procurement of goods | Procurement of goods | Fair market pricing | Market price | 4,249.28 | 0.62% | 6,000 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Weifu Environment | Joint venture of Weifu Leader | Procurement of goods | Procurement of goods | Fair market pricing | Market price | 166,336.25 | 24.33% | 200,000 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Robert Bosch | Second largest shareholder of the Company | Procurement of goods | Procurement of goods | Fair market pricing | Market price | 17,385.49 | 2.54% | 13,000 | Y | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Shinwell Automobile | Associated enterprise | Procurement of goods | Procurement of goods | Fair market pricing | Market price | 1,119.52 | 0.16% | | Y | According to the contract | Market price | | Notice No: 2019-09 |
| Weifu Precision Machinery | Associated enterprise | Procurement of goods | Procurement of goods | Fair market pricing | Market price | 142.83 | 0.02% | 300 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Bosch Diesel System | Associated enterprise, controlling subsidiary of Robert Bosch | Sales of goods | Sales of goods | Fair market pricing | Market price | 267,013.96 | 30.40% | 260,000 | Y | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |

| | | | | | | | | | | | | | |
|-------------------------|---|----------------|---|---------------------|--------------|-----------|-------|--------|---|---------------------------|--------------|------------|--------------------|
| Weifu Environment | Joint venture of Weifu Leader | Sales of goods | Sales of goods | Fair market pricing | Market price | 2,981.03 | 0.34% | 5,000 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Robert Bosch | Second largest shareholder of the Company | Sales of goods | Sales of goods | Fair market pricing | Market price | 73,059.93 | 8.32% | 90,000 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Shinwell Automobile | Associated enterprise | Sales of goods | Sales of goods | Fair market pricing | Market price | 124.17 | 0.01% | | Y | According to the contract | Market price | | |
| Bosch Automobile Diesel | Associated enterprise, controlling subsidiary of Robert Bosch | Other | Payable for labour and technical services | Fair market pricing | Market price | 33.74 | | 100 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Robert Bosch | Second largest shareholder of the Company | Other | Payable for technical services | Fair market pricing | Market price | 70.23 | | | Y | According to the contract | Market price | | |
| Robert Bosch | Second largest shareholder of the Company | Other | | Fair market pricing | Market price | 348.93 | | 300 | Y | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |

| | | | | | | | | | | | | | |
|---|---|-------|--------------------------|---------------------|--------------|------------|----|---------|----|---------------------------|--------------|------------|--------------------|
| Weifu Environment | Joint venture of Weifu Leader | Other | Lease fee receivable | Fair market pricing | Market price | 250.81 | | 300 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Bosch Automobile Diesel | Associated enterprise, controlling subsidiary of Robert Bosch | Other | Purchase of fixed assets | Fair market pricing | Market price | 572.09 | | 1,000 | N | According to the contract | Market price | 2019-04-23 | Notice No: 2019-09 |
| Robert Bosch | Second largest shareholder of the Company | Other | Purchase of fixed assets | Fair market pricing | Market price | 615.01 | | | Y | According to the contract | Market price | | |
| Weifu Environment | Joint venture of Weifu Leader | Other | House rental fee payable | Fair market pricing | Market price | 21.43 | | | Y | According to the contract | Market price | | |
| Weifu Environment | Joint venture of Weifu Leader | Other | Purchase of fixed assets | Fair market pricing | Market price | 14.87 | | | Y | According to the contract | Market price | | |
| Industry Group | First majority shareholder of the Company | Other | Interest paying | Fair market pricing | Market price | 8.96 | | | Y | According to the contract | Market price | | |
| Total | | | | -- | -- | 538,113.47 | -- | 580,000 | -- | -- | -- | -- | -- |
| Detail of sales return with major amount involved | | | | Not applicable | | | | | | | | | |

| | |
|--|---|
| Report the actual implementation of the day-to-day related transactions which were projected about their total amount by types during the reporting period (if applicable) | Being deliberated and approved by AGM of 2018, total day-to-day related party transaction for year of 2019 predicted as 5800 million Yuan, actually 5381.1347 million Yuan occurred in the Period, the related transaction classified according to types are as: 1. it estimated that purchasing goods and labor service from related party in 2019 will up to 2230 million Yuan, while 1928.5548 million Yuan occurred actually in the Period; 2. it estimated that sales of goods and labor service to related party in 2019 will up to 3553 million Yuan, while 3433.2192 million Yuan actually occurred in the period; 3. it estimated that other related transactions with related party for year of 2019 will up to 17 million Yuan while 19.3607 million Yuan actually occurred. |
|--|---|

2. Related party transactions of assets acquisition and sold

Applicable Not applicable

No related party transactions of assets acquisition and sold for the Company in reporting period

3. Related party transactions of mutual investment outside

Applicable Not applicable

| Co-investor | Relationship | Name of the invested enterprise | Main business of the invested enterprise | Registered capital of the invested enterprise | Total assets of the invested enterprise (in 10 thousand yuan) | Net assets of the invested enterprise (in 10 thousand yuan) | Net profit of the invested enterprise (in 10 thousand yuan) |
|--|--|--------------------------------------|--|---|---|---|---|
| Wuxi Industry Development Group Co., Ltd. | Major shareholder | Wuxi Xichan Microchip Semi-Conductor | Design, development, and sales of semiconductor devices and integrated circuits; R & D of electronic components; sales of mechanical equipment, computer software and hardware and external equipment; computer software development; technology development, technical consulting, technical services, and technology transfer in the field of semiconductor technology; import and export business of self-operated and agent goods and technologies (except for goods and technologies that are restricted or prohibited from being imported or exported by the state). | RMB 2,110,000,000 | 166012 | 160788 | -6212 |
| Wuxi Taiji Industry Corporation Limited | Controlling subsidiaries of major shareholders | | | | | | |
| Progress of the material construction in progress from invested enterprise (if applicable) | Promote according to the scheme smoothly | | | | | | |

4. Contact of related party credit and debt

Applicable Not applicable

The Company had no contact of related party credit and debt in the reporting period.

5. Other material related party transactions

Applicable Not applicable

The company had no other material related party transactions in reporting period.

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period

2. Material guarantees

Applicable Not applicable

(1) Guarantees

In 10 thousand Yuan

| Particulars about the external guarantee of the Company and subsidiary (Barring the guarantee for subsidiaries) | | | | | | | | |
|---|--------------------------------------|-----------------|--------------------------|------------------------|----------------|----------------|-------------------|-----------------------------------|
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening | Actual guarantee limit | Guarantee type | Guarantee term | Implemented (Y/N) | Guarantee for related party (Y/N) |
| N/A | | | | | | | | |
| Guarantee of the Company for subsidiaries | | | | | | | | |
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening | Actual guarantee limit | Guarantee type | Guarantee term | Implemented (Y/N) | Guarantee for related party (Y/N) |

| Ningbo Tianli Turbocharging Technology Co., Ltd. | 2016-10-27 | 6,000 | 2016-11-11 | 0 | Joint liability guaranty | 5 | Y | N |
|---|--------------------------------------|-----------------|--------------------------|--|--------------------------|----------------|-------------------|-----------------------------------|
| Total amount of approving guarantee for subsidiaries in report period (B1) | | | 0 | Total amount of actual occurred guarantee for subsidiaries in report period (B2) | | | 0 | |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3) | | | 6,000 | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) | | | 0 | |
| Guarantee of the subsidiaries for the subsidiaries | | | | | | | | |
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening | Actual guarantee limit | Guarantee type | Guarantee term | Implemented (Y/N) | Guarantee for related party (Y/N) |
| N/A | | | | | | | | |
| Total amount of guarantee of the Company (total of three above mentioned guarantee) | | | | | | | | |
| Total amount of approving guarantee in report period (A1+B1+C1) | | | 0 | Total amount of actual occurred guarantee in report period (A2+B2+C2) | | | 0 | |
| Total amount of approved guarantee at the end of report period (A3+B3+C3) | | | 6,000 | Total balance of actual guarantee at the end of report period (A4+B4+C4) | | | 0 | |
| Including: | | | | | | | | |
| Amount of guarantee for shareholders, actual controller and its related parties (D) | | | | | | | 0 | |
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E) | | | | | | | 0 | |
| Proportion of total amount of guarantee in net assets of the Company exceed 50% (F) | | | | | | | 0 | |
| Total amount of the aforesaid three guarantees (D+E+F) | | | | | | | 0 | |
| Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable) | | | | | | | N/A | |
| Explanations on external guarantee against regulated procedures (if applicable) | | | | | | | N/A | |

Explanation on guarantee with composite way: nil

(2) Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

Trust financing during the period

In 10 thousand Yuan

| Specific type | Sources of funds | Amount occurred | Undue balance | Overdue amount |
|--|------------------|-----------------|---------------|----------------|
| Financing products | Own funds | 257,000 | 235,303.18 | 0 |
| Financial products of securities firms | Own funds | 32,000 | 32,000 | 0 |
| Trust financial products | Own funds | 169,774 | 158,880 | 0 |
| Other type | Own funds | 90,495 | 55,144.67 | 0 |
| Total | | 549,269 | 481,327.85 | 0 |

Details of the single major amount, or high-risk trust investment with low security, poor fluidity and non-guaranteed

√ Applicable □ Not applicable

In 10 thousand Yuan

| Trustee institution name | Trustee type | Type | Amount | Source of funds | Start date | End date | Capital investment purpose | Criteria for fixing reward | Reference annual rate of return | Anticipated income (if applicable) | Actual gains/losses in period | Actual collected gains/losses in period | Amount of reserve for devaluation of withdrawal (if applicable) | Whether approved by legal procedure (Y/N) | Whether has entrusted finance plan in the future | Summary of the items and related query index (if applicable) |
|--------------------------|-------------------|--------------------------------|---------|-----------------|------------|------------|-----------------------------------|---|---------------------------------|------------------------------------|-------------------------------|---|---|---|--|--|
| Bank | Bank | Non-guaranteed floating income | 570,480 | Owned fund | 2019-01-03 | 2020-12-16 | Financial products | Reference annual rate of return by the contract | 3.7% -4.55% | 9,947.05 | 8,632.31 | Collected according to the contract | 0 | Y | Y | Notice No.: 2019-010 |
| Securities trader | Securities trader | Non-guaranteed floating income | 40,000 | Owned fund | 2019-05-14 | 2020-07-06 | Collective assets management plan | Reference annual rate of return by the contract | 4.3% -5.30% | 973.25 | 343.09 | | 0 | Y | Y | |

| | | | | | | | | | | | | | | | | | | |
|-------------------|-------------------|--------------------------------|---------|------------|------------|------------|----------------------------|---|---------------|-----------|-----------|----|--|--|---|----|----|----|
| Trust | Trust | Non-guaranteed floating income | 231,880 | Owned fund | 2019-01-17 | 2021-12-19 | Collection trust plan | Reference annual rate of return by the contract | 4.5% -8.7% | 19,796.21 | 8,922.86 | | | | | 0 | Y | Y |
| Other (Fund etc.) | Other (Fund etc.) | Non-guaranteed floating income | 58,000 | Owned fund | 2019-01-04 | 2020-10-31 | Fixed income fund products | Reference annual rate of return by the contract | 5.0% -9.5% | 3,612.3 | 5,784.96 | | | | | 0 | Y | Y |
| Total | | | 900,360 | -- | -- | -- | -- | -- | -- | 34,328.81 | 23,683.22 | -- | | | 0 | -- | -- | -- |

Entrust financial expected to be unable to recover the principal or impairment might be occurred

Applicable Not applicable

(2) Entrusted loans

Applicable Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period

XVIII. Social responsibility

1. Performance of social responsibility

As for the *Social Responsibility Report 2018* of the Company, found more in the Juchao Website (www.cninfo.com.cn), the information disclosure website appointed by Shenzhen Stock Exchange

2. Precise poverty alleviation social responsibility

There is no precise poverty alleviation carried out in the period and no follow plan either

3. Environmental protection

The listed Company and its subsidiary whether belong to the key sewage units released from environmental protection department:

No

The company and its subsidiaries are not the key pollutant discharge units announced by the State Environmental Protection Department. The company attaches great importance to environmental protection management. During the production and operation process, the company strictly abides by relevant national and local environmental protection laws, regulations and rules, and timely acquires, updates and conveys relevant environmental laws, regulations and standards, and conducts the company's internal daily environmental management based on new regulations and standards., actively fulfills corporate environmental protection obligations, and implements national energy conservation and emission reduction guidelines and policies.

XIX. Explanation on other material matters

Applicable Not applicable

There are no explanation on other significant events in the period

XX. Material matters of subsidiary of the Company

Applicable Not applicable

Wholly-owned subsidiary merger by absorption

The First Extraordinary Shareholder General Meeting of 2019 was held on 18 October 2019 to deliberate and passed the proposal of wholly-owned subsidiary merger by absorption. In order to meet the needs of operation and development, the Company optimize the management structure, reduce management levels and costs; integrate the land resources and improve the use efficiency of resources with purpose of enhancing the market competitiveness of supercharger service. The wholly-owned subsidiary Wuxi Weifu ITM Supercharging Technique Co., Ltd was merger by absorption. The relevant announcements (No.: 2019-026) were published on *China Securities Journal*, *Securities Times*, *Hong Kong Commercial Daily* and Juchao Information Website (<http://www.cninfo.com.cn>). The event has been completed at the end of the reporting period.

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

| | Before the Change | | Increase/Decrease in the Change (+, -) | | | | | After the Change | |
|---------------------------------------|-------------------|------------|--|--------------|--|--------|----------|------------------|------------|
| | Amount | Proportion | New shares issued | Bonus shares | Public reserve transfer into share capital | Others | Subtotal | Amount | Proportion |
| I. Lock-up stocks | 80,079 | 0.01% | | | | 1 | 1 | 80,080 | 0.01% |
| 3. Other domestic shares | 80,079 | 0.01% | | | | 1 | 1 | 80,080 | 0.01% |
| Domestic natural person's shares | 80,079 | 0.01% | | | | 1 | 1 | 80,080 | 0.01% |
| II. Un-lock up stocks | 1,008,870,491 | 99.99% | | | | -1 | -1 | 1,008,870,490 | 99.99% |
| 1. RMB Ordinary shares | 836,490,491 | 82.90% | | | | -1 | -1 | 836,490,490 | 82.90% |
| 2. Domestically listed foreign shares | 172,380,000 | 17.09% | | | | | | 172,380,000 | 17.09% |
| III. Total shares | 1,008,950,570 | 100.00% | | | | | | 1,008,950,570 | 100.00% |

Reasons for share changed

 Applicable Not applicable

Approval of share changed

 Applicable Not applicable

Ownership transfer of share changed

 Applicable Not applicable

Progress of shares buy-back

 Applicable Not applicable

Implementation progress of reducing holdings of shares buy-back by centralized bidding

 Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

 Applicable Not applicable

Other information necessary to disclose or need to disclosed under requirement from security regulators

 Applicable Not applicable

2. Changes of lock-up stocks

Applicable Not applicable

II. Securities issuance and listing**1. Security offering (without preferred stock) in Reporting Period**

Applicable Not applicable

2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable Not applicable

3. Current internal staff shares

Applicable Not applicable

III. Particulars about shareholder and actual controller of the Company**1. Amount of shareholders of the Company and particulars about shares holding**

In Share

| Total common stock shareholders in reporting period-end | 56,658 | Total common stock shareholders at end of last month before annual report disclosed | 51,432 | Total preference shareholders with voting rights recovered at end of reporting period (if applicable) | 0 | Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) | 0 | |
|--|-----------------------|---|--|---|-------------------------------|--|--------------------------------|--------|
| Particulars about shares held above 5% by shareholders or top ten shareholders | | | | | | | | |
| Full name of Shareholders | Nature of shareholder | Proportion of shares held | Total shareholders at the end of report period | Changes in report period | Number of lock-up stocks held | Amount of un-lock up stock held | Number of share pledged/frozen | |
| | | | | | | | State of share | Amount |
| Wuxi Industry Development Group Co., Ltd. | State-owned corporate | 20.22% | 204,059,398 | 0 | | 204,059,398 | | |
| ROBERT BOSCH GMBH | Foreign corporate | 14.16% | 142,841,400 | 0 | | 142,841,400 | | |
| Hong Kong Securities Clearing Company | Foreign corporate | 5.47% | 55,230,663 | 14,748,619 | | 55,230,663 | | |

| BBH BOS S/A FIDELITY FD - CHINA FOCUS FD | Foreign corporate | 1.84% | 18,530,315 | 527,518 | | 18,530,315 | | |
|--|--|------------------------------------|-------------|------------|--|------------|--|--|
| NSSF-107 | Other | 1.59% | 15,998,673 | 15,998,673 | | 15,998,673 | | |
| Central Huijin Assets Management Co., Ltd. | State-owned corporate | 1.27% | 12,811,200 | 0 | | 12,811,200 | | |
| NSSF - 403 | Other | 0.67% | 6,740,200 | 6,740,200 | | 6,740,200 | | |
| FIDELITY INVMT TRT FIDELITY INTL SMALL CAP FUND | Foreign corporate | 0.64% | 6,411,002 | 619,384 | | 6,411,002 | | |
| HKMA - own funds | Foreign corporate | 0.62% | 6,232,134 | 6,232,134 | | 6,232,134 | | |
| Monetary Authority of Macao - own fund | Foreign corporate | 0.61% | 6,202,109 | 6,202,109 | | 6,202,109 | | |
| Strategy investor or general legal person becoming the top 10 shareholders by placing new shares (if applicable) | Not applicable | | | | | | | |
| Explanation on associated relationship among the aforesaid shareholders | Among the aforesaid 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 persons acting in concert regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company. | | | | | | | |
| Particular about top ten shareholders with un-lock up stocks held | | | | | | | | |
| Shareholders' name | Amount of un-lock up stocks held at Period-end | Type of shares | | | | | | |
| | | Type | Amount | | | | | |
| Wuxi Industry Development Group Co., Ltd. | 204,059,398 | RMB common shares | 204,059,398 | | | | | |
| ROBERT BOSCH GMBH | 142,841,400 | RMB common shares | 115,260,600 | | | | | |
| | | Domestically listed foreign shares | 27,580,800 | | | | | |
| Hong Kong Securities Clearing Company | 55,230,663 | RMB common shares | 55,230,663 | | | | | |
| BBH BOS S/A FIDELITY FD - CHINA FOCUS FD | 18,530,315 | Domestically listed foreign shares | 18,530,315 | | | | | |
| NSSF-107 | 15,998,673 | RMB common shares | 15,998,673 | | | | | |
| Central Huijin Assets Management Co., Ltd. | 12,811,200 | RMB common shares | 12,811,200 | | | | | |
| NSSF - 403 | 6,740,200 | RMB common shares | 6,740,200 | | | | | |
| FIDELITY INVMT TRT FIDELITY INTL SMALL CAP FUND | 6,411,002 | Domestically listed foreign shares | 6,411,002 | | | | | |
| HKMA - own funds | 6,232,134 | RMB common shares | 6,232,134 | | | | | |
| Monetary Authority of Macao - own fund | 6,202,109 | RMB common shares | 6,202,109 | | | | | |

| | |
|--|--|
| Expiation on associated relationship or consistent actors within the top 10 un-lock up shareholders and between top 10 un-lock up shareholders and top 10 shareholders | Among the aforesaid shareholders, there has no associated relationship between Wuxi Industry Development Croup Co., Ltd. and other shareholders, the first largest shareholder of the Company; and they do not belong to the persons acting in concert regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company. |
| Explanation on top 10 shareholders involving margin business (if applicable) | Not applicable |

Whether top ten common stock shareholders or top ten common stock shareholders with un-lock up shares held have a buy-back agreement dealing in reporting period

Yes No

The top ten common stock shareholders or top ten common stock shareholders with un-lock up shares held of the Company have no buy-back agreement dealing in reporting period.

2. Controlling shareholder of the Company

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

| Controlling shareholders | Legal person/person in charge of the unit | Date of foundation | Organization code | Main operation business |
|--|--|--------------------|--------------------|---|
| Wuxi Industry Development Group Co., Ltd. | Jiang Guoxiong | 5 October 1995 | 913202001360026543 | Authorizing the state-owned assets operation within a certain area, investment management of significant project, investment and development of manufacturing and services and venture capital in high-tech achievement, entrust enterprise and management etc. |
| Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period | 1. First majority shareholder of the Company—Industry Group is the controlling shareholder of Wuxi Taiji Industry Corporation Limited (stock code: 600667). 2. The majority shareholder of the Company Industry Group holds 2,3185,000 circulating shares (15.65% of total shares of Newhontai) of Wuxi Newhontai Electric Technology Co., Ltd. (Short name: Newhontai, Stock Code: 603016). (on 17 December 2019, the Industry Group acquiring 23,185,000 circulating shares of Newhontai held by Zhao Hanxin, Zhao Minhai, Sheng Hua, Du Jianping and Gao Yanmin via Agreement, the registration procedures for ownership of transfer completed on 31 December 2019) | | | |

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period

3. Actual controller and person acting in concert of the Company

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

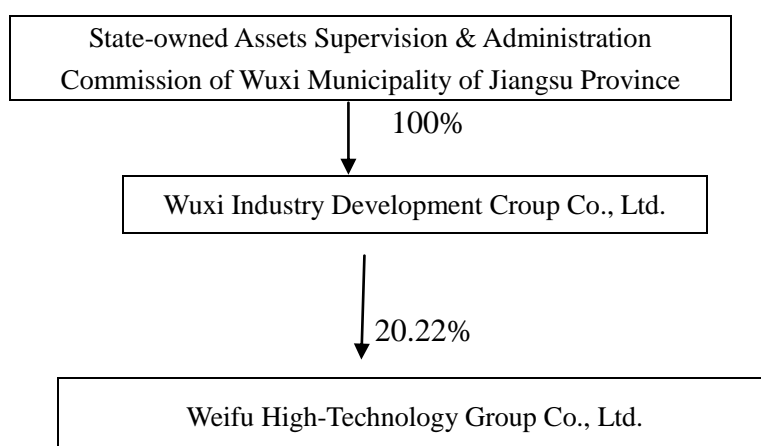
| Actual controlling shareholders | Legal person/person in charge of the unit | Date of foundation | Organization code | Main operation business |
|---|---|--------------------|-------------------|-----------------------------------|
| State-owned Assets Supervision & Administration Commission of Wuxi Municipality of Jiangsu Province | ~ | | ~ | State-owned Assets Administration |
| Equity of domestic/oversea listed company control by actual controller in report period | Not applicable | | | |

Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

4. Particulars about other legal person shareholders with over 10% shares held

Applicable Not applicable

| Corporate shareholders | Legal rep./person in charge of unit | Dated founded | Register capital | Main business or management activity |
|------------------------|-------------------------------------|------------------|--------------------|--|
| ROBERT BOSCH GMBH | Heiko Carrie, Bettina Holzwarth | 15 November 1886 | 1200 million euros | Development, manufacture and sales of automotive equipment and engine equipment; engaged in electro-technical, electronic technology, machinery manufacturing and optical system as well as produce iron, metal and plastic products and similar commodity. The company engaged in varies trading business concerned with its business scope and established relevant company concerned with its business scope. |

5. Restriction on shares reduction for controlling shareholders, actual controllers, restructuring side and other undertakings entity

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section VIII. Convertible Bonds

Applicable Not applicable

The Company had no convertible bonds in the Period

Section IX. Particulars about Directors, Supervisors, Senior

Executives and Employees

I. Changes of shares held by directors, supervisors and senior executives

| Name | Title | Working status | Sex (M/F) | Age | Start dated of office term | End date of office term | Shares held at period-b egin (Share) | Amount of shares increase d in this period (Share) | Amount of shares decrease d in this period (Share) | Other chang es (share) | Shares held at period-en d (Share) |
|----------------|--|---------------------|-----------|-----|----------------------------|-------------------------|--------------------------------------|--|--|-------------------------|------------------------------------|
| Chen Xuejun | Chairman | Currently in office | M | 52 | 2012-03-07 | 2021-06-26 | 34,753 | | | | 34,753 |
| Rudolf Maier | Vice Chairman | Currently in office | M | 62 | 2012-03-07 | 2021-06-26 | | | | | |
| Wang Xiaodong | Vice Chairman, GM | Currently in office | M | 53 | 2012-03-07 | 2021-06-26 | 20,781 | | | | 20,781 |
| Ou Jianbin | Director, Deputy General Manager and financing Charger | Currently in office | M | 53 | 2012-03-07 | 2021-06-26 | 10,000 | | | | 10,000 |
| Zhang Xiaogeng | Director | Currently in office | M | 56 | 2015-05-28 | 2021-06-26 | | | | | |
| Chen Yudong | Director | Currently in office | M | 58 | 2012-03-07 | 2021-06-26 | | | | | |
| Hua Wanrong | Director | Currently in office | F | 55 | 2012-03-07 | 2021-06-26 | | | | | |
| Yu Xiaoli | Independent Director | Currently in office | F | 56 | 2018-06-27 | 2021-06-26 | | | | | |
| Lou Diming | Independent Director | Currently in office | M | 56 | 2015-05-28 | 2021-06-26 | | | | | |
| Jin Zhangluo | Independent Director | Currently in office | M | 69 | 2015-05-28 | 2021-06-26 | | | | | |
| Xu Xiaofang | Independent Director | Currently in office | M | 56 | 2015-05-28 | 2021-06-26 | | | | | |

| | | | | | | | | | | | |
|--------------|---------------------------------------|---------------------|----|----|------------|------------|---------|---|---|--|---------|
| Shi Xingyuan | Chairman of the Supervisory Committee | Currently in office | M | 57 | 2012-03-07 | 2021-06-26 | 12,673 | | | | 12,673 |
| Ma Yuzhou | Supervisor | Currently in office | M | 45 | 2018-06-27 | 2021-06-26 | | | | | |
| Dai Lizhong | Supervisor | Currently in office | M | 44 | 2018-06-27 | 2021-06-26 | 2,000 | | | | 2,000 |
| Miao Yuming | Deputy GM | Currently in office | M | 56 | 2003-04-16 | 2021-06-26 | 10,000 | | | | 10,000 |
| Xu Yunfeng | Deputy GM | Currently in office | M | 48 | 2012-03-07 | 2021-06-26 | 13,000 | | | | 13,000 |
| Zhou Weixing | Secretary of the Board | Currently in office | M | 56 | 2005-06-09 | 2021-06-26 | 3,565 | | | | 3,565 |
| Total | -- | -- | -- | -- | -- | -- | 106,772 | 0 | 0 | | 106,772 |

II. Changes of directors, supervisors and senior executives

Applicable Not applicable

III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive

Mr. Chen Xuejun, was born in May 1967, communist party members, a university background and a senior economist. He has served as Director and Party branch secretary of the Company mining and supply department, Director of Party Committee Office. He has served as chairman of supervisory committee of the Company, deputy chairman and General Manager of the Company. He currently serves as Chairman of the Company, party secretary of the Company and director of the majority shareholder of the Company – Industry Group.

Mr. Rudolf Maier, was born in October 1957, a German citizenship with a doctor degree. He previously was GM of Bosch Automobile Diesel System Co., Ltd., executive deputy president of diesel system division and chairman of commercial vehicle dept. in Robert Bosch Group; now he serves as Vice Chairman of the Company.

Mr. Wang Xiaodong, was born in November 1966, communist party members, a university graduate, MBA and senior engineer. He previously served as Division Chief of Products Development Department of the Company, Deputy GM of Bosch Automobile Diesel and supervisor of the Company. Currently serves as vice chairman and GM of the Company.

Mr. Ou Jianbin, born in June 1966, communist party members, a senior college graduated and an accountant. Previously served as Assistant Minister and Deputy Minister of Financial Department of Weifu Company, Director and deputy GM of subsidiary Weifu Jinning, Deputy GM and GM of subsidiary Weifu Leader and supervisor of the Company. Currently he serves as director and standing deputy GM as well as chief of the financial of the Company.

Mr. Zhang Xiaogeng, born in March 1963, college degree, senior economist. He previously served as clerk of the production system office at commission for restructuring of Wuxi City, deputy director of enterprise reform department of Wuxi City, director of comprehensive institution department of Wuxi City, director of development and planning department (policy and regulation division) of SASAC of Wuxi City and deputy GM of Wuxi Industry Asset Management Co., Ltd; now he serves as the deputy President of Industry Group, the first majority shareholder of the Company and Director of the Company.

Mr. Chen Yudong, was born in September 1961, an America citizenship and a Doctor. He previously served as senior vice president of the gasoline system division of Robert Bosch Group, executive vice president of Bosch (China) Investment Ltd. Now he serves as President of Bosch (China) Investment Ltd. and director of the Company.

Ms. Hua Wanrong, born in September 1964, communist party members, graduated from college, a senior accountant. She previously she served as deputy director of administrative resources division of State-owned Assets Supervision and Administration Bureau of Wuxi City, director of tax policy and regulations division and director of state-owned assets division of Wuxi Municipal Bureau of Finance, director of property management department and director of development and planning department of State-owned Assets Supervision and Administration Commission of Wuxi City, director of investment banking department of major shareholder – Industry Group. Currently she serves as Chairman of Holding subsidiary Jiangsu Sunport Power Tech. Co., Ltd. of majority shareholder Industry Group and Director of the Company

Ms. Yu Xiaoli, born in January 1963, a member of the Communist Party of China, Ph.D., a professor of Zhejiang University, served as an independent director of the sixth and seventh board of directors of the Company and the dean of the engineering branch of Zhejiang University City College. She is currently a professor at Zhejiang University, the chairman of the Society of Automotive Engineers of Zhejiang, the director of Zhejiang Bozhong Automobile Technology Co., Ltd., an independent director of Hangzhou XZB Tech Co., Ltd., an independent director of Zhejiang Fenglong Electric Co., Ltd., an independent director of Hangzhou EVTECH Co., Ltd, an independent director of Zhejiang WanDing precision technology Co., Ltd, and an independent director of the Company.

Mr. Lou Diming, born in July 1963, a member of the Communist Party of China, has a Ph.D., and is a professor. He used to be the deputy director and the secretary of the party branch of the Department of Mechanical Engineering of

Shanghai Railway Institute, the deputy secretary of the party committee of the School of Mechanical Engineering of Tongji University and the party secretary of the Department of Locomotive and Vehicle Engineering of Tongji University, and the executive vice president of the Institute of Rail Transit, and the secretary of the second joint committee of Tongji University, etc. He is currently a professor of Tongji University, a doctoral tutor, the dean of Nanchang Automotive research institute regarding intelligence and new energy. vice chairman of the Shanghai Internal Combustion Engines Society, director of the China Society for Internal Combustion Engines, vice chairman of the small and medium power diesel engine branch and the oils and clean fuels branch and the post-processing technology branch, a member of the Expert Technical Committee of the National Technical Committee for Internal Combustion Engine of Standardization Administration of China, a member of the Expert Committee of the China Internal Combustion Engine Industry Association, an independent director of Shanghai Diesel Engine Co., Ltd., an independent director of Jiangsu Liance Electromechanical Technology Co., Ltd., a senior consultant of Kunming Yunnei Power Co., Ltd., and an independent director of the Company.

Mr. Jin Zhangluo, born in August 1950, a member of the Communist Party of China, holds a college degree, and is a certified public accountant and senior accountant. He used to be the financial controller of Jintan Diesel Engine Factory in Jiangsu Province, deputy section chief, section chief and chief accountant of finance section of Wuxi Power Machine Factory, and department manager, deputy director and executive deputy director of Jiangsu Gongzheng Certified Public Accountants. He currently serves as an independent director of Suzhou Taihu Electric New Materials Co., Ltd. and independent director of the Company.

Mr. Xu Xiaofang, born in March 1963, communist party members, graduate, a lawyer. He previously he served as part-time lawyer in Beihai Economic Law Firm, staff in China Chamber of International Commerce Beihai Branch, part-time lawyer of Guangdong Yuanjian Law Firm, and staff of legal affairs in CEIEC and lawyer of Guangdong Bohe Law Firm. Now he serves as lawyer in Kunlun (Shenzhen) Law Firm, arbitrator of the Shenzhen Arbitration Commission, independent director of Shenzhen Kaizhong Precision Technology Co., Ltd and the Company.

Mr. Shi Xingyuan, was born in May 1962, communist party members, a postgraduate, Master of Commerce and Industry, senior engineer. He previously he served as GM and Director of the Company; now he serves as Chairman of the Supervisory Committee as well as the deputy Party Secretary and Chairman of the Labor Union of the Company

Mr. Ma Yuzhou, was born in September 1974, communist party members, owns Master's degree and a engineer. He previously served as Deputy GM of Weifu Tianli, Deputy GM and GM of the mechanical system division of the Company; now he serves as Supervisor of the Company and director of the Organizational personnel department of the Company.

Mr. Dai Lizhong, was born in July 1975, communist party members, owns Master's degree and a engineer. He previously served as Deputy GM and GM of the Weifu Diesel; now he serves as Supervisor of the Company and

standing deputy GM of the mechanical system division of the Company

Mr. Miao Yuming, born in April 1963, communist party members, a university background, MBA and senior engineer. He previously served as director of sales department and assistant GM in the Company. Currently he serves as deputy GM of the Company, deputy GM of Bosch Automobile Diesel.

Mr. Xu Yunfeng, born in November 1971, communist party members, graduate from University, a Master and engineer. He previously served as assistant GM and GM Weifu Automobile Diesel. Currently serves as deputy GM of the Company.

Mr. Zhou Weixing, born in January 1963, communist party members, graduate from University, a senior engineer. He previously served as representative of security affairs and director of security office of the Company; now he serves as secretary of the Board of the Company.

Post-holding in shareholder's unit

Applicable Not applicable

| Name | Name of shareholder's unit | Position in shareholder's unit | Start dated of office term | End date of office term | Received remuneration from shareholder's unit (Y/N) |
|----------------|---|--------------------------------|----------------------------|-------------------------|---|
| Rudolf Maier | Robert Bosch Group | Consultant | | | Y |
| Chen Yudong | Bosch (China) Investment Ltd. | President | 2011-01-01 | | Y |
| Zhang Xiaogeng | Wuxi Industry Development Group Co., Ltd. | Vice president | 2008-04-01 | | Y |
| Hua Wanrong | Jiangsu Sunport Power Tech. Co., Ltd. | Chairman | | | Y |
| Miao Yuming | Bosch Automobile Diesel System Co., Ltd. | Deputy GM | 2012-03-01 | | Y |

Post-holding in other unit

Applicable Not applicable

| Name | Name of other units | Position in other unit | Start dated of office term | End date of office term | Received remuneration from other unit (Y/N) |
|-----------|--|------------------------|----------------------------|-------------------------|---|
| Yu Xiaoli | Zhejiang University | Teacher and professor | 1985-08-01 | | |
| Yu Xiaoli | Society of Automotive Engineers of Zhejiang | Director-general | 2015-06-01 | | |
| Yu Xiaoli | Zhejiang Bozhong Auto Technology Co., Ltd | Director | 2008-04-01 | | |
| Yu Xiaoli | Zhejiang Fenglong Electric Co., Ltd | Independent Director | 2016-04-01 | | |
| Yu Xiaoli | Hangzhou EVTECH Co., Ltd | Independent Director | 2016-06-01 | | |
| Yu Xiaoli | Zhejiang WanDing precision technology Co., Ltd | Independent Director | | | |

| | | | | | |
|---|---|--------------------------------|------------|--|--|
| Lou Diming | Tongji University | Professor, doctoral supervisor | 2000-04-15 | | |
| Lou Diming | The dean of Nanchang Automotive research institute regarding intelligence and new energy. | | | | |
| Lou Diming | Shanghai Diesel Engine Co., Ltd | Independent Director | 2015-05-20 | | |
| Lou Diming | Jiangsu Liance Electromechanical Technology Co., Ltd | Independent Director | 2017-06-01 | | |
| Lou Diming | Kunming Yunnei Power Co., Ltd | Senior consultant | 2018-08-01 | | |
| Jin Zhangluo | Suzhou Taihu Electric Advanced Material Co., Ltd | Independent Director | 2016-02-04 | | |
| Xu Xiaofang | Kunlun (Shenzhen) Law Firm | Lawyer | 2004-09-01 | | |
| Xu Xiaofang | Shenzhen Kaizhong Precision Technology Co., Ltd | Independent Director | 2018-06-01 | | |
| Explanation on post-holding in other unit | The aforesaid are the independent directors of the Company | | | | |

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable Not applicable

IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

1. Decision-making procedure: the remuneration and review committee of the Board shall make proposals according to completion status of the major annual targets, the implementation of which is subject to submission to and approval by the Board;
2. Determination reference: remuneration of directors, supervisors and senior management who receive remuneration from the Company is determined based on the annual operating results assessment measures of senior management and remuneration management rules of senior management as approved at the general meetings. Salary for independent directors of the Company is determined by general meeting which is set at RMB 25,000 per quarter (after tax), and the traveling expense occurred by them arising from attending the Company's board meeting, general meetings and relevant activities will be reimbursed according to the actual conditions.
3. Actual payment: remuneration of directors, supervisors and senior management who receive remuneration from the Company comprises of basic annual pay and performance related annual salary. The basic annual pay shall be determined based on specific positions and paid monthly, while the performance related salary is determined and paid based on satisfaction of the various performance indicators since it is directly linked with the economic benefits of the Company. Remuneration of independent directors will be paid on a quarterly basis.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

| Name | Title | Sex | Age | Post-holding status | Total remuneration obtained from the Company (before taxes) | Whether remuneration obtained from related party of the Company (Y/N) |
|----------------|--|-----|-----|---------------------|---|---|
| Chen Xuejun | Chairman | M | 52 | Currently in office | 99 | N |
| Rudolf Maier | Vice Chairman | M | 62 | Currently in office | | Y |
| Wang Xiaodong | Vice Chairman、GM | M | 53 | Currently in office | 90 | N |
| Ou Jianbin | Director, Deputy General Manager and financing Charger | M | 53 | Currently in office | 75 | N |
| Zhang Xiaogeng | Director | M | 56 | Currently in office | | Y |
| Chen Yudong | Director | M | 58 | Currently in office | | Y |
| Hua Wanrong | Director | F | 55 | Currently in office | | Y |
| Yu Xiaoli | Independent Director | F | 56 | Currently in office | 12 | N |
| Lou Diming | Independent Director | M | 56 | Currently in office | 12 | N |
| Jin Zhangluo | Independent Director | M | 69 | Currently in office | 12 | N |
| Xu Xiaofang | Independent Director | M | 56 | Currently in office | 12 | N |
| Shi Xingyuan | Chairman of the Supervisory Committee | M | 57 | Currently in office | 75 | N |
| Ma Yuzhou | Supervisor | M | 45 | Currently in office | 40 | N |
| Dai Lizhong | Supervisor | M | 44 | Currently in office | 40 | N |
| Miao Yuming | Deputy GM | M | 56 | Currently in office | | Y |
| Xu Yunfeng | Deputy GM | M | 48 | Currently in office | 75 | N |
| Zhou Weixing | Secretary of the Board | M | 56 | Currently in office | 43 | N |
| Total | -- | -- | -- | -- | 585 | -- |

Delegated equity incentive for directors, supervisors and senior executives in reporting period

Applicable Not applicable

V. Particulars of workforce

1. Number of Employees, Professional composition, Education background

| | |
|---|-------|
| Employee in-post of the parent Company (people) | 2,484 |
| Employee in-post of main Subsidiaries (people) | 2,957 |
| The total number of current employees (people) | 5,441 |
| The total number of current employees to receive pay (people) | 5,441 |

| | |
|---|--|
| Retired employee' s expenses borne by the parent Company and main Subsidiaries (people) | 0 |
| Professional composition | |
| Category of professional composition | Numbers of professional composition (people) |
| Production personnel | 3,355 |
| Sales personnel | 171 |
| Technical personnel | 1,175 |
| Financial personnel | 86 |
| Administrative personnel | 654 |
| Total | 5,441 |
| Education background | |
| Category of education background | Numbers (people) |
| Master degree and above | 271 |
| Undergraduate | 1,322 |
| Junior college | 1,125 |
| Other | 2,723 |
| Total | 5,441 |

2. Remuneration Policy

The company further built and improves short-, medium-, and long-term incentive models, strengthens the purpose and effect of incentives, enhances the attractiveness to core talents and the goal of common development with enterprises through medium- and long-term incentives; improves compensation strategies, and strengthens the salary market competitiveness of key technical talents, and implements special incentives for special talents required by strategic development; further explores and improves the evaluation incentives methods of R & D and sales staff to promote the achievement of goals; improves the performance-oriented distribution model, and increases the effectiveness of assessments and incentives for departmental leaders; fully realizes the interaction between organizational performance and individual performance, formulates special incentives to promote the realization of the group's organizational goals, and guides all employees to work together.

3. Training programs

According to the needs of transformation and development, the company strengthened the development and training of talents, and adhered to the talent training model for the purpose of improving employees' ability to perform their duties. Combining market changes with enterprise development needs, focused on the training of five categories of talents including operation, management, profession, technology, and skills. This year, the exchange study from international benchmark factories broadened the international perspective of the management layer and effectively assisted the transformation and development of the enterprise. For the training

of new group cadres, it cooperated with third-party platforms for the first time and introduced online learning platform, which helped new cadres to quickly change from the role of individual contributors to the role of team manager; in order to inherit the “big country craftsman” spirit and meet the needs of enterprise intelligent manufacturing construction, the company planned and implemented the “333 Talent Training Special Project”, through the implementation of enterprise school joint special training method, the first batch of 34 intelligent equipment adjusters obtained the intermediate certificate of intelligent equipment adjustment in Wuxi through 6 months of learning; vigorously promoted the concept of lean production, carried out engineer training programs, and conducted study tracking and project evaluation through the SPACE learning model; totally 2721 person-times participated in company training this year.

4. Labor outsourcing

Applicable Not applicable

Section X. Corporate Governance

I. Corporate governance of the Company

During the reporting period, the Company earnestly implemented the *Basic Internal Control Standards for Enterprise* and its guidance in strict accordance to the requirements of the *Company Law*, *Securities Law*, *Listing Rules of Shenzhen Stock Exchange* as well as *Guidance on Standard Operation of Listed Company on Main Board*, continued to improve and enhance legal person governance structure and internal control system, thus to standardize its operation. The actual status of corporate governance in accordance with the requirements of China Securities Regulatory Commission regulatory documents related to listing Corporation.

The company has established a series of document systems for standardized management including the *Rules of Procedure* of three committees, *Working Rules*, *internal control system*, *Evaluation Management System of Internal Control*, *Information Disclosure Management Approach*, *Financial Decision-making System of Significant Investment*, *Related Party Transaction System* and *Inside Information and Insider Management System*.

According to the *Company Law*, *Articles of Association* and relevant laws and regulations, the company established a relatively complete organizational control architecture system. The company's board of directors executes the resolution of general meeting of stockholders, takes charge of the company's great decisions, and take responsible for the general meeting of stockholders; the company sets up the general manager according to law to preside over the company's daily production and operation and management, organize and implement the resolutions of the board of directors, and take responsible for the board of directors; the company's board of supervisors is the company's supervisory body, takes responsible for behaviors of the directors and senior management and the supervise the company's financial affairs. The board of directors has four special committees including the strategy committee, remuneration and appraisal committee, audit committee, and nominations committee. The company's general meeting of stockholders, board of directors, board of supervisors, and management layer have clear rights and obligations, perform their own duties, effectively check and balance, scientifically make decisions, coordinate operations, and lay a solid foundation for the company's sustainable, stable and healthy development.

The company's independent directors perform their duties and faithfully and conscientiously fulfill their obligations in strict accordance with relevant regulations of *Articles of Association* and the *Independent Director System*, and actively attend the board meetings and shareholders' meetings, understand and obtain relevant information before meetings; carefully consider each motion, and actively participate in the discussions and make recommendations. Seriously make independent opinions, and effectively protect the interests of the company and shareholders, especially the minority shareholders. Independent directors have no objections on relevant matters of the company.

The company further implements the *Basic Norms of Enterprise Internal Control* and its guidelines, constructs the internal control system in the company headquarters and major subsidiaries, enhance the company's management

and control level, optimize the work flow, improve the internal control system, identify and control the operational risks. Please see the detailed contents of *2019 Annual Internal Control Evaluation Report* on www.cninfo.com.cn which is the information disclosure website designated by Shenzhen Stock Exchange.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

II. Independence of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

1. Business: the company has a complete independent research and development, procurement, production and sales systems, the main business does not have horizontal competition with the controlling shareholders. The business is absolutely separated.

2. Personnel: the company has mutual independence with its controlling shareholders in labor, personnel and salary management; there is no mixed operation and management with the controlling shareholders. The company's general manager, vice general manager, financial administrator, secretary of the board, and senior executives don't hold any position in the shareholders' units.

3. Assets: the company's assets are independent and complete, the property relations with the controlling shareholders are clear.

4. Organization: the company has established organization completely independent from its controlling shareholders, the duty and authority of the company's stockholders' meeting, board of directors, board of supervisors and management level are clearly defined, the internal management system can operate independently.

5. Finance: the company has set up an independent financial department, established the independent financial accounting system and financial management system, opened the independent bank account, and paid taxes separately according to law.

III. Horizontal competition

Applicable Not applicable

IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

1. Annual Shareholders' General Meeting in the report period

| Ordinal number of the shareholders' general meeting | Type | Ratio of investor participation | Date | Date of disclosure | Index of disclosure |
|---|------|---------------------------------|------|--------------------|---------------------|
| | | | | | |

| | | | | | |
|--|--|--------|------------|------------|---|
| Annual General Meeting of 2018 | AGM | 44.56% | 2019-05-28 | 2019-05-29 | (Notice No.: 2019-015) published on Juchao Website(www.cninfo.com.cn) |
| The first extraordinary shareholders general meeting of 2019 | Extraordinary shareholders general meeting | 43.43% | 2019-10-18 | 2019-10-19 | (Notice No.: 2019-030) published on Juchao Website(www.cninfo.com.cn) |

2. Request for extraordinary shareholders' general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors

1. The attending of independent directors to Board meetings and general meeting

| The attending of independent directors to Board Meeting and general meeting | | | | | | | |
|---|--|---------------------------------|---|---|--------------------------------|---|---|
| Independent Director | Times of Board meeting supposed to attend in the report period | Times of Board meeting Presence | Times of attending Board meeting by communication | Times of Board meeting entrusted presence | Times of Board meeting Absence | Absent the Board Meeting for the second time in a row (Y/N) | Times of attending shareholding meeting |
| Yu Xiaoli | 7 | 1 | 6 | | | N | 2 |
| Lou Diming | 7 | 1 | 6 | | | N | 2 |
| Jin Zhangluo | 7 | 1 | 6 | | | N | 2 |
| Xu Xiaofang | 7 | 1 | 6 | | | N | 2 |

Explanation of absent the Board Meeting for the second time in a row

Not applicable

2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes No

Explanation on advice that accepted/not accepted from independent directors

During the reporting period, the company's independent directors have paid close attention to the company's operations, independently performed their duties, made special opinions on the company's system improvement and daily operating decisions in strict accordance with relevant laws and regulations and the provisions of *Articles of Association*, made independent and just opinions on the matters that need the independent directors' opinions during the reporting period, and played the due role in improving the corporate governance mechanism, maintaining the legitimate rights and interests of the company and all shareholders.

VI. Duty performance of the special committees under the board during the reporting period

1. Two meetings of Audit committee of the Board, deliberated and approved followed: *Financial Result Report of 2018, Annual Report of 2018 and its Summary, Conclusion Report of auditing for year of 2018, Engagement of audit institute for financial report of 2019, Engagement of audit institute for internal control of the Company of 2019 and Semi-Annual Report of 2019 and its Summary* etc.;
2. One meeting of remuneration and appraisal committee of the Board, deliberate and approved the *Remuneration evaluation and payment for senior executive of 2018*;
3. One meeting of strategy committee of the Board, deliberate and approved the *Operation target for year of 2019*.

VII. Works from Board of Supervisor (BOS)

The Company has risks in reporting period that found in supervisory activity from BOS

Yes No

BOS has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

Assessment and incentive of senior management of the Company is conducted pursuant to the *Company Law*, *Articles of Association*, and the *Annual Operating Results Assessment Measures of Senior Management* and *Remuneration Management Rules of Senior Management* as approved at the general meetings. Assessment of operating results of senior management comprises of annual operating results assessment and term-of-service operating results assessment. Assessment on results and procedure was combined, and assessment results were linked to incentives and punishment. With respect to annual operating results review, the remuneration and review committee of the Board made comprehensive assessment on satisfaction of the annual operating targets and determined the annual remuneration, incentives or punishment for senior management based on their review results (which was implemented according to remuneration management rules of senior management), based on the major annual operating targets set by the Board under required procedures and methods through establishment of scientific performance indicators and assessment system and combination of scoring in terms of quantity and review comments. During the reporting period, the Company made appropriate assessment on its senior management under the performance indicator and assessment system, the results of which had been reflected in the annual performance related remuneration.

Currently, the Company has not exercised any share option scheme.

IX. Internal Control

1. Details of major defects in IC appraisal report that found in reporting period

Yes No

2. Appraisal Report of Internal Control

| Disclosure date of full internal control evaluation report | 2020-04-21 | |
|---|--|--|
| Disclosure index of full internal control evaluation report | Self-evaluation report of internal control for 2019, more details found in Juchao website (www.cninfo.com.cn) appointed by Shenzhen Stock Exchange | |
| The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements | 100.00% | |
| The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements | 100.00% | |
| Defects Evaluation Standards | | |
| Category | Financial Reports | Non-financial Reports |
| Qualitative criteria | See details in (II) Basis for evaluation of internal controls and defect identification standards of internal controls of III Evaluation of Internal Controls in 2019 Annual Internal Control Self-Evaluation Report disclosed on www.cninfo.com.cn on April 21, 2020. | See details in (II) Basis for evaluation of internal controls and defect identification standards of internal controls of III Evaluation of Internal Controls in 2019 Annual Internal Control Self-Evaluation Report disclosed on www.cninfo.com.cn on April 21, 2020. |
| Quantitative standard | See details in (II) Basis for evaluation of internal controls and defect identification standards of internal controls of III Evaluation of Internal Controls in 2019 Annual Internal Control Self-Evaluation Report disclosed on www.cninfo.com.cn on April 21, 2020. | See details in (II) Basis for evaluation of internal controls and defect identification standards of internal controls of III Evaluation of Internal Controls in 2019 Annual Internal Control Self-Evaluation Report disclosed on www.cninfo.com.cn on April 21, 2020. |
| Amount of significant defects in financial reports | 0 | |
| Amount of significant defects in non-financial reports | 0 | |
| Amount of important defects in financial | 0 | |

| | |
|--|---|
| reports | |
| Amount of important defects in non-financial reports | 0 |

X. Auditing report of internal control

Applicable Not applicable

| Deliberations in Internal Control Audit Report | |
|---|--|
| Audit institute considers that: according to relevant regulations and <i>Basic Rules of Internal Control for Enterprises</i> , Weifu High-Technology Co., Ltd. in all major aspects, keeps an efficiency of internal control of financial report dated 31 December 2019 | |
| Disclosure details of audit report of internal control | Disclosed |
| Disclosure date of audit report of internal control (full-text) | 2020-04-21 |
| Index of audit report of internal control (full-text) | <i>Audit report of internal control for year of 2019</i> , more details found in Juchao website (www.cninfo.com.cn) appointed by Shenzhen Stock Exchange |
| Opinion type of auditing report of IC | Standard unqualified |
| Whether the non-financial report had major defects | No |

Carried out modified opinion for internal control audit report from CPA

Yes No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

Yes No

Section XI. Corporate Bond

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

Section XII. Financial Report

I. Audit report

| | |
|------------------------------|---|
| Type of audit opinion | Standard unqualified opinion |
| Signing date of audit report | 2020-04-17 |
| Name of audit institute | Gongzheng Tianye Certified Public Accountants (Special General Partnership) |
| Serial of Auditing Report | Su Gong W[2020]No. A370 |
| Name of CPA | Bo Lingjing, Meng Yin |

Auditor's Report

Su Gong W[2020]No. A370

To the Shareholders of Weifu High-Technology Group Co., Ltd.:

I. Auditing opinions

We have audited the financial statement under the name of Weifu High-Technology Group Co., Ltd. (hereinafter referred to as WFHT), including the consolidated and parent Company's balance sheet of 31 December 2019 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2019 and its operation results and cash flows for the year ended.

II. Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the Certified Public Accountants of China's Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. 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.

Revenue recognition is the key audit matter that we identified in auditing.

1. Matter description

As described in the 26. Revenue in Note V and 40. Operation revenue and operation cost in Note VII carried in the financial statement, WFHT achieved an operation revenue of 8,784,357,000 Yuan for year of 2019.

As one of the biggest source of profits for WFHT, operating revenue has a significant effect on the general financial statement, in which there are certain of inherent risks existed for the reason that the management manipulate the timing of recognition so as to achieve specific objectives or anticipations. Therefore, we will take the Revenue recognition as the key auditing matter.

2. The solution to the matter in auditing

(1)The Company has tested the design and execution of key internal control related to revenue recycling so as to confirm the validity of internal control; (2) The Company should make sure whether the recognition condition and method of major operating revenue are compliance with the enterprise accounting principle and whether the front phase consistent with the rear phase; it also should pay an attention to that whether the cyclical and occasional revenue is compliance with the decided revenue recognition principle and methods; (3) Combining with status and data of the industry where WFHT is located, the Company should make a judgment on the rationality of fluctuation of the revenue composition; (4) The Company should carry out the procedure of account receivable and revenue letter of confirmation, and make a judgment on the rationality of the timing of revenue recognition; (5) Combining with the procedure of letter of confirmation, the Company should make a random inspection on sales contracts or orders, delivery lists, logistics bills, customs declaration, sales invoices and other documents related to revenue to verify the authenticity of revenue; (6) Referring to the recorded revenue before and after the Balance Sheet Date, the Company should select some samples and check out the supportive documents such as delivery lists, customs declaration and receipt forms to make a judgment on whether the income has been recorded at the appropriate accounting period.

IV. Other information

The management of WFHT is responsible for other information which includes the information covered in the Company's 2019 annual report excluding the financial statement and our audit report.

Our audit opinions on the financial statements do not cover other information, and we do not issue any form of authentication conclusions on other information.

In combination with our audit of the financial statements, it is our responsibility to read other information and, in the process, consider whether there is material inconsistency or material misstatement between the other information and the financial statements or what we learned during the audit.

Based on the work we have carried out, if we determine that there is a material misstatement of other information, we should report that fact and in this regard we have nothing to report.

V. Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Enterprise to secure a fair presentation, and for the design, establishment and maintenance of the internal control 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 matters related to going concern (if applicable) and using the going concern assumption unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

VI. Responsibilities of the auditor for the 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 audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the financial statements.

As part of an audit in accordance with the 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 audit 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.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the

audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the CAS to draw users' attention in audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the governance with a statement of our compliance with the ethical requirements relating to our independence and communicate with the governance on all relationships and other matters that may reasonably be considered to affect our independence, as well we the relevant precautions (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Jiangsu Gongzheng Tianye CPA
(Special General Partnership)

Wuxi China

Chinese CPA: Bo Lingjing
(engagement partner)

Chinese CPA: Meng Yin

17 April 2020

II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated Balance Sheet

Prepared by Weifu High-Technology Group Co., Ltd.

2019-12-31

In RMB

| Item | 2019-12-31 | 2018-12-31 |
|---|-------------------|-------------------|
| Current assets: | | |
| Monetary funds | 1,596,893,711.87 | 2,616,321,740.73 |
| Settlement provisions | | |
| Capital lent | | |
| Transaction financial asset | 3,940,885,674.32 | |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial assets | | |
| Note receivable | 1,812,141,371.94 | 1,148,107,603.68 |
| Account receivable | 2,310,666,475.89 | 1,919,793,266.91 |
| Receivables financing | 23,873,317.86 | |
| Account paid in advance | 139,241,917.78 | 94,651,431.31 |
| Insurance receivable | | |
| Reinsurance receivables | | |
| Contract reserve of reinsurance receivable | | |
| Other account receivables | 43,730,023.31 | 84,582,246.16 |
| Including: Interest receivable | 655,052.98 | 1,842,437.50 |
| Dividend receivable | 1,070,000.00 | |
| Buying back the sale of financial assets | | |
| Inventories | 2,418,744,835.82 | 1,438,528,714.59 |
| Contractual assets | | |
| Assets held for sale | | |
| Non-current asset due within one year | | |
| Other current assets | 1,012,055,605.74 | 4,632,137,600.26 |
| Total current assets | 13,298,232,934.53 | 11,934,122,603.64 |

| | | |
|---|-------------------|-------------------|
| Non-current assets: | | |
| Loans and payments on behalf | | |
| Debt investment | | |
| Finance asset available for sales | | 255,975,176.91 |
| Other debt investment | | |
| Held-to-maturity investment | | |
| Long-term account receivable | | |
| Long-term equity investment | 5,322,405,953.35 | 4,976,773,946.74 |
| Investment in other equity instrument | 285,048,000.00 | |
| Other non-current financial assets | 1,043,589,987.43 | |
| Investment real estate | 22,410,511.87 | 21,906,134.52 |
| Fixed assets | 2,845,176,078.20 | 2,707,374,678.61 |
| Construction in progress | 247,857,777.25 | 166,414,542.18 |
| Productive biological asset | | |
| Oil and gas asset | | |
| Right-of-use assets | | |
| Intangible assets | 430,594,372.12 | 324,892,822.75 |
| Expense on Research and Development | | |
| Goodwill | 1,784,086.79 | 1,784,086.79 |
| Long-term expenses to be apportioned | 18,536,000.25 | 16,637,652.31 |
| Deferred income tax asset | 212,476,501.54 | 234,697,139.58 |
| Other non-current asset | 230,235,982.45 | 251,462,676.27 |
| Total non-current asset | 10,660,115,251.25 | 8,957,918,856.66 |
| Total assets | 23,958,348,185.78 | 20,892,041,460.30 |
| Current liabilities: | | |
| Short-term loans | 312,153,969.81 | 298,928,213.94 |
| Loan from central bank | | |
| Capital borrowed | | |
| Trading financial liability | | |
| Financial liabilities measured at fair value and whose changes are included in current gains/losses | | |
| Derivative financial liability | | 490,329.13 |
| Note payable | 1,745,218,439.52 | 1,018,367,533.74 |
| Account payable | 3,312,254,229.84 | 2,047,336,834.66 |

| | | |
|---|------------------|------------------|
| Accounts received in advance | 113,737,432.61 | 41,329,857.80 |
| Contractual liability | | |
| Selling financial asset of repurchase | | |
| Absorbing deposit and interbank deposit | | |
| Security trading of agency | | |
| Security sales of agency | | |
| Wage payable | 314,343,737.66 | 312,113,178.24 |
| Taxes payable | 129,538,411.86 | 74,271,613.92 |
| Other account payable | 65,266,262.39 | 64,448,723.52 |
| Including: Interest payable | | 517,469.08 |
| Dividend payable | | |
| Commission charge and commission payable | | |
| Reinsurance payable | | |
| Liability held for sale | | |
| Non-current liabilities due within one year | | 15,000,000.00 |
| Other current liabilities | | |
| Total current liabilities | 5,992,512,483.69 | 3,872,286,284.95 |
| Non-current liabilities: | | |
| Insurance contract reserve | | |
| Long-term loans | | 30,000,000.00 |
| Bonds payable | | |
| Including: Preferred stock | | |
| Perpetual capital securities | | |
| Lease liability | | |
| Long-term account payable | 35,108,263.11 | 35,422,354.11 |
| Long-term wages payable | 58,392,053.61 | 74,679,175.36 |
| Accrual liability | | |
| Deferred income | 365,116,022.98 | 425,769,854.13 |
| Deferred income tax liabilities | 22,566,051.72 | 1,912,744.40 |
| Other non-current liabilities | | |
| Total non-current liabilities | 481,182,391.42 | 567,784,128.00 |
| Total liabilities | 6,473,694,875.11 | 4,440,070,412.95 |
| Owner's equity: | | |
| Share capital | 1,008,950,570.00 | 1,008,950,570.00 |

| | | |
|---|-------------------|-------------------|
| Other equity instrument | | |
| Including: Preferred stock | | |
| Perpetual capital securities | | |
| Capital public reserve | 3,391,527,806.33 | 3,416,022,795.14 |
| Less: Inventory shares | | |
| Other comprehensive income | 134,871.67 | -19,809,442.95 |
| Reasonable reserve | 3,247,757.06 | 1,618,490.50 |
| Surplus public reserve | 510,100,496.00 | 510,100,496.00 |
| Provision of general risk | | |
| Retained profit | 12,076,443,635.56 | 10,996,945,870.13 |
| Total owner's equity attributable to parent company | 16,990,405,136.62 | 15,913,828,778.82 |
| Minority interests | 494,248,174.05 | 538,142,268.53 |
| Total owner's equity | 17,484,653,310.67 | 16,451,971,047.35 |
| Total liabilities and owner's equity | 23,958,348,185.78 | 20,892,041,460.30 |

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

2. Balance Sheet of Parent Company

In RMB

| Item | 2019-12-31 | 2018-12-31 |
|---|------------------|------------------|
| Current assets: | | |
| Monetary funds | 965,770,877.82 | 1,922,408,227.00 |
| Transaction financial asset | 3,758,789,072.68 | |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial assets | | |
| Note receivable | 202,403,993.13 | 264,264,207.30 |
| Account receivable | 768,500,929.93 | 742,246,990.99 |
| Receivables financing | | |
| Account paid in advance | 89,116,730.45 | 59,028,927.25 |
| Other account receivables | 250,014,956.74 | 196,849,092.13 |
| Including: Interest receivable | 804,929.68 | 188,682.78 |
| Dividend receivable | 1,070,000.00 | |
| Inventories | 565,144,234.49 | 492,054,274.67 |

| | | |
|---|-------------------|-------------------|
| Contractual assets | | |
| Assets held for sale | | |
| Non-current assets maturing within one year | | |
| Other current assets | 938,616,881.51 | 4,576,688,553.49 |
| Total current assets | 7,538,357,676.75 | 8,253,540,272.83 |
| Non-current assets: | | |
| Debt investment | | |
| Available-for-sale financial assets | | 180,035,176.91 |
| Other debt investment | | |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 6,331,363,630.04 | 5,739,110,426.55 |
| Investment in other equity instrument | 209,108,000.00 | |
| Other non-current financial assets | 1,043,589,987.43 | |
| Investment real estate | | |
| Fixed assets | 1,646,333,216.50 | 1,534,109,106.80 |
| Construction in progress | 136,573,912.28 | 78,673,300.59 |
| Productive biological assets | | |
| Oil and natural gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 203,663,423.60 | 188,101,655.94 |
| Research and development costs | | |
| Goodwill | | |
| Long-term deferred expenses | | |
| Deferred income tax assets | 105,137,877.84 | 140,286,756.70 |
| Other non-current assets | 172,646,721.05 | 184,208,090.40 |
| Total non-current assets | 9,848,416,768.74 | 8,044,524,513.89 |
| Total assets | 17,386,774,445.49 | 16,298,064,786.72 |
| Current liabilities | | |
| Short-term borrowings | 116,126,459.33 | 112,000,000.00 |
| Trading financial liability | | |
| Financial liabilities measured at fair value and whose changes are included in current gains/losses | | |
| Derivative financial liability | | |

| | | |
|---|------------------|------------------|
| Notes payable | 284,054,137.00 | 330,545,052.37 |
| Account payable | 930,273,146.35 | 823,693,469.51 |
| Accounts received in advance | 12,010,730.30 | 6,639,554.63 |
| Contractual liability | | |
| Wage payable | 213,626,754.45 | 200,205,508.25 |
| Taxes payable | 56,540,307.59 | 39,193,425.15 |
| Other accounts payable | 11,976,576.21 | 12,142,596.68 |
| Including: Interest payable | | 149,966.66 |
| Dividend payable | | |
| Liability held for sale | | |
| Non-current liabilities due within one year | | |
| Other current liabilities | | |
| Total current liabilities | 1,624,608,111.23 | 1,524,419,606.59 |
| Non-current liabilities: | | |
| Long-term loans | | |
| Bonds payable | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Lease liability | | |
| Long-term account payable | | |
| Long term employee compensation payable | 50,058,386.76 | 63,962,762.93 |
| Accrued liabilities | | |
| Deferred income | 322,971,778.82 | 381,609,056.40 |
| Deferred income tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | 373,030,165.58 | 445,571,819.33 |
| Total liabilities | 1,997,638,276.81 | 1,969,991,425.92 |
| Owners' equity: | | |
| Share capital | 1,008,950,570.00 | 1,008,950,570.00 |
| Other equity instrument | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Capital public reserve | 3,488,221,286.39 | 3,488,221,286.39 |
| Less: Inventory shares | | |

| | | |
|--------------------------------------|-------------------|-------------------|
| Other comprehensive income | | -19,809,442.95 |
| Special reserve | | |
| Surplus reserve | 510,100,496.00 | 510,100,496.00 |
| Retained profit | 10,381,863,816.29 | 9,340,610,451.36 |
| Total owner's equity | 15,389,136,168.68 | 14,328,073,360.80 |
| Total liabilities and owner's equity | 17,386,774,445.49 | 16,298,064,786.72 |

3. Consolidated Profit Statement

In RMB

| Item | 2019 | 2018 |
|--|------------------|------------------|
| I. Total operating income | 8,784,356,960.30 | 8,721,674,671.18 |
| Including: Operating income | 8,784,356,960.30 | 8,721,674,671.18 |
| Interest income | | |
| Insurance gained | | |
| Commission charge and commission income | | |
| II. Total operating cost | 7,870,700,853.45 | 7,965,960,419.57 |
| Including: Operating cost | 6,670,354,380.54 | 6,691,856,839.97 |
| Interest expense | | |
| Commission charge and commission expense | | |
| Cash surrender value | | |
| Net amount of expense of compensation | | |
| Net amount of withdrawal of insurance contract reserve | | |
| Bonus expense of guarantee slip | | |
| Reinsurance expense | | |
| Tax and extras | 66,634,636.66 | 65,388,329.92 |
| Sales expense | 259,650,752.33 | 237,839,472.28 |
| Administrative expense | 514,028,451.76 | 585,005,385.75 |
| R&D expense | 417,924,908.28 | 403,263,972.20 |
| Financial expense | -57,892,276.12 | -17,393,580.55 |
| Including: Interest expenses | 21,770,516.39 | 17,562,164.63 |
| Interest income | 79,299,239.77 | 34,156,380.22 |
| Add: other income | 91,170,663.57 | 48,404,480.99 |
| Investment income (Loss is listed with "-") | 1,614,540,714.83 | 1,955,668,055.33 |

| | | |
|--|------------------|------------------|
| Including: Investment income on affiliated company and joint venture | 1,378,264,061.18 | 1,623,761,059.52 |
| The termination of income recognition for financial assets measured by amortized cost(Loss is listed with “-”) | -2,214,159.11 | |
| Exchange income (Loss is listed with “-”) | | |
| Net exposure hedging income (Loss is listed with “-”) | | |
| Income from change of fair value (Loss is listed with “-”) | 25,019,666.32 | -490,329.13 |
| Loss of credit impairment (Loss is listed with “-”) | -52,825,875.25 | |
| Losses of devaluation of asset (Loss is listed with “-”) | -169,460,299.73 | -250,873,745.84 |
| Income from assets disposal (Loss is listed with “-”) | 32,154,460.21 | 102,472,995.47 |
| III. Operating profit (Loss is listed with “-”) | 2,454,255,436.80 | 2,610,895,708.43 |
| Add: Non-operating income | 2,413,561.54 | 1,264,830.90 |
| Less: Non-operating expense | 6,126,427.17 | 9,977,159.55 |
| IV. Total profit (Loss is listed with “-”) | 2,450,542,571.17 | 2,602,183,379.78 |
| Less: Income tax expense | 147,805,810.06 | 135,888,676.31 |
| V. Net profit (Net loss is listed with “-”) | 2,302,736,761.11 | 2,466,294,703.47 |
| (i) Classify by business continuity | | |
| 1.continuous operating net profit (net loss listed with ‘-”) | 2,302,736,761.11 | 2,466,294,703.47 |
| 2.termination of net profit (net loss listed with ‘-”) | | |
| (ii) Classify by ownership | | |
| 1.Net profit attributable to owner’s of parent company | 2,268,026,432.78 | 2,396,077,415.21 |
| 2.Minority shareholders’ gains and losses | 34,710,328.33 | 70,217,288.26 |
| VI. Net after-tax of other comprehensive income | 203,603.86 | -106,978,897.96 |
| Net after-tax of other comprehensive income attributable to owners of parent company | 134,871.67 | -106,978,897.96 |
| (I) Other comprehensive income items which will not be reclassified subsequently to profit of loss | | |
| 1.Changes of the defined benefit plans that re-measured | | |
| 2.Other comprehensive income under equity method that cannot be transfer to gain/loss | | |
| 3.Change of fair value of investment in other equity instrument | | |
| 4.Fair value change of enterprise's credit risk | | |
| 5. Other | | |
| (ii) Other comprehensive income items which will be reclassified subsequently to profit or loss | 134,871.67 | -106,978,897.96 |

| | | |
|--|------------------|------------------|
| 1.Other comprehensive income under equity method that can transfer to gain/loss | | |
| 2.Change of fair value of other debt investment | | |
| 3.gain/loss of fair value changes for available-for-sale financial assets | | -106,978,897.96 |
| 4.Amount of financial assets re-classify to other comprehensive income | | |
| 5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset | | |
| 6.Credit impairment provision for other debt investment | | |
| 7.Cash flow hedging reserve | | |
| 8.Translation differences arising on translation of foreign currency financial statements | 134,871.67 | |
| 9.Other | | |
| Net after-tax of other comprehensive income attributable to minority shareholders | 68,732.19 | |
| VII. Total comprehensive income | 2,302,940,364.97 | 2,359,315,805.51 |
| Total comprehensive income attributable to owners of parent Company | 2,268,161,304.45 | 2,289,098,517.25 |
| Total comprehensive income attributable to minority shareholders | 34,779,060.52 | 70,217,288.26 |
| VIII. Earnings per share: | | |
| (i) Basic earnings per share | 2.25 | 2.37 |
| (ii) Diluted earnings per share | 2.25 | 2.37 |

As for the enterprise combined under the same control, net profit of 0 Yuan achieved by the merged party before combination while 0 Yuan achieved last period

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

4. Profit Statement of Parent Company

In RMB

| Item | 2019 | 2018 |
|-------------------------|------------------|------------------|
| I. Operating income | 3,832,925,360.42 | 3,998,191,191.20 |
| Less: Operating cost | 2,641,612,915.27 | 2,878,837,450.12 |
| Taxes and surcharge | 31,863,942.28 | 35,149,305.22 |
| Sales expenses | 52,567,986.14 | 37,478,558.29 |
| Administration expenses | 292,983,915.45 | 376,379,869.65 |

| | | |
|---|------------------|------------------|
| R&D expenses | 197,574,348.21 | 177,593,532.59 |
| Financial expenses | -71,470,479.91 | -21,456,061.70 |
| Including: interest expenses | 6,984,512.71 | 7,628,727.78 |
| Interest income | 74,450,739.86 | 28,648,955.90 |
| Add: other income | 67,874,015.41 | 29,495,580.27 |
| Investment income (Loss is listed with “-”) | 1,646,209,064.39 | 1,936,311,115.66 |
| Including: Investment income on affiliated Company and joint venture | 1,310,687,436.86 | 1,529,792,676.71 |
| The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”) | | |
| Net exposure hedging income (Loss is listed with “-”) | | |
| Changing income of fair value (Loss is listed with “-”) | 22,923,064.68 | |
| Loss of credit impairment (Loss is listed with “-”) | -6,132,833.36 | |
| Losses of devaluation of asset (Loss is listed with “-”) | -43,916,712.41 | -175,101,684.40 |
| Income on disposal of assets (Loss is listed with “-”) | 1,887,302.76 | 378,212.58 |
| II. Operating profit (Loss is listed with “-”) | 2,376,636,634.45 | 2,305,291,761.14 |
| Add: Non-operating income | 562,276.63 | 207,671.23 |
| Less: Non-operating expense | 3,810,717.52 | 7,273,534.03 |
| III. Total Profit (Loss is listed with “-”) | 2,373,388,193.56 | 2,298,225,898.34 |
| Less: Income tax | 143,606,161.28 | 107,675,852.36 |
| IV. Net profit (Net loss is listed with “-”) | 2,229,782,032.28 | 2,190,550,045.98 |
| (i) continuous operating net profit (net loss listed with “-”) | 2,229,782,032.28 | 2,190,550,045.98 |
| (ii) termination of net profit (net loss listed with “-”) | | |
| V. Net after-tax of other comprehensive income | | -106,978,897.96 |
| (I) Other comprehensive income items which will not be reclassified subsequently to profit of loss | | |
| 1.Changes of the defined benefit plans that re-measured | | |
| 2.Other comprehensive income under equity method that cannot be transfer to gain/loss | | |
| 3.Change of fair value of investment in other equity instrument | | |
| 4.Fair value change of enterprise's credit risk | | |
| 5. Other | | |
| (II) Other comprehensive income items which will be reclassified subsequently to profit or loss | | -106,978,897.96 |
| 1.Other comprehensive income under equity method that can transfer to gain/loss | | |

| | | |
|--|------------------|------------------|
| 2.Change of fair value of other debt investment | | |
| 3.gain/loss of fair value changes for available-for-sale financial assets | | -106,978,897.96 |
| 4.Amount of financial assets re-classify to other comprehensive income | | |
| 5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset | | |
| 6.Credit impairment provision for other debt investment | | |
| 7.Cash flow hedging reserve | | |
| 8.Translation differences arising on translation of foreign currency financial statements | | |
| 9.Other | | |
| VI. Total comprehensive income | 2,229,782,032.28 | 2,083,571,148.02 |
| VII. Earnings per share: | | |
| (i) Basic earnings per share | | |
| (ii) Diluted earnings per share | | |

5. Consolidated Cash Flow Statement

In RMB

| Item | 2019 | 2018 |
|---|------------------|------------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor services | 8,145,939,987.84 | 7,999,323,110.21 |
| Net increase of customer deposit and interbank deposit | | |
| Net increase of loan from central bank | | |
| Net increase of capital borrowed from other financial institution | | |
| Cash received from original insurance contract fee | | |
| Net cash received from reinsurance business | | |
| Net increase of insured savings and investment | | |
| Cash received from interest, commission charge and commission | | |
| Net increase of capital borrowed | | |
| Net increase of returned business capital | | |
| Net cash received by agents in sale and purchase of securities | | |
| Write-back of tax received | 51,722,970.47 | 74,874,331.14 |
| Other cash received concerning operating activities | 143,912,897.80 | 118,177,755.39 |
| Subtotal of cash inflow arising from operating activities | 8,341,575,856.11 | 8,192,375,196.74 |

| | | |
|---|-------------------|-------------------|
| Cash paid for purchasing commodities and receiving labor service | 5,020,827,379.58 | 4,916,153,332.79 |
| Net increase of customer loans and advances | | |
| Net increase of deposits in central bank and interbank | | |
| Cash paid for original insurance contract compensation | | |
| Net increase of capital lent | | |
| Cash paid for interest, commission charge and commission | | |
| Cash paid for bonus of guarantee slip | | |
| Cash paid to/for staff and workers | 1,222,358,828.87 | 1,258,270,424.72 |
| Taxes paid | 501,167,008.38 | 584,432,693.90 |
| Other cash paid concerning operating activities | 548,552,586.05 | 559,137,218.70 |
| Subtotal of cash outflow arising from operating activities | 7,292,905,802.88 | 7,317,993,670.11 |
| Net cash flows arising from operating activities | 1,048,670,053.23 | 874,381,526.63 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | 11,384,917,612.00 | 11,441,378,669.57 |
| Cash received from investment income | 1,230,657,039.85 | 1,161,469,760.54 |
| Net cash received from disposal of fixed, intangible and other long-term assets | 147,609,697.19 | 79,188,658.88 |
| Net cash received from disposal of subsidiaries and other units | | |
| Other cash received concerning investing activities | 70,025,432.83 | |
| Subtotal of cash inflow from investing activities | 12,833,209,781.87 | 12,682,037,088.99 |
| Cash paid for purchasing fixed, intangible and other long-term assets | 589,522,818.28 | 642,108,805.53 |
| Cash paid for investment | 13,384,156,157.81 | 12,245,264,000.00 |
| Net increase of mortgaged loans | | |
| Net cash received from subsidiaries and other units obtained | 49,930,740.75 | |
| Other cash paid concerning investing activities | 25,115,357.50 | 1,090,775.32 |
| Subtotal of cash outflow from investing activities | 14,048,725,074.34 | 12,888,463,580.85 |
| Net cash flows arising from investing activities | -1,215,515,292.47 | -206,426,491.86 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | 14,022,428.73 | 800,000.00 |
| Including: Cash received from absorbing minority shareholders' investment by subsidiaries | 14,022,428.73 | 800,000.00 |
| Cash received from loans | 809,517,778.36 | 464,928,213.94 |
| Other cash received concerning financing activities | 845,291.11 | 5,470,000.00 |
| Subtotal of cash inflow from financing activities | 824,385,498.20 | 471,198,213.94 |
| Cash paid for settling debts | 841,746,769.02 | 419,000,000.00 |

| | | |
|--|-------------------|-------------------|
| Cash paid for dividend and profit distributing or interest paying | 1,258,933,561.00 | 1,251,137,878.98 |
| Including: Dividend and profit of minority shareholder paid by subsidiaries | 26,271,705.11 | 22,543,737.00 |
| Other cash paid concerning financing activities | 146,064,936.00 | 15,909,091.00 |
| Subtotal of cash outflow from financing activities | 2,246,745,266.02 | 1,686,046,969.98 |
| Net cash flows arising from financing activities | -1,422,359,767.82 | -1,214,848,756.04 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 5,029,521.42 | 3,128,506.54 |
| V. Net increase of cash and cash equivalents | -1,584,175,485.64 | -543,765,214.73 |
| Add: Balance of cash and cash equivalents at the period -begin | 2,404,674,139.49 | 2,948,439,354.22 |
| VI. Balance of cash and cash equivalents at the period -end | 820,498,653.85 | 2,404,674,139.49 |

6. Cash Flow Statement of Parent Company

In RMB

| Item | 2019 | 2018 |
|---|-------------------|-------------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor services | 3,928,802,469.74 | 4,733,753,801.62 |
| Write-back of tax received | | |
| Other cash received concerning operating activities | 77,926,941.80 | 41,027,003.47 |
| Subtotal of cash inflow arising from operating activities | 4,006,729,411.54 | 4,774,780,805.09 |
| Cash paid for purchasing commodities and receiving labor service | 2,163,992,101.67 | 2,886,319,248.71 |
| Cash paid to/for staff and workers | 645,107,564.57 | 680,624,287.14 |
| Taxes paid | 320,098,914.24 | 394,154,946.50 |
| Other cash paid concerning operating activities | 180,660,925.40 | 190,629,457.19 |
| Subtotal of cash outflow arising from operating activities | 3,309,859,505.88 | 4,151,727,939.54 |
| Net cash flows arising from operating activities | 696,869,905.66 | 623,052,865.55 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | 10,054,917,612.00 | 10,801,378,669.57 |
| Cash received from investment income | 1,289,170,321.39 | 1,209,267,861.85 |
| Net cash received from disposal of fixed, intangible and other long-term assets | 42,777,932.53 | 39,600,092.79 |
| Net cash received from disposal of subsidiaries and other units | | |
| Other cash received concerning investing activities | 171,801,850.24 | 208,164,304.89 |
| Subtotal of cash inflow from investing activities | 11,558,667,716.16 | 12,258,410,929.10 |
| Cash paid for purchasing fixed, intangible and other long-term assets | 360,473,332.45 | 374,303,391.72 |

| | | |
|--|-------------------|-------------------|
| Cash paid for investment | 11,870,526,196.52 | 11,561,834,000.00 |
| Net cash received from subsidiaries and other units obtained | | |
| Other cash paid concerning investing activities | 204,000,000.00 | 298,197,471.87 |
| Subtotal of cash outflow from investing activities | 12,434,999,528.97 | 12,234,334,863.59 |
| Net cash flows arising from investing activities | -876,331,812.81 | 24,076,065.51 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Cash received from loans | 231,500,000.00 | 212,000,000.00 |
| Other cash received concerning financing activities | | |
| Subtotal of cash inflow from financing activities | 231,500,000.00 | 212,000,000.00 |
| Cash paid for settling debts | 227,500,000.00 | 178,000,000.00 |
| Cash paid for dividend and profit distributing or interest paying | 1,217,748,704.04 | 1,218,313,222.90 |
| Other cash paid concerning financing activities | | |
| Subtotal of cash outflow from financing activities | 1,445,248,704.04 | 1,396,313,222.90 |
| Net cash flows arising from financing activities | -1,213,748,704.04 | -1,184,313,222.90 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 5,250,115.02 | 2,563,681.07 |
| V. Net increase of cash and cash equivalents | -1,387,960,496.17 | -534,620,610.77 |
| Add: Balance of cash and cash equivalents at the period -begin | 1,920,076,358.43 | 2,454,696,969.20 |
| VI. Balance of cash and cash equivalents at the period -end | 532,115,862.26 | 1,920,076,358.43 |

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

Current period

In RMB

| Item | 2019 | | | | | | | | | | | | | Minority interests | Total owners' equity |
|---|---|-------------------------|-------|--|------------------|------------------------|----------------------------|--------------------|-----------------|---------------------------|-------------------|----------|-------------------|--------------------|----------------------|
| | Owners' equity attributable to the parent Company | | | | | | | | | | | Subtotal | | | |
| | Share capital | Other equity instrument | | | Capital reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Provision of general risk | Retained profit | | Other | | |
| | Preferred stock | Perpetual securities | Other | | | | | | | | | | | | |
| I. Balance at the end of the last year | 1,008,950,570.00 | | | | 3,416,022,795.14 | | -19,809,442.95 | 1,618,490.50 | 510,100,496.00 | | 10,996,945,870.13 | | 15,913,828,778.82 | 538,142,268.53 | 16,451,971,047.35 |
| Add: Changes of accounting policy | | | | | | | 19,809,442.95 | | | | 1,584,556.37 | | 21,393,999.32 | | 21,393,999.32 |
| Error correction of the last period | | | | | | | | | | | | | | | |
| Enterprise combine under the same control | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 1,008,950,570.00 | | | | 3,416,022,795.14 | | | 1,618,490.50 | 510,100,496.00 | | 10,998,530,426.50 | | 15,935,222,778.14 | 538,142,268.53 | 16,473,365,046.67 |
| III. Increase/Decrease in this year (Decrease is listed with "-") | | | | | -24,494,988.81 | | 134,871.67 | 1,629,266.56 | | | 1,077,913,209.06 | | 1,055,182,358.48 | -43,894,094.48 | 1,011,288,264.00 |

| | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|------------|--|--|--|--|------------------|--|------------------|----------------|------------------|----------------|
| (i) Total comprehensive income | | | | | | 134,871.67 | | | | | 2,268,026,432.78 | | 2,268,161,304.45 | 34,779,060.52 | 2,302,940,364.97 | |
| (ii) Owners' devoted and decreased capital | | | | | | | | | | | | | | -23,927,255.98 | -52,813,665.23 | -76,740,921.21 |
| 1.Common shares invested by shareholders | | | | | | | | | | | | | | | 14,022,428.73 | 14,022,428.73 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | | | -24,494,988.81 | 567,732.83 |
| (III) Profit distribution | | | | | | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | | | | | | | | | |
| 3. Distribution for owners (or shareholders) | | | | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | | | | | | |
| 1. Capital reserves conversed to capital (share capital) | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|--|------------------|--|--|------------------|------------|--------------|----------------|--|-------------------|---------------|-------------------|----------------|-------------------|---------------|
| 2. Surplus reserves converted to capital (share capital) | | | | | | | | | | | | | | |
| 3. Remedying loss with surplus reserve | | | | | | | | | | | | | | |
| 4 . Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | | | |
| 5 . Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | 1,061,533.73 | | | | | 1,061,533.73 | 412,215.34 | 1,473,749.07 |
| 1. Withdrawal in the report period | | | | | | | 19,156,254.11 | | | | | 19,156,254.11 | 2,508,506.58 | 21,664,760.69 |
| 2. Usage in the report period | | | | | | | 18,094,720.38 | | | | | 18,094,720.38 | 2,096,291.24 | 20,191,011.62 |
| (VI)Others | | | | | | | | | | 20,627,460.28 | | 20,627,460.28 | | 20,627,460.28 |
| IV. Balance at the end of the report period | 1,008,950,570.00 | | | 3,391,527,806.33 | 134,871.67 | 3,247,757.06 | 510,100,496.00 | | 12,076,443,635.56 | | 16,990,405,136.62 | 494,248,174.05 | 17,484,653,310.67 | |

Last period

In RMB

| Item | 2018 | | | | | | | | | | | | Minority interests | Total owners' equity | |
|---|---|-------------------------|------------------------------|------------------|-----------------|------------------------|----------------------------|--------------------|-----------------|---------------------------|-----------------|-------------------|--------------------|----------------------|----------|
| | Owners' equity attributable to the parent Company | | | | | | | | | | | | | | |
| | Share capital | Other equity instrument | | | Capital reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Provision of general risk | Retained profit | Other | | | Subtotal |
| | | Preferred stock | Perpetual capital securities | Other | | | | | | | | | | | |
| I. Balance at the end of the last year | 1,008,950,570.00 | | | 3,417,841,402.89 | | 87,169,455.01 | 2,606.93 | 510,100,496.00 | | 9,811,609,138.92 | | 14,835,673,669.75 | 515,693,194.48 | 15,351,366,864.23 | |
| Add: Changes of accounting policy | | | | | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | | | | | |
| Enterprise combine under the same control | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 1,008,950,570.00 | | | 3,417,841,402.89 | | 87,169,455.01 | 2,606.93 | 510,100,496.00 | | 9,811,609,138.92 | | 14,835,673,669.75 | 515,693,194.48 | 15,351,366,864.23 | |

| | | | | | | | | | | | | | |
|---|--|--|--|--|---------------|-----------------|--------------|--|--|-------------------|-------------------|----------------|-------------------|
| III. Increase/Decrease in this year (Decrease is listed with “-”) | | | | | -1,818,607.75 | -106,978,897.96 | 1,615,883.57 | | | 1,185,336,731.21 | 1,078,155,109.07 | 22,449,074.05 | 1,100,604,183.12 |
| (i) Total comprehensive income | | | | | | -106,978,897.96 | | | | 2,396,077,415.21 | 2,289,098,517.25 | 70,217,288.26 | 2,359,315,805.51 |
| (ii) Owners' devoted and decreased capital | | | | | -1,818,607.75 | | 7,024.21 | | | | -1,811,583.54 | -12,958,416.46 | -14,770,000.00 |
| 1. Common shares invested by shareholders | | | | | | | | | | | | 800,000.00 | 800,000.00 |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | | |
| 4. Other | | | | | -1,818,607.75 | | 7,024.21 | | | | -1,811,583.54 | -13,758,416.46 | -15,570,000.00 |
| (III) Profit distribution | | | | | | | | | | -1,210,740,684.00 | -1,210,740,684.00 | -35,204,600.00 | -1,245,945,284.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|--|------------------|--|--|------------------|----------------|--------------|----------------|--|-------------------|--|-------------------|----------------|-------------------|---------------|
| 5 . Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | 1,608,859.36 | | | | | 1,608,859.36 | 394,802.25 | 2,003,661.61 |
| 1. Withdrawal in the report period | | | | | | | 20,133,398.64 | | | | | 20,133,398.64 | 2,758,918.74 | 22,892,317.38 |
| 2. Usage in the report period | | | | | | | 18,524,539.28 | | | | | 18,524,539.28 | 2,364,116.49 | 20,888,655.77 |
| (VI)Others | | | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 1,008,950,570.00 | | | 3,416,022,795.14 | -19,809,442.95 | 1,618,490.50 | 510,100,496.00 | | 10,996,945,870.13 | | 15,913,828,778.82 | 538,142,268.53 | 16,451,971,047.35 | |

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

Current period

In RMB

| Item | 2019 | | | | | | | | | | | |
|--|------------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|-----------------|-------------------|-------|----------------------|
| | Share capital | Other equity instrument | | | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Retained profit | Other | Total owners' equity |
| | | Preferred stock | Perpetual capital securities | Other | | | | | | | | |
| I. Balance at the end of the last year | 1,008,950,570.00 | | | | 3,488,221,286.39 | | -19,809,442.95 | | 510,100,496.00 | 9,340,610,451.36 | | 14,328,073,360.80 |
| Add: Changes of accounting policy | | | | | | | 19,809,442.95 | | | 1,584,556.37 | | 21,393,999.32 |
| Error correction of the last period | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 1,008,950,570.00 | | | | 3,488,221,286.39 | | | | 510,100,496.00 | 9,342,195,007.73 | | 14,349,467,360.12 |
| III. Increase/ Decrease in this year (Decrease is listed with "-") | | | | | | | | | | 1,039,668,808.56 | | 1,039,668,808.56 |
| (i) Total comprehensive income | | | | | | | | | | 2,229,782,032.28 | | 2,229,782,032.28 |
| (ii) Owners' devoted and decreased capital | | | | | | | | | | | | |
| 1. Common shares invested by shareholders | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | -1,210,740,684.00 | | -1,210,740,684.00 |

| | | | | | | | | | | | | |
|--|------------------|--|--|--|------------------|--|--|--|----------------|-------------------|--|-------------------|
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |
| 2. Distribution for owners (or shareholders) | | | | | | | | | | -1,210,740,684.00 | | -1,210,740,684.00 |
| 3. Other | | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | | |
| 1. Capital reserves converted to capital (share capital) | | | | | | | | | | | | |
| 2. Surplus reserves converted to capital (share capital) | | | | | | | | | | | | |
| 3. Remediating loss with surplus reserve | | | | | | | | | | | | |
| 4 . Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | |
| 5 . Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | |
| (VI)Others | | | | | | | | | | 20,627,460.28 | | 20,627,460.28 |
| IV. Balance at the end of the report period | 1,008,950,570.00 | | | | 3,488,221,286.39 | | | | 510,100,496.00 | 10,381,863,816.29 | | 15,389,136,168.68 |

Last period

In RMB

| Item | 2018 | | | | | | | | | | | |
|--|------------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|-----------------|-------------------|-------|----------------------|
| | Share capital | Other equity instrument | | | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Retained profit | Other | Total owners' equity |
| | | Preferred stock | Perpetual capital securities | Other | | | | | | | | |
| I. Balance at the end of the last year | 1,008,950,570.00 | | | | 3,488,221,286.39 | | 87,169,455.01 | | 510,100,496.00 | 8,360,801,089.38 | | 13,455,242,896.78 |
| Add: Changes of accounting policy | | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 1,008,950,570.00 | | | | 3,488,221,286.39 | | 87,169,455.01 | | 510,100,496.00 | 8,360,801,089.38 | | 13,455,242,896.78 |
| III. Increase/ Decrease in this year (Decrease is listed with "-") | | | | | | | -106,978,897.96 | | | 979,809,361.98 | | 872,830,464.02 |
| (i) Total comprehensive income | | | | | | | -106,978,897.96 | | | 2,190,550,045.98 | | 2,083,571,148.02 |
| (ii) Owners' devoted and decreased capital | | | | | | | | | | | | |
| 1. Common shares invested by shareholders | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | -1,210,740,684.00 | | -1,210,740,684.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |

III. Basic information of the Company

1. Historical origin of the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Registered place and head office of the Company: No.5 Huashan Road, Xinwu District, Wuxi
Unified social credit code: 91320200250456967N

The Company sets up Shareholders' General Meeting, the Board of Directors (BOD) and the Board of Supervisors (BOS)

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

3. Business nature and major operation activities of the Company

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

Major subsidiaries respectively activate in production and sales of engine accessories, automobile components, mufflers, and purifiers.

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

Financial statements of the Company were approved by the Board of Directors for reporting dated 17 April 2020.

5. Scope of consolidate financial statement

| Name of subsidiary | Short name of subsidiary | Shareholding ratio (%) | | Proportion of votes (%) | Registered capital (in 10 thousand Yuan) | Business scope | Statement consolidate (Y/N) |
|---------------------------------|--------------------------|------------------------|------------|-------------------------|--|--|-----------------------------|
| | | Directly | Indirectly | | | | |
| Nanjing Weifu Jinning Co., Ltd. | Weifu Jinning | 80.00 | -- | 80.00 | 34,628.70 | Internal-combustion engine accessories | Y |
| Wuxi Weifu Leader Catalytic | Weifu Leader | 94.81 | -- | 94.81 | 50,259.63 | Purifier and muffler | Y |

| | | | | | | | |
|---|---------------------------|--------|--------|--------|------------|--|---|
| Converter Co., Ltd. | | | | | | | |
| Weifu Mashan Pump Glib Co., Ltd. | Weifu Mashan | 100.00 | -- | 100.00 | 16,500 | Internal-combustion engine accessories | Y |
| Wuxi Weifu Chang'an Co., Ltd. | Weifu Chang'an | 100.00 | -- | 100.00 | 21,000 | Internal-combustion engine accessories | Y |
| Wuxi Weifu International Trade Co. Ltd. | Weifu International Trade | 100.00 | -- | 100.00 | 3,000 | Trade | Y |
| Wuxi Weifu ITM Supercharging Technique Co., Ltd. | Weifu ITM | 100.00 | -- | 100.00 | 16,000 | Internal-combustion engine accessories | Y |
| Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd. | Weifu Schmidt | 66.00 | -- | 66.00 | 7,600 | Internal-combustion engine accessories | Y |
| Ningbo Weifu Tianli Supercharging Technique Co., Ltd. | Weifu Tianli | 98.83 | 1.17 | 100.00 | 11,136 | Internal-combustion engine accessories | Y |
| Wuxi Weifu-Autocam Fine Machinery Co. Ltd. | Weifu Autocam | 51.00 | -- | 51.00 | USD2,110 | Automobile components | Y |
| Wuxi Weifu Leader Catalytic Converter (Wuhan) Co., Ltd. | Weifu Leader (Wuhan) | -- | 60.00 | 60.00 | 1,000 | Purifier and muffler | Y |
| Weifu Leader (Chongqing) Automobile Components Co., Ltd | Weifu Leader (Chongqing) | -- | 100.00 | 100.00 | 5,000 | Purifier and muffler | Y |
| Nanchang Weifu Leader Automobile components Co., Ltd. | Weifu Leader (Nanchang) | -- | 100.00 | 100.00 | 5,000 | Purifier and muffler | Y |
| Wuxi Weifu Electric Drive Technology Co., Ltd. | Weifu Electric Drive | 80.00 | -- | 80.00 | US\$ 2,000 | Hub motor | Y |
| Weifu Holding ApS | SPV | 100.00 | -- | 100.00 | DKK 37 | Investment | Y |
| IRD Fuel Cells A/S | IRD | -- | 66.00 | 66.00 | DKK4,160 | Fuel cell components | Y |
| IRD FUEL CELLS LLC | IRD America | -- | 66.00 | 66.00 | US\$ 300 | Fuel cell components | Y |

The entity included in consolidate scope have Weifu Electric Drive, SPV, IRD, and IRD America newly added by compare with last period. Reasons of Weifu Electric Drive included in consolidate scope of the Company found more in description in 1. Business combination not under the same control carried in Note VIII; the SPV is the investment enterprise established in Denmark for obtaining the controlling rights of IRD; IRD is the subsidiary acquired through SPV in the period, found more in description in 1. Business combination not under the same control carried in Note VIII; IRD America is the wholly-owned subsidiary set up in America by IRD.

IV. Basis of preparation of financial statements

1. Preparation base

The financial statement were stated in compliance with *Accounting Standard for Business Enterprises –Basic Norms* issued by Ministry of Finance, the specific 42 accounting rules revised and issued dated 15 February 2006 and later, the Application Instruments of Accounting Standards and interpretation on Accounting standards and other relevant regulations (together as “Accounting Standards for Business Enterprise”), as well as the *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provision of Financial Report* (Amended in 2014) issued by CSRC in respect of the actual transactions and proceedings, on a basis of ongoing operation.

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

2. Going concern

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

V. Major Accounting Policies and Estimation

Specific accounting policies and estimation attention:

The Company and its subsidiaries are mainly engaged in the manufacture and sales of engine fuel oil system products, automobile components, mufflers and purifiers etc., in line with the real operational characteristics and relevant accounting standards, many specific accounting policies and estimation have been formulated for the transactions and events with revenue recognized concerned. As for the explanation on major accounting judgment and estimation, found more in Note V-30- Other important accounting policy and accounting estimation.

1. Statement on observation of Accounting Standard for Business Enterprises

Financial statements prepared by the Company were in accordance with requirements of Accounting Standard for Business Enterprises, which truly and completely reflected the financial information of the Company dated 31 December 2019, such as financial status, operation achievements and cash flow for the year of 2019.

2. Accounting period

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

3. Business cycles

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

4. Recording currency

The Company's reporting currency is the RMB Yuan.

5. Accounting Treatment Method for Business Combinations under the same/different control

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

(1) The business combination under the same control

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

(2) Combine not under the same control

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

6. Preparation method for consolidated financial statement

(1) Recognition principle of consolidated scope

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

(2) Basis of control

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

(3) Consolidation process

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

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

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

The unrealized gains and losses from the internal transactions occurred in the assets the Company sold to the subsidiaries fully offset "the net profit attributable to the owners of the parent company". The unrealized gains and losses from the internal transactions occurred in the assets the subsidiaries sold to the Company are distributed and

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

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

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

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: ①The transactions are entered into after considering the mutual consequences of each individual transaction; ② The transactions need to be considered as a whole in order to achieve a deal in commercial sense; ③The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; ④ The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as

a bundle of transactions, the individual transactions shall be accounted as “disposal of a portion of an interest in a subsidiary which does not lead to loss of control” and “disposal of a portion of an interest in a subsidiary which lead to loss of control”. When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transactions before loss of control shall be recognized as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

7. Joint arrangement classification and accounting treatment for joint operations

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

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

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

8. Recognition standards for cash and cash equivalent

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

9. Foreign currency business and conversion

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

At the balance sheet date, the account balance of the foreign currency monetary assets and liabilities is converted into the recording currency amount in accordance with the middle rate of the market exchange rate published by the People's Bank of China on the transaction date. The balance between the recording currency amount converted according to exchange rate at the balance sheet date and the original recording currency amount is disposed as the exchange gains or losses. Thereinto, the exchange gains or losses occurred in the foreign currency loans related to the purchase and construction of fixed assets are disposed according to the principle of capitalization of borrowing

costs; the exchange gains and losses occurred during the start-up are included in the start-up costs; the rest is included in the current financial expenses.

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

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

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

10. Financial instrument

(applicable since 1 Jan. 2019)

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

(1) Recognition and termination of financial instrument

A financial asset or liability is recognized when the group becomes a party to a financial instrument contract.

Financial assets that meet one of the following conditions shall be terminated for recognition:

- ① The contractual right to receive cash flow from the financial asset has been terminated.
- ② The financial asset has been transferred, and the company has transferred almost all risks and rewards on the ownership of the financial asset to the transferee.
- ③ The financial asset has been transferred. Although the company has neither transferred nor retained almost all risks and rewards in the ownership of the financial asset, it has given up its control over the financial asset.

If all or part of the current obligations of a financial liability has been discharged, the financial liability or part of it is terminated for recognition. When the Company (debtor) and the creditor sign an agreement to replace the existing financial liabilities with new financial liabilities, and the new financial liabilities and the existing financial liabilities

are substantially different from the contract terms, terminated the recognition of the existing financial liabilities and recognize the new financial liabilities at the same time.

Financial assets are traded in the normal way and their accounting recognition and terminated the recognition of proceed on a trade date basis.

(2) Classification and measurement of financial assets

At the initial recognition, according to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies the financial assets into the financial assets measured at amortized cost, the financial assets measured at fair value and whose changes are included in other comprehensive income, and the financial assets measured at fair value and whose changes are included in current profit or loss. Financial assets are measured at fair value at initial recognition, but if the receivables or receivables financing arising from the sale of goods or the provision of services do not include a significant financing component or do not consider a financing component that does not exceed one year, it shall be initially measured in accordance with the transaction value. For financial assets measured at fair value and whose changes are included in the current profit or loss, related transaction costs are directly included in the current profit and loss; for other types of financial assets, related transaction costs are included in the initially recognized amount.

The business model for managing financial assets refers to how the Company manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Company is based on contract cash flow, selling financial assets or both. The Company determines the business model for managing financial assets based on objective facts and based on the specific business objectives of financial assets management determined by key management personnel.

The Company evaluates the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a specific date are only payments for the principal and the interest based on the outstanding principal amount. The principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and other basic borrowing risks, costs and consideration of profit. In addition, the Company evaluates the contractual terms that may result in changes in the time distribution or the amount of contractual cash flows of the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

Only when the Company changes its business model of managing financial assets, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes, otherwise the financial assets are not allowed to be reclassified after initial recognition.

① Financial assets measured at amortized cost

The Company classifies the financial assets that meet the following conditions and haven't been designated as financial assets measured at fair value and whose changes are included in current profit or loss as financial assets measured at amortized cost:

- A. the group's business model for managing the financial assets is to collect contractual cash flows; and
- B. the contractual terms of the financial assets stipulate that cash flow generated on a specific date is only paid for the principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets are measured at amortized cost by using the effective interest method. Gains or losses arising from financial assets which are measured at amortized cost and are not a component of any hedging relationship are included in current profit or loss when being derecognized, amortized by effective interest method, or impaired.

② Financial assets measured at fair value and whose changes are included in other comprehensive income

The Company classifies the financial assets that meet the following conditions and haven't been designated as financial assets measured at fair value and whose changes are included in current profit or loss as financial assets measured at fair value and whose changes are included in other comprehensive income:

A. the Group's business model for managing the financial assets is targeted at both the collection of contractual cash flows and the sale of financial assets; and

B. the contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

After initial recognition, such financial assets are subsequently measured at fair value. Interests, impairment losses or gains and exchange gains and losses calculated by using the effective interest method are included in profit or loss for the period, and other gains or losses are included in other comprehensive income. When being terminate for recognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in current profit or loss.

③ Financial assets measured at fair value and whose changes are included in current profit or loss

Except for the above financial assets measured at amortized cost and measured at fair value and whose changes are included in other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value and whose changes are included in current profit or loss. In the initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company irreversibly designates part of the financial assets that should be measured at amortized cost or measured at fair value and whose changes are included in the other comprehensive income as the financial assets measured at fair value and whose changes are included in current profit or loss.

After the initial recognition, such financial assets are subsequently measured at fair value, and the gains or losses (including interests and dividend income) are included in the current profit and loss, unless the financial assets are part of the hedging relationship.

However, for non-trading equity instrument investments, the Company irreversibly designates them as the financial assets that are measured at fair value and whose changes are included in other comprehensive income in the initial recognition. The designation is made based on a single investment and the relevant investment is in line with the definition of equity instruments from the issuer's perspective. After initial recognition, such financial assets are subsequently measured at fair value. Dividend income that meets the conditions is included in profit or loss, and other gains or losses and changes in fair value are included in other comprehensive income. When it is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

(3) Classification and measurement of financial liabilities

The financial liabilities of the Company are classified as financial liabilities measured at fair value and whose changes are included in current profit or loss and financial liabilities measured at amortized cost at the initial recognition. For financial liabilities that are not classified as financial liabilities measured at fair value and whose changes are included in current profit or loss, the related transaction expenses are included in the initial recognition amount.

① Financial liability measured by fair value and with variation reckoned into current gains/losses

Financial liability measured by fair value and with variation reckoned into current gains/losses including tradable financial liability and the financial liabilities that are designated as fair value in the initial recognition and whose changes are included in current profit or loss. For such financial liabilities, the subsequent measurement is based on fair value, and the gains or losses arising from changes in fair value and the dividends and interest expenses related to these financial liabilities are included in current profit or loss.

② Financial liability measured by amortized cost

Other financial liabilities are subsequently measured at amortized cost by using the effective interest method. The gain or loss arising from recognition termination or amortization is included in current profit or loss.

③ Distinctions between financial liabilities and equity instruments

Financial liabilities are liabilities that meet one of the following conditions:

- A. Contractual obligations to deliver cash or other financial assets to other parties.
- B. Contractual obligations to exchange financial assets or financial liabilities with other parties under potentially adverse conditions.
- C. Non-derivative contracts that must be settled or that can be settled by the company's own equity instruments in the future, and the enterprise will deliver a variable amount of its own equity instruments according to the contract.
- D. Derivative contracts that must be settled or that can be settled by the company's own equity instruments in the future, except for derivatives contracts that exchange a fixed amount of cash or other financial assets with a fixed amount of their own equity instruments.

An equity instrument is a contract that proves it has a residual equity in the assets of an enterprise after deducting all liabilities.

If the Company cannot unconditionally avoid performing a contractual obligation by delivering cash or other financial assets, the contractual obligation is consistent with the definition of financial liability.

If a financial instrument is required to be settled or can be settled by the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are a substitute for cash or other financial assets, or to make the instrument holder enjoy the residual equity in the assets of the issuer after deducting all liabilities. In the former case, the instrument is the Company's financial liability; if it is the latter, the instrument is the Company's equity instrument.

(4) Fair value of financial instruments

The company uses valuation techniques that are applicable under current circumstances and that have sufficient

available data and other information support to determine the fair value of related financial assets and financial liabilities. The company divides the input values used by valuation techniques into the following levels and uses them in sequence:

- ① The first-level input value is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;
- ② The second-level input value is the direct or indirect observable input value of the relevant assets or liabilities other than the first-level input value, including quotations of similar assets or liabilities in an active market; quotations of same or similar assets or liabilities in an active market; other observable input value other than quotations, such as interest rate and yield curves that are observable during the normal quote interval; market-validated input value, etc.;
- ③ The third-level input value is the unobservable input value of the relevant assets or liabilities, including the interest rate that cannot be directly observed or cannot be verified by observable market data, stock volatility, future cash flow of the retirement obligation assumed in the business combination, and financial forecasting made by its own data, etc.

(5) Impairment of financial assets

On the basis of expected credit losses, the Company performs impairment treatment on financial assets measured at amortized cost and creditors' investment measured at fair value and whose changes are included in other comprehensive income and recognize the provisions for loss. For the account receivable or receivable financing resulting by selling goods or providing services, if they contains no significant financing components or without consider the financing components no more than one year, the company always measures its loss provisions according to the amount of expected credit losses during the entire renewal period,

① Measurement of expected credit losses Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows that the Company discounts at the original actual interest rate and are receivable in accordance with contract and all cash flows expected to be received, that is, the present value of all cash shortages. Among them, for the purchase or source of financial assets that have suffered credit impairment, the Company discounts the financial assets at the actual interest rate adjusted by credit.

When measuring expected credit losses, the Company individually evaluates credit risk for financial assets with significantly different credit risks, such as receivables involving litigation and arbitration with the other party, or receivables having obvious indications that the debtor is likely to be unable to fulfill its repayment obligations, and so on.

Except for the financial assets that separately assess the credit risks, the Company classified the account receivable according to their characteristic of risks, calculated the expected credit losses on basis of portfolio. Basis for determining the portfolio as follow:

- A - Note receivable
 - Note receivable 1: bank acceptance
 - Note receivable 2: trade acceptance

B - Account receivable

Account receivable 1: receivable from clients

Account receivable 2: receivable from internal related party

C- Other account receivables

Other account receivables 1: receivable from internal related party

Other account receivables 2: receivable from others

As for the note receivable, account receivable and other account receivable classified in portfolio, by referring to the experience of historical credit loss, the expected credit loss is calculated by combining the current situation and the forecast of future economic conditions.

On December 31, 2018, the company reviewed the appropriateness of the provision for bad debts of receivables of previous years. Based on the credit risk characteristics of bills receivable, comprehensively evaluated the credit risk of bills receivable, the Company did not accrue credit impairment losses for bills receivable. There was a correlation between the default probability of accounts receivable portfolio and other accounts receivable portfolio and the aging, the aging was still a sign of whether the credit risk of the Company's receivables had increased significantly. Therefore, the Company's credit loss risk on December 31, 2019 was estimated on the basis of the aging and based on the original loss ratio.

Except for the above-mentioned financial assets adopting simplified metering method, the Company assesses at each balance sheet date whether its credit risk has increased significantly since initial recognition. If credit risk has not increased significantly since initial recognition, it is in the first stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss in the next 12 months; if the credit risk has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss for the entire duration; if credit impairment occurs after initial recognition, it is in the third stage, the Company measures the loss provisions based on the amount equivalent to the expected credit loss for the entire duration. For financial instruments with low credit risks at the balance sheet date, the Company assumes that their credit risks have not increased significantly since initial recognition.

The Company evaluates the expected credit losses of financial instruments based on individual items and portfolios. The Company considers the credit risk characteristics of different customers and evaluates the expected credit losses of receivables based on the aging portfolios.

When assessing expected credit losses, the Company considers reasonable and evidence-based information about past events, current conditions, and forecasts of future economic conditions.

When the Company no longer reasonably expects to be able to fully or partially recover the contractual cash flow of a financial asset, the Company directly writes down the book balance of the financial asset.

②Assessment of a significant increase in credit risk:

The Company determines the relative changes in default risk of the financial instrument occurred in the expected duration and assess whether the credit risks of financial instrument has increased significantly since the initial recognition by comparing the risk of default of the financial instrument on the balance sheet date with the risk of default of financial instrument on the initial recognition date. When determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and evidence-based

information that can be obtained without unnecessary additional costs or effort, including forward-looking information. The information considered by the Company includes:

- A. The debtor fails to pay the principal and interest according to the contractual maturity date;
- B. Serious worsening of external or internal credit rating (if any) of the financial instruments that have occurred or are expected;
- C. Serious deterioration of the debtor's operating results that have occurred or are expected;
- D. Changes in existing or anticipated technical, market, economic or legal circumstances that will have a material adverse effect on the debtor's ability to repay the company.

Based on the nature of financial instruments, the Company assesses whether credit risk has increased significantly on the basis of a single financial instrument or combination of financial instruments. When conducting an assessment based on a combination of financial instruments, the Company can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

The Company believes that financial assets are subject to default in the following circumstances:

The debtor is unlikely to pay the full amount to the Company, and the assessment does not consider the Company to take recourse actions such as realizing collateral (if held).

③ Financial assets with credit impairment

On the balance sheet date, the Company assesses whether the credit of financial assets measured at amortized cost and the credit of debt investments measured at fair value and whose changes are included in other comprehensive income has been impaired. When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:

- A. The issuer or the debtor has significant financial difficulties;
- B. The debtor breaches the contract, such as default or overdue repayment of interest or principal;
- C. The Company gives concessions to the debtor that will not be made in any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
- D. The debtor is likely to go bankrupt or carry out other financial restructurings;
- E. The financial difficulties of the issuer or the debtor have caused the active market of the financial asset to disappear.

④ Presentation of expected credit loss provisions

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Company re-measures the expected credit losses on each balance sheet date, and the resulting increase or reversal of the loss provisions shall be included in current profit and loss as impairment losses or gains. For financial assets measured at amortized cost, the loss provisions are written off against the book value of the financial assets listed in the balance sheet; for debt investments measured at fair value and whose changes are included in other comprehensive income, the Company recognizes the loss provisions in other comprehensive income and does not deduct the book value of the financial asset.

⑤ Write-off

If the Company no longer reasonably expects that the financial asset contract cash flow can be fully or partially recovered, directly write down the book balance of the financial asset. Such write-downs constitute the termination of recognition for related financial assets. This usually occurs when the Company determines that the debtor has no assets or sources of income to generate sufficient cash flow to repay the amount that will be written down. However, according to the Company's procedures for recovering the due amount, the financial assets that have been written down may still be affected by the execution activities.

If the financial assets that have been written down are recovered afterwards, they shall be included in the profit or loss of the period being recovered as the reversal of the impairment loss

(6) Transfer of financial assets

The transfer of financial assets refers to the transfer or delivery of financial assets to the other party (the transferee) other than the issuer of the financial assets.

For financial assets that the Company has transferred almost all risks and rewards of ownership of financial assets to the transferee, terminate the recognition of the financial assets; if almost all the risks and rewards of ownership of financial assets have been retained, do not terminate the recognition of the financial assets.

If the Company has neither transferred nor retained almost all the risks and rewards of ownership of financial assets, dispose as following situations: If the control of the financial assets is abandoned, terminate the recognition of the financial assets and determine the resulting assets and liabilities. If the control of the financial assets is not abandoned, determine the relevant financial assets according to the extent to which they continue to be involved in the transferred financial assets, and determine the related liabilities accordingly.

(7) Balance-out between the financial assets and liabilities

As the Group has the legal right to balance out the financial liabilities by the net or liquidation of the financial assets, the balance-out sum between the financial assets and liabilities is listed in the balance sheet. In addition, the financial assets and liabilities are listed in the balance sheet without being balanced out.

Financial instrument (applicable for year of 2018)

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

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

In terms of investment purposes and economic natures, the Company divides its financial assets into financial assets measured at fair value and whose changes are included in current profit or loss, financial assets available for sale, account receivables and held-to-maturity investments, among which, the financial assets measured at fair value and whose changes are included in current profit or loss is measured at fair value and movement of its fair value is recorded in current gains and losses; financial asset available for sale is measured at fair value and movement of its fair value is recorded in owners' equity; account receivables and held-to-maturity investments are measured at amortized cost.

In terms of economic nature, the Company divides its financial liabilities into two groups, namely financial liabilities measured by fair value and with variation reckoned into current gains/losses and other financial

liabilities measured by amortized cost.

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

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

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

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

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

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

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

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

(4) Termination of recognition for financial assets and liability

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

- ① Right entitled by contract in respect of collection of cash flow from such financial asset terminates.
- ② Such financial assets have been transferred and meet discontinued recognition condition for financial assets as regulated by Accounting Standard for Business Enterprise No.23-Transfer of Financial Assets.

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

(5) Impairment of financial assets

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

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

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

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

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

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

reversal date on assumption that such impairment loss had not been provided.

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

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

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

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

11. Note receivable

The notes receivable settled by the Company are all bank acceptance and letters of credit, based on the credit risk characteristics of notes receivable, the credit risk of notes receivable is comprehensively evaluated, the Company does not make credit impairment losses for notes receivable.

12. Account receivable

Recognition standards and accrual method for bad debt provision of account receivable for year of 2018 are as follow:

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

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

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

Classify to many combination based on credit portfolio for those receivables with minor account singly and those with major amount but has no impairment been found after testing independently; base on the actual loss ratio of

the receivables of previous years, with same or similar credit portfolio, and combining actual condition accrual bad debt reserves.

① Accrual ratio for bad debt provision of account receivable based on age analysis in account age portfolio:

| Account age | Accrual ratio for account receivable | Accrual ratio for other receivables |
|----------------------|--------------------------------------|-------------------------------------|
| Within 6 months | Without accrual | Without accrual |
| 6 months to one year | 10% | 10% |
| 1—2 years | 20% | 20% |
| 2—3 years | 40% | 40% |
| Over 3 years | 100% | 100% |

② As for the receivable for parent company or the related party under the control of same parent company, no bad debt provision accrual.

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

Reasons for accrual: The present value of future cash flow has major difference with the receivable group's present value of future cash flow.

Accrual method for bad debt provision: Carried out impairment test independently, accrual bad debt reserves according to the difference of present value of future cash flow lower its book value

The recognition standards and accrual method for bad debt provision of account receivable since 1 Jan. 2019 found more in 10. Financial Instrument (applicable since 1 Jan. 2019)

13. Other account receivables

Method for determining expected credit losses of other receivables and accounting treatment methods

For other receivables, whether or not it contains significant financing components, the company always measures its loss provisions according to the amount of expected credit losses during the entire renewal period, and the resulting increase or reversal amount of loss provisions is included in the current profit and loss as an impairment loss.

The company classifies other receivables into several combinations based on similar credit risk characteristics, and calculates the expected credit losses based on all reasonable and evidenced information (including forward-looking information) on the basis of combination, the basis for determining the combination is as follows:

| Item | Basis for determining portfolio | Method of measuring expected credit loss |
|---------------------------|---------------------------------|---|
| Other account receivables | Account age | Refer to the historical credit loss experience, combine with the current situation and the forecast of future economic conditions, compile a comparison table of the age of other receivables and the expected credit loss rate of the entire renewal period, and calculate the expected credit losses. |

14. Inventory

(1) Classification of inventories

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

(2) Pricing for acquisition and delivery of inventory

Costs of the inventory at the time of acquisition and delivery is calculated according to the standard cost method, and the cost difference to be borne shall be carried forward at the end of the period, the standard cost is adjusted to the actual cost.

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

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

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

(4) Inventory system

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

(5) Amortization of low-value consumables and wrappage

① Low-value consumables

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

② Wrappage

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

15. Assets held for sale

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

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

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

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

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

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

If the non-current assets or disposal group are no longer classified as held for sale since they no longer meet the condition of being classified as held for sale or the non-current assets are removed from the disposal group held

for sale, they will be measured at the lower of the following:

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

16. Long-term equity investment

Long-term equity investments refer to long-term equity investments in which the Company has control, joint control or significant influence over the invested party. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as other equity instrument investment or financial assets measured by fair value and with variation reckoned into current gains/losses, the accounting policies of which please refer to Note III-10. Financial instrument (applicable since 1 Jan. 2019).

(1) Determination of initial investment cost

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

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

If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for other equity instrument investment will not be accounted for.)

②For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. (For business combination resulted in an enterprise not under common control by acquiring equity of the acquire under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as “transactions in a basket”. If they belong to “transactions in a basket”, these transactions will be accounted for a transaction in obtaining control. If they are not belong to “transactions in a basket”, the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquire and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as other equity instrument investment, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.) plus the combination cost measured by costs which have directly connection with acquisition are considered as initial investment cost of such long-term equity investment. Realizable assets and liabilities undertaken by such assets (including contingent liabilities) of the party being combined as at the combination date are all measured at fair values, without consideration to amount of minority interests. The surplus of combination cost less fair value net realizable assets of the party being combined is recorded as goodwill, and the deficit is directly recognized in the consolidated statement of gains and losses.

③Long-term investments obtained through other ways:

- A. Initial investment cost of long-term equity investment obtained through cash payment is determined according to actual payment for purchase;
- B. Initial investment cost of long-term equity investment obtained through issuance of equity securities is determined at fair value of such securities;
- C. Initial investment cost of long-term equity investment (exchanged-in) obtained through exchange with non-monetary assets, which is of commercial nature, is determined at fair value of the assets exchanged-out; otherwise determined at carrying value of the assets exchanged-out if it is not of commercial nature;
- D. Initial investment cost of long-term equity investment obtained through debt reorganization is determined at fair value of such investment.

(2) Subsequent measurement on long-term equity investment

- ①Presented controlling ability on invested party, the investment shall use cost method for measurement.
- ②Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the invested party are accounted for using equity method.

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

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

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

③Acquisition of minority interest

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

④Disposal of long-term equity investments

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

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

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

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

In the event of loss of control over invested party due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the invested party after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the invested party after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at

the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognized using equity method or the recognition and measurement standard of financial instruments before the Group obtained control over the invested party, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by invested party at the time when the control over invested party is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of invested party accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when the control over invested party is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

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

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

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

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

(4) Criteria of Joint control and significant influence

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

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

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

17. Investment real estate

Measurement mode

Measured by cost method

Depreciation or amortization method

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

The Company adopts cost methodology amid subsequent measurement of properties held for investment, while depreciation and amortization is calculated using the straight-line method according to their estimated useful lives.

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

18. Fixed assets

(1) Recognition conditions

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

(2) Depreciation methods

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

For the fixed assets with impairment provision, the depreciation amount shall be calculated after deducting the accumulated amount of impairment provision for fixed assets

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

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

- ① Agreed in the lease contract (or made a reasonable judgment according to the correlated conditions on the lease commencement date), the ownership of lease fixed assets can be transferred to the Company after the expiry of the lease period;
 - ② The Company has the option to purchase or lease the fixed assets, and the purchase price is estimated to be much less than the fair value of the lease of fixed assets when exercises the options, so whether the Company will exercise the option can be reasonably determined on the lease commencement date;
 - ③ Even though the fixed asset ownership is not transferred, the lease term accounts for 75% of the service life of the lease fixed assets;
 - ④ The present value of the Company's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date; the present value of the leaser's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date;
 - ⑤ The leased assets with special properties can only be used by the Company without major modifications. The fixed assets rented by finance leases is calculated as the book value according to the lower one between the fair value of leased assets on the lease commencement date and the present value of the minimum lease payments.
- (4) The impairment test method of fixed assets and the method of provision for impairment see Note V-"Impairment of long-term assets".

19. Construction in progress

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

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

20. Borrowing costs

(1) Recognition of capitalization of borrowing costs

Borrowing costs comprise interest occurred, amortization of discounts or premiums, ancillary costs and exchange differences in connection with foreign currency borrowings. The borrowing costs of the Company, which incur from the special borrowings occupied by the fixed assets that need more than one year (including one year) for construction, development of investment properties or inventories or from general borrowings, are capitalized and

recorded in relevant assets costs; other borrowing costs are recognized as expenses and recorded in the profit or loss in the period when they are occurred. Relevant borrowing costs start to be capitalized when all of the following three conditions are met:

- ① Capital expenditure has been occurred;
- ② Borrowing costs have been occurred;
- ③ Acquisition or construction necessary for the assets to come into an expected usable state has been carried out.

(2) Period of capitalization of borrowing costs

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

(3) Measure of capitalization for borrowing cost

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

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

21. Intangible assets

(1) Measurement, use of life and impairment testing

① Measurement of intangible assets

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

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

The cost of an intangible asset contributed by an investor shall be determined in accordance with the value

stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair.

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

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

② Amortization methods and time limit for intangible assets:

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

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

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

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

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

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

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

22. Impairment of long-term assets

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

be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

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

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

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

23. Long-term deferred expenses

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

24. Employee compensation

(1) Accounting treatment for short-term compensation

During the accounting period when the staff providing service to the Company, the short-term remuneration actual occurred shall recognized as liability and reckoned into current gains/losses. During the accounting period when staff providing service to the Company, the actual short-term compensation occurred shall recognized as liabilities and reckoned into current gains/losses, except for those in line with accounting standards or allow to reckoned into capital costs; the welfare occurred shall reckoned into current gains/losses or relevant asses costs while actually occurred. The employee compensation shall recognize as liabilities and reckoned into current gains/losses or relevant assets costs while actually occurred. The employee benefits that belong to non-monetary benefits are measured in accordance with the fair value; the social insurances including the medical insurance, work-injury insurance and maternity insurance and the housing fund that the enterprise pays for the employees as well as the labor union expenditure and employee education funds withdrawn by rule should be calculated and determined as the corresponding compensation amount and determined the corresponding liabilities in accordance with the specified withdrawing basis and proportion, and reckoned in the current profits and losses or relevant asset costs in the accounting period that the employees provide services.

(2) Accounting treatment for post-employment benefit

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

(3) Accounting for retirement benefits

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

profit or loss by the Group if the recognition principles for provisions are satisfied.

(4) Accounting for other long-term employee benefits

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

25. Accrual liabilities

(1) Recognition principle

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

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

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

26. Revenue

Whether implemented the new revenue standards

Yes No

(1) Concrete judging criteria for time of recognized

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

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

The Company's domestic sales revenue recognition time: The company delivers goods as agreed, checks the goods that the buyers have received and inspected during the period of the last reconciliation date and this reconciliation

date with the buyers on the reconciliation date as agreed, and transfers the risks and remunerations to the buyers after checking, the Company issues the invoices to the buyers in accordance with the recognized varieties, quantities and amounts and affirms the sales revenue realization on the reconciliation date.

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

(2) Recognition of revenue of assets using right alienation

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

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

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

Rental income: the revenue realization is confirmed after collecting the rent on the date as agreed in the rental contract (or agreement). For the rent not received on the date as agreed in the contract or agreement but can be received, and of which the amount of revenue can be measured reliably can also be recognized as revenue.

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

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

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

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

- ① The incurred labor costs estimated to be compensated are confirmed to render the service revenue according to the incurred labor costs, and are carried forward by the equivalent amount.

②The incurred labor costs estimated not to be compensated are reckoned in the current profits or losses, and are not confirmed to render the service revenue.

27. Government grants

(1) Types

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

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

(2) Recognition and measure

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

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

(3) Accounting treatment

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

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

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

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

28. Deferred income tax assets/Deferred income tax liabilities

(1) Deferred income tax assets or deferred income tax liabilities are realized based on the difference between the carrying values of assets and liabilities and their taxation bases (as for the ones did not recognized as assets and liability and with taxation basis recognized in line with tax regulations, different between tax base and its book value) at the tax rates applicable in the periods when the Company recovers such assets or settles such liabilities.

(2) Deferred income tax assets are realized to the extent that it is probable to obtain such taxable income which is

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

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

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

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

29. Lease

(1) Accounting for operating lease

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

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

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

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

(2) Accounting for financing lease

Assets lease-in by financing: On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference

recognized as unrecognized financing expenses. Unrecognized financing expenses shall be reckoned in financial expenses and amortized and using effective interest method during the leasing period. The initial direct costs incurred by the Company shall be reckoned into value of assets lease-in.

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

30. Other important accounting policy and accounting estimation

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

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

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

(1) Provision for bad debts

The Company has used the expected credit loss model to assess the impairment of financial instruments since 2019. The application of the expected credit loss model requires significant judgements and estimates, and must consider all reasonable and evidence-based information, including forward-looking information. In making such judgments and estimates, the Company infers the expected changes in debtors' credit risks based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors.

(2) Inventory impairment

According to the inventory accounting policies, the Company measures by the comparison between the cost and the net realizable value, if the cost is higher than the net realizable value and the old and unsalable inventories, the Company calculates and withdraws the inventory impairment. The inventory devalues to the net realizable value

by evaluating the inventory's vendibility and net realizable value. To identify the inventory impairment, the management needs to obtain the unambiguous evidences, and consider the purpose to hold the inventory, and judge and estimate the impacts of events after the balance sheet date. The actual results and the differences between the previously estimated results shall affect the book value of inventory and the provision or return of the inventory impairment during the period estimated to be changed.

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

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

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

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

When estimating the present value of the future cash flow, the Company needs to make significant judgments to the output, price, and related operating expenses of the asset (or asset group) and the discount rate used for calculating the present value. When estimating the recoverable amount, the Company shall adopt all the relevant information can be obtained, including the prediction related to the output, price, and related operating expenses based on the reasonable and supportable assumptions.

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

(4) Depreciation and amortization

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

technological updating. If the previous estimates have significant changes, the depreciation and amortization expense shall be adjusted in future periods.

(5) Fair value of financial instrument

Financial instruments that do not have active markets to provide quotes need to use valuation techniques to determine fair value. Valuation techniques include the latest transaction information, discounted cash flow methods, and option pricing models. The Company has established a set of work processes to ensure that qualified personnel are responsible for the calculation, verification and review of fair value. The valuation model used by the Company uses the market information as much as possible and uses the Company-specific information as little as possible. It should be noted that part of the information used in the valuation model requires management's estimation (such as discount rate, target exchange rate volatility, etc.). The Company regularly reviews the above estimates and assumptions and makes adjustments if necessary.

(6) Income tax

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

31. Changes of important accounting policy and estimation

(1) Changes of major accounting policies

√ Applicable □ Not applicable

| Content and causes for changes of accounting policy | Approval procedures | Note |
|---|---------------------|------|
| Change of the format for financial statement and implementation of new financial instrument standards | Deliberated on BOD | |

① Change of financial statement format

In accordance with the *Notice on Revised and Printing the Format of Financial Statements for General Enterprises in 2019* (Cai Kuai [2019] No.6), the *Notice on Revised and Printing the Consolidate Financial Statement Format (2019 version)* (Cai Kai [2019] No.16 from Ministry of Finance and requirement of accounting standards for business enterprise, the Company prepared the financial statement for year of 2019 and retroactive adjustment shall prevail for the change of such accounting policy. Items and amount have major impact on financial statement of 2018:

In RMB/CNY

| On statement | Items | Book value present on former policy | Book value present on new policy | Number adjusted |
|---------------------------|--|-------------------------------------|----------------------------------|-------------------|
| | | 2018-12-31 | 2018-12-31 | |
| Consolidate balance sheet | Note receivable | -- | 1,148,107,603.68 | 1,148,107,603.68 |
| | Account receivable | -- | 1,919,793,266.91 | 1,919,793,266.91 |
| | Note receivable and account receivable | 3,067,900,870.59 | -- | -3,067,900,870.59 |

| | | | | |
|---------------------------------|--|------------------|------------------|-------------------|
| | Note payable | -- | 1,018,367,533.74 | 1,018,367,533.74 |
| | Account payable | -- | 2,047,336,834.66 | 2,047,336,834.66 |
| | Note payable and account payable | 3,065,704,368.40 | -- | -3,065,704,368.40 |
| Balance sheet of parent company | Note receivable | -- | 264,264,207.30 | 264,264,207.30 |
| | Account receivable | -- | 742,246,990.99 | 742,246,990.99 |
| | Note receivable and account receivable | 1,006,511,198.29 | -- | -1,006,511,198.29 |
| | Note payable | -- | 330,545,052.37 | 330,545,052.37 |
| | Account payable | -- | 823,693,469.51 | 823,693,469.51 |
| | Note payable and account payable | 1,154,238,521.88 | -- | -1,154,238,521.88 |

②Accounting Standards for Business Enterprise No.7 - Exchange of non-monetary assets (Cai Kuai [2019]

The Accounting Standards for Business Enterprise No.7 - Exchange of non-monetary assets (Revised in 2019) (Cai Kuai [2019] No.8) was issued by Ministry of Finance on 9 May 2019. the Company implemented since 10 June 2019 and concerning the non-monetary assets exchange occurred till end of the implementation date since 1 Jan. 2019, corresponding adjustment shall prevail according to the Standard; the non-monetary assets exchange occurred before 1 Jan. 2019, no retroactive adjustment shall taken.

③Accounting Standards for Business Enterprise No.12 - Debt restructuring (Cai Kuai [2019] No.9)

The Accounting Standards for Business Enterprise No.12 - Debt restructuring (Revised in 2019) (Cai Kuai [2019] No.9) was issued by Ministry of Finance on 16 May 2019. the Company implemented since 17 June 2019 and concerning the debt restructuring occurred till end of the implementation date since 1 Jan. 2019, corresponding adjustment shall prevail according to the Standard; the debt restructuring occurred before 1 Jan. 2019, no retroactive adjustment shall taken.

④Implementation of New Financial Instrument Standards

The Accounting Standards for Business Enterprise No.22- Recognition and measurement of financial instrument, Accounting Standards for Business Enterprise No.23- Transfer of financial assets, Accounting Standards for Business Enterprise No.24- Hedge accounting and Accounting Standards for Business Enterprise No.37- Presentation of financial instruments (The above four standards are hereinafter collectively name as New Financial Instrument Standards) revised by Ministry of Finance are implemented by the Company since 1 January 2019. No adjustment is required to information in comparable periods in accordance with the linkage between the relevant old and new standards. On initial implementation date, the difference between former and new standards shall retroactively adjusted on the retained earnings or other comprehensive income at beginning of the reporting period.

Main impact on the financial statement dated 1 Jan. 2019 while implementing the new financial instrument standard:

Consolidate financial statement:

In RMB/CNY

| Item | 2018-12-31 | Re-classified | Re-measured | 2019-1-1 |
|---|-------------------|-------------------|---------------|-------------------|
| Assets: | | | | |
| Transaction financial asset | | 4,692,952,711.43 | 25,169,410.96 | 4,718,122,122.39 |
| Other current assets | 4,632,137,600.26 | -4,571,886,703.43 | | 60,250,896.83 |
| Available-for-sale financial assets | 255,975,176.91 | -255,975,176.91 | | |
| Other equity instrument investment | | 87,088,272.91 | | 87,088,272.91 |
| Other non-current financial assets Other non-current financial assets | | 47,820,896.00 | | 47,820,896.00 |
| Deferred income tax assets | 234,697,139.58 | | -3,775,411.64 | 230,921,727.94 |
| Note receivable | 1,148,107,603.68 | -49,984,087.50 | | 1,098,123,516.18 |
| Receivables financing | | 49,984,087.50 | | 49,984,087.50 |
| Liability: | | | | |
| Short-term borrowings | 298,928,213.94 | 420,478.58 | | 299,348,692.52 |
| Other account payable | 64,448,723.52 | -510,791.08 | | 63,937,932.44 |
| Non-current liabilities due within one year | 15,000,000.00 | 21,770.83 | | 15,021,770.83 |
| Long-term borrowings | 30,000,000.00 | 43,541.67 | | 30,043,541.67 |
| Long-term account payable | 35,422,354.11 | 25,000.00 | | 35,447,354.11 |
| Owners' equity: | | | | |
| Other comprehensive income | -19,809,442.95 | 19,809,442.95 | | |
| Retained profit | 10,996,945,870.13 | -19,809,442.95 | 21,393,999.32 | 10,998,530,426.50 |

Financial statement of parent company:

In RMB/CNY

| Item | 2018-12-31 | Re-classified | Re-measured | 2019-1-1 |
|-------------------------------------|------------------|-------------------|---------------|------------------|
| Assets: | | | | |
| Transaction financial asset | | 4,692,952,711.43 | 25,169,410.96 | 4,718,122,122.39 |
| Other current assets | 4,576,688,553.49 | -4,571,886,703.43 | | 4,801,850.06 |
| Available-for-sale financial assets | 180,035,176.91 | -180,035,176.91 | | |
| Other equity instrument investment | | 11,148,272.91 | | 11,148,272.91 |
| Other non-current financial assets | | 47,820,896.00 | | 47,820,896.00 |
| Deferred income tax assets | 140,286,756.70 | | -3,775,411.64 | 136,511,345.06 |
| Liability: | | | | |
| Short-term borrowings | 112,000,000.00 | 149,966.66 | | 112,149,966.66 |
| Other account payable | 12,142,596.68 | -149,966.66 | | 11,992,630.02 |
| Owners' equity: | | | | |
| Other comprehensive income | -19,809,442.95 | 19,809,442.95 | | |
| Retained profit | 9,340,610,451.36 | -19,809,442.95 | 21,393,999.32 | 9,342,195,007.73 |

(2) Changes of important accounting estimate

□ Applicable √ Not applicable

(3) Adjustment the financial statements at the beginning of the first year of implementation of new financial instrument standards, new revenue standards and new leasing standards since 2019

√ Applicable □ Not applicable

Consolidate balance sheet

In RMB/CNY

| Item | 2018-12-31 | 2019-01-01 | Adjustments |
|--|-------------------|-------------------|-------------------|
| Current assets: | | | |
| Monetary funds | 2,616,321,740.73 | 2,616,321,740.73 | |
| Settlement provisions | | | |
| Capital lent | | | |
| Transaction financial asset | | 4,718,122,122.39 | 4,718,122,122.39 |
| Financial assets measured at fair value and whose changes are included in current profit or loss | | | |
| Derivative financial assets | | | |
| Note receivable | 1,148,107,603.68 | 1,098,123,516.18 | -49,984,087.50 |
| Account receivable | 1,919,793,266.91 | 1,919,793,266.91 | |
| Receivables financing | | 49,984,087.50 | 49,984,087.50 |
| Account paid in advance | 94,651,431.31 | 94,651,431.31 | |
| Insurance receivable | | | |
| Reinsurance receivables | | | |
| Contract reserve of reinsurance receivable | | | |
| Other account receivables | 84,582,246.16 | 84,582,246.16 | |
| Including: Interest receivable | 1,842,437.50 | 1,842,437.50 | |
| Dividend receivable | | | |
| Buying back the sale of financial assets | | | |
| Inventory | 1,438,528,714.59 | 1,438,528,714.59 | |
| Contract assets | | | |
| Assets held for sale | | | |
| Non-current asset due within one year | | | |
| Other current assets | 4,632,137,600.26 | 60,250,896.83 | -4,571,886,703.43 |
| Total current assets | 11,934,122,603.64 | 12,080,358,022.60 | 146,235,418.96 |

| | | | |
|--|-------------------|-------------------|-----------------|
| Non-current assets: | | | |
| Loans and payments on behalf | | | |
| Creditors' investment | | | |
| Available-for-sale financial assets | 255,975,176.91 | | -255,975,176.91 |
| Other creditors' investment | | | |
| Held-to-maturity investments | | | |
| Long-term account receivables | | | |
| Long-term equity investment | 4,976,773,946.74 | 4,976,773,946.74 | |
| Other equity instrument investment | | 87,088,272.91 | 87,088,272.91 |
| Other non-current financial assets | | 47,820,896.00 | 47,820,896.00 |
| Investment real estate | 21,906,134.52 | 21,906,134.52 | |
| Fixed assets | 2,707,374,678.61 | 2,707,374,678.61 | |
| Construction in progress | 166,414,542.18 | 166,414,542.18 | |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Right-of-use asset | | | |
| Intangible assets | 324,892,822.75 | 324,892,822.75 | |
| Research and development costs | | | |
| Goodwill | 1,784,086.79 | 1,784,086.79 | |
| Long-term deferred expenses | 16,637,652.31 | 16,637,652.31 | |
| Deferred income tax assets | 234,697,139.58 | 230,921,727.94 | -3,775,422.64 |
| Other non-current assets | 251,462,676.27 | 251,462,676.27 | |
| Total non-current assets | 8,957,918,856.66 | 8,833,077,437.02 | -124,841,419.64 |
| Total assets | 20,892,041,460.30 | 20,913,435,459.62 | 21,393,999.32 |
| Current liabilities: | | | |
| Short-term borrowings | 298,928,213.94 | 299,348,692.52 | 420,478.58 |
| Loan from central bank | | | |
| Capital borrowed | | | |
| Tradable financial liability | | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | | |
| Derivative financial liability | 490,329.13 | 490,329.13 | |
| Note payable | 1,018,367,533.74 | 1,018,367,533.74 | |
| Account payable | 2,047,336,834.66 | 2,047,336,834.66 | |

| | | | |
|---|------------------|------------------|-------------|
| Accounts received in advance | 41,329,857.80 | 41,329,857.80 | |
| Contractual liability | | | |
| Selling financial asset of repurchase | | | |
| Absorbing deposit and interbank deposit | | | |
| Security trading of agency | | | |
| Security sales of agency | | | |
| Employee compensation payable | 312,113,178.24 | 312,113,178.24 | |
| Taxes payable | 74,271,613.92 | 74,271,613.92 | |
| Other account payable | 64,448,723.52 | 63,937,932.44 | -510,791.08 |
| Including: Interest payable | 517,469.08 | 6,678.00 | -510,791.08 |
| Dividend payable | | | |
| Commission charge and commission payable | | | |
| Reinsurance payable | | | |
| Liability held for sale | | | |
| Non-current liabilities due within one year | 15,000,000.00 | 15,021,770.83 | 21,770.83 |
| Other current liabilities | | | |
| Total current liabilities | 3,872,286,284.95 | 3,872,217,743.28 | -68,541.67 |
| Non-current liabilities: | | | |
| Insurance contract reserve | | | |
| Long-term borrowings | 30,000,000.00 | 30,043,541.67 | 43,541.67 |
| Bonds payable | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Lease liability | | | |
| Long-term account payable | 35,422,354.11 | 35,447,354.11 | 25,000.00 |
| Long-term employee compensation payable | 74,679,175.36 | 74,679,175.36 | |
| Accrual liabilities | | | |
| Deferred income | 425,769,854.13 | 425,769,854.13 | |
| Deferred income tax liabilities | 1,912,744.40 | 1,912,744.40 | |
| Other non-current liabilities | | | |
| Total non-current liabilities | 567,784,128.00 | 567,852,669.67 | 68,541.67 |
| Total liabilities | 4,440,070,412.95 | 4,440,070,412.95 | |
| Owners' equity: | | | |
| Share capital | 1,008,950,570.00 | 1,008,950,570.00 | |

| | | | |
|---|-------------------|-------------------|---------------|
| Other equity instrument | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Capital reserve | 3,416,022,795.14 | 3,416,022,795.14 | |
| Less: Inventory shares | | | |
| Other comprehensive income | -19,809,442.95 | | 19,809,442.95 |
| Reasonable reserve | 1,618,490.50 | 1,618,490.50 | |
| Surplus reserve | 510,100,496.00 | 510,100,496.00 | |
| Provision of general risk | | | |
| Retained profit | 10,996,945,870.13 | 10,998,530,426.50 | 1,584,556.37 |
| Total owners' equity attributable to parent company | 15,913,828,778.82 | 15,935,222,778.14 | 21,393,999.32 |
| Minority interests | 538,142,268.53 | 538,142,268.53 | |
| Total owners' equity | 16,451,971,047.35 | 16,473,365,046.67 | 21,393,999.32 |
| Total liabilities and owner's equity | 20,892,041,460.30 | 20,913,435,459.62 | 21,393,999.32 |

Explanation

In 2017, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 - Hedge Accounting, and the Accounting Standards for Business Enterprises No. 37 - Financial Instruments Presentation, and the domestic listed companies are required to put the relevant accounting standards of new financial instruments into force from January 1, 2019. The Company implement the above mentioned four accounting standards since 1 Jan. 2019

Balance sheet of parent company

In RMB/CNY

| Item | 2018-12-31 | 2019-01-01 | Adjustments |
|--|------------------|------------------|------------------|
| Current assets: | | | |
| Monetary funds | 1,922,408,227.00 | 1,922,408,227.00 | |
| Transaction financial asset | | 4,718,122,122.39 | 4,718,122,122.39 |
| Financial assets measured at fair value and whose changes are included in current profit or loss | | | |
| Derivative financial assets | | | |
| Note receivable | 264,264,207.30 | 264,264,207.30 | |
| Account receivable | 742,246,990.99 | 742,246,990.99 | |
| Receivables financing | | | |
| Account paid in advance | 59,028,927.25 | 59,028,927.25 | |

| | | | |
|---------------------------------------|-------------------|-------------------|-------------------|
| Other account receivables | 196,849,092.13 | 196,849,092.13 | |
| Including: Interest receivable | 188,682.78 | 188,682.78 | |
| Dividend receivable | | | |
| Inventory | 492,054,274.67 | 492,054,274.67 | |
| Contract assets | | | |
| Assets held for sale | | | |
| Non-current asset due within one year | | | |
| Other current assets | 4,576,688,553.49 | 4,801,850.06 | -4,571,886,703.43 |
| Total current assets | 8,253,540,272.83 | 8,399,775,691.79 | 146,235,418.96 |
| Non-current assets: | | | |
| Creditors' investment | | | |
| Available-for-sale financial assets | 180,035,176.91 | | -180,035,176.91 |
| Other creditors' investment | | | |
| Held-to-maturity investments | | | |
| Long-term account receivables | | | |
| Long-term equity investment | 5,739,110,426.55 | 5,739,110,426.55 | |
| Other equity instrument investment | | 11,148,272.91 | 11,148,272.91 |
| Other non-current financial assets | | 47,820,896.00 | 47,820,896.00 |
| Investment real estate | | | |
| Fixed assets | 1,534,109,106.80 | 1,534,109,106.80 | |
| Construction in progress | 78,673,300.59 | 78,673,300.59 | |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Right-of-use asset | | | |
| Intangible assets | 188,101,655.94 | 188,101,655.94 | |
| Research and development costs | | | |
| Goodwill | | | |
| Long-term deferred expenses | | | |
| Deferred income tax assets | 140,286,756.70 | 136,511,345.06 | -3,775,411.64 |
| Other non-current assets | 184,208,090.40 | 184,208,090.40 | |
| Total non-current assets | 8,044,524,513.89 | 7,919,683,094.25 | -124,841,419.64 |
| Total assets | 16,298,064,786.72 | 16,319,458,786.04 | 21,393,999.32 |
| Current liabilities: | | | |
| Short-term borrowings | 112,000,000.00 | 112,149,966.66 | 149,966.66 |

| | | | |
|--|------------------|------------------|-------------|
| Tradable financial liability | | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | | |
| Derivative financial liability | | | |
| Note payable | 330,545,052.37 | 330,545,052.37 | |
| Account payable | 823,693,469.51 | 823,693,469.51 | |
| Accounts received in advance | 6,639,554.63 | 6,639,554.63 | |
| Contract liability | | | |
| Employee compensation payable | 200,205,508.25 | 200,205,508.25 | |
| Taxes payable | 39,193,425.15 | 39,193,425.15 | |
| Other account payable | 12,142,596.68 | 11,992,630.02 | -149,966.66 |
| Including: Interest payable | 149,966.66 | | -149,966.66 |
| Dividend payable | | | |
| Liability held for sale | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | | | |
| Total current liabilities | 1,524,419,606.59 | 1,524,419,606.59 | |
| Non-current liabilities: | | | |
| Long-term borrowings | | | |
| Bonds payable | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Lease liability | | | |
| Long-term account payable | | | |
| Long-term employee compensation payable | 63,962,762.93 | 63,962,762.93 | |
| Accrual liabilities | | | |
| Deferred income | 381,609,056.40 | 381,609,056.40 | |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| Total non-current liabilities | 445,571,819.33 | 445,571,819.33 | |
| Total liabilities | 1,969,991,425.92 | 1,969,991,425.92 | |
| Owners' equity: | | | |
| Share capital | 1,008,950,570.00 | 1,008,950,570.00 | |
| Other equity instrument | | | |

| | | | |
|--------------------------------------|-------------------|-------------------|---------------|
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Capital reserve | 3,488,221,286.39 | 3,488,221,286.39 | |
| Less: Inventory shares | | | |
| Other comprehensive income | -19,809,442.95 | | 19,809,442.95 |
| Reasonable reserve | | | |
| Surplus reserve | 510,100,496.00 | 510,100,496.00 | |
| Retained profit | 9,340,610,451.36 | 9,342,195,007.73 | 1,584,556.37 |
| Total owners' equity | 14,328,073,360.80 | 14,349,467,360.12 | 21,393,999.32 |
| Total liabilities and owner's equity | 16,298,064,786.72 | 16,319,458,786.04 | 21,393,999.32 |

Explanation

In 2017, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 - Hedge Accounting, and the Accounting Standards for Business Enterprises No. 37 - Financial Instruments Presentation, and the domestic listed companies are required to put the relevant accounting standards of new financial instruments into force from January 1, 2019. The Company implement the above mentioned four accounting standards since 1 Jan. 2019

(4) Retrospective adjustment of early comparison data description when initially implemented the new financial instrument standards and new leasing standards since 2019

Applicable Not applicable

32. Other

Nil

VI. Taxation

1. Major taxes and tax rates

| Tax | Basis | Tax rate |
|-------------------------------------|----------------------|--|
| VAT | Taxable income | 16%, 13%, 6%, percentage charges 5%, 25% (IRD), rate for exported commodities is stipulated by the state with declaration of export tax rebate, rate of tax may be "exempted, credited and refunded" |
| City maintaining & construction tax | Turnover tax payable | 7% |
| Corporation income tax | Taxable income | 25%, 22%, 15% |
| Educational surtax | Turnover tax payable | 5%, 4.5% |

Disclose reasons for different taxpaying body

| Taxpaying body | Income tax rate |
|--|-----------------|
| Weifu Mashan, Weifu Chang'an, Weifu International Trade, Weifu ITM, Weifu Schmidt, Weifu Leader (Wuhan), Weifu Leader (Nanchang), Weifu Electronic Drive | 25% |
| The Company, Weifu Jinning, Weifu Leader, Weifu Tianli, Weifu Autocam, Weifu Leader (Chongqing), SPV, IRD | 15% |
| | 22% |

2. Tax preference

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

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

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

On 29 November 2017, Weifu Tianli got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Bureau of Ningbo, Department of Finance of Ningbo, Ningbo Office, SAT and Ningbo, Zhejiang Provincial Local Taxation Bureau, certificate No.: GR201733100363. Corporate income tax of the Weifu Tianli shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

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

The State Administration of Taxation announced the first item of *Announcement of the State Administration of Taxation on the Enterprise Income Tax Issues Concerning the Implementation of the Western Development Strategy* No. 12 of 2012 that from January 1, 2011 to December 31, 2020, the enterprises located in the west region and mainly engaged in the industrial projects stipulated in the *Catalogue of Encouragement Industries in the Western Region*, and whose main business income accounting for more than 70% of the total income of the enterprise in the current year can pay the corporate income tax at the tax rate of 15%. In 2019, Weifu Leader (Chongqing) paid its corporate income tax at the tax rate of 15%.

VII. Notes to major items in consolidated financial statements

1. Monetary funds

In RMB/CNY

| Item | Ending balance | Opening balance |
|---|------------------|------------------|
| Cash on hand | 93,165.33 | 194,161.03 |
| Cash in bank | 1,531,405,488.52 | 2,534,479,978.46 |
| Other Monetary funds | 65,395,058.02 | 81,647,601.24 |
| Total | 1,596,893,711.87 | 2,616,321,740.73 |
| Including: Total amount saving aboard | 31,442,836.86 | |
| Total amount with restriction on use for mortgage, pledge or freeze | 34,946,900.21 | 81,647,601.24 |

Other explanation

Balance of other Monetary funds at period-end including 32,372,582.46 yuan cash deposit paid for bank acceptance, 30,448,157.81 yuan refundable deposit, 158,280.00 yuan guarantee deposit, 209,180.00 yuan cash deposit for Mastercard and freeze dividend 2,206,857.75 yuan. The refundable deposit of 30,448,157.81 yuan refers to the capital increased to IRD, the amount was remitted on 31 December 2019, and SPV received the amount on 3 Jan. 2020. The frozen dividend of 2,206,857.75 Yuan represents the part of dividends distributed by SDEC (stock code:600841) and Miracle Automation (stock code:002009) from 2017 to 2019 held by the Company as financial assets available for sale. According to the notices numbered Yue 03MC [2016]2490 and Yue 03MC [2016]2492 served by Guangdong Shenzhen Intermediate People's Court, these dividends were frozen.

2. Transaction financial asset

In RMB/CNY

| Item | Ending balance | Opening balance |
|--|------------------|------------------|
| Financial assets measured at fair value and whose changes are included in current profit or loss | 3,940,885,674.32 | 4,718,122,122.39 |
| Including: | | |
| Including: SDEC | 91,822,332.00 | 85,458,408.00 |
| Miracle Automation | 36,031,500.00 | 35,607,600.00 |
| Financial products | 3,813,031,842.32 | 4,597,056,114.39 |
| Including: | | |
| Total | 3,940,885,674.32 | 4,718,122,122.39 |

3. Note receivable

(1) Classification of notes receivable

In RMB/CNY

| Item | Ending balance | Opening balance |
|-----------------------|------------------|------------------|
| Bank acceptance bill | 1,755,135,175.42 | 1,032,590,395.38 |
| Trade acceptance bill | 57,006,196.52 | 65,533,120.80 |
| Total | 1,812,141,371.94 | 1,098,123,516.18 |

In RMB/CNY

| Category | Ending balance | | | | | Opening balance | | | | |
|--|------------------|---------|------------------|---------------|------------------|------------------|---------|------------------|---------------|------------------|
| | Book balance | | Bad debt reserve | | Book value | Book balance | | Bad debt reserve | | Book value |
| | Amount | Ratio | Amount | Accrual ratio | | Amount | Ratio | Amount | Accrual ratio | |
| Including: | | | | | | | | | | |
| Note receivable with bad debt provision accrual on portfolio | 1,812,141,371.94 | 100.00% | | | 1,812,141,371.94 | 1,098,123,516.18 | 100.00% | | | 1,098,123,516.18 |
| Including: | | | | | | | | | | |
| Portfolio 1: bank acceptance bill | 1,755,135,175.42 | 96.85% | | | 1,755,135,175.42 | 1,032,590,395.38 | 94.03% | | | 1,032,590,395.38 |
| Portfolio 2: trade acceptance bill | 57,006,196.52 | 3.15% | | | 57,006,196.52 | 65,533,120.80 | 5.97% | | | 65,533,120.80 |
| Total | 1,812,141,371.94 | 100.00% | | | 1,812,141,371.94 | 1,098,123,516.18 | 100.00% | | | 1,098,123,516.18 |

Statement of the basis for determining the combination:

On December 31, 2019, the company accrued bad debt provisions according to the expected credit losses for the entire duration, bank acceptance bills and trade acceptance bill do not need to accrue bad debt provisions. The company believed that the bank acceptance bills held did not have significant credit risk and would not cause significant losses due to bank defaults. The trade acceptance bill held by the Company did not have significant credit risk, because these bills were mainly issued by large state-owned enterprises and listed companies with good reputation, and based on historical experience, there had been no major defaults, so they did not accrue bad debt provisions for the receivable bank acceptance bills and trade acceptance bill.

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

In RMB/CNY

| Item | Amount pledge at period-end |
|-----------------------|-----------------------------|
| Bank acceptance bill | 841,380,513.42 |
| Trade acceptance bill | 6,232,936.52 |
| Total | 847,613,449.94 |

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

In RMB/CNY

| Item | Amount derecognition at period-end | Amount not derecognition at period-end |
|----------------------|------------------------------------|--|
| Bank acceptance bill | 183,473,979.12 | |
| Total | 183,473,979.12 | |

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

In RMB/CNY

| Item | Amount transfer to account receivable at period-end |
|-----------------------|---|
| Trade acceptance bill | 5,300,000.00 |
| Total | 5,300,000.00 |

Other explanation

The trade acceptance bill that the company transferred to the accounts receivable due to in 2018 the failure of the drawer to perform the agreement at the end of the period were the bills of the subsidiaries controlled by Baota Petrochemical Group Co., Ltd. and the bills accepted by Baota Petrochemical Group Finance Co., Ltd. (hereinafter referred to as "BD bills"); In 2018, the amount transferred to account receivable was 7 million yuan, and 1.7 million yuan has been recovered this year.

(5) Note receivable actually written-off in the period

Nil

4. Account receivable**(1) Classification of account receivable**

In RMB/CNY

| Category | Ending balance | | | | | Opening balance | | | | |
|--|------------------|---------|------------------|----------------|------------------|------------------|---------|------------------|----------------|------------------|
| | Book balance | | Bad debt reserve | | Book value | Book balance | | Bad debt reserve | | Book value |
| | Amount | Ratio | Amount | Accru al ratio | | Amount | Ratio | Amount | Accru al ratio | |
| Account receivable with bad debt provision accrual on a single basis | 64,818,802.14 | 2.70% | 64,818,802.14 | 100.00% | | 8,685,110.25 | 0.44% | 8,685,110.25 | 100.00% | |
| Including: | | | | | | | | | | |
| Account receivable with bad debt provision accrual on portfolio | 2,333,471,345.97 | 97.30% | 22,804,870.08 | 0.98% | 2,310,666,475.89 | 1,951,016,221.14 | 99.56% | 31,222,954.23 | 1.60% | 1,919,793,266.91 |
| Including: | | | | | | | | | | |
| Total | 2,398,290,148.11 | 100.00% | 87,623,672.22 | 3.65% | 2,310,666,475.89 | 1,959,701,331.39 | 100.00% | 39,908,064.48 | 2.04% | 1,919,793,266.91 |

Bad debt provision accrual on single basis: RMB 64,818,802.14

In RMB/CNY

| Name | Ending balance | | | |
|---|----------------|------------------|---------------|-------------------------------|
| | Book balance | Bad debt reserve | Accrual ratio | Accrual causes |
| Hubei Meiyang Auto Industry Co., Ltd. | 20,139,669.45 | 20,139,669.45 | 100.00% | Have difficulty in collection |
| Hunan Leopaard Auto Co., Ltd. | 11,989,202.97 | 11,989,202.97 | 100.00% | Have difficulty in collection |
| Linyi Zotye Auto Parts Manufacturing Co., Ltd. | 6,193,466.77 | 6,193,466.77 | 100.00% | Have difficulty in collection |
| Changchun FAW Sihuan Engine Manufacturing Co., Ltd | 5,852,415.65 | 5,852,415.65 | 100.00% | Have difficulty in collection |
| BD bills | 5,300,000.00 | 5,300,000.00 | 100.00% | Have difficulty in collection |
| Tongling Ruineng Purchasing Co., Ltd. | 4,199,674.50 | 4,199,674.50 | 100.00% | Have difficulty in collection |
| Zhejiang Zotye Auto Manufacturing Co., Ltd. | 3,217,763.27 | 3,217,763.27 | 100.00% | Have difficulty in collection |
| Jiangsu Kawei Auto Industrial Group Co., Ltd. | 1,932,476.26 | 1,932,476.26 | 100.00% | Have difficulty in collection |
| Wuxi Kipor Machinery Co., Ltd | 1,220,384.74 | 1,220,384.74 | 100.00% | Have difficulty in collection |
| Fujian Zhao'an Country Minyue Bianjie Agricultural Machinery Auto Parts Co., Ltd. | 1,111,007.12 | 1,111,007.12 | 100.00% | Have difficulty in collection |
| Other custom | 3,662,741.41 | 3,662,741.41 | 100.00% | Have difficulty in collection |
| Total | 64,818,802.14 | 64,818,802.14 | -- | -- |

Bad debt provision accrual on portfolio: RMB 22,804,870.08

In RMB/CNY

| Name | Ending balance | | |
|----------------------|------------------|------------------|---------------|
| | Book balance | Bad debt reserve | Accrual ratio |
| Within 6 months | 2,187,953,708.84 | | |
| 6 months to one year | 115,197,261.75 | 11,519,726.17 | 10.00% |
| 1-2 years | 20,476,850.54 | 4,095,369.91 | 20.00% |
| 2-3 years | 4,422,918.07 | 1,769,167.23 | 40.00% |
| Over 3 years | 5,420,606.77 | 5,420,606.77 | 100.00% |
| Total | 2,333,471,345.97 | 22,804,870.08 | -- |

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

Applicable Not applicable

By account age

In RMB/CNY

| Account age | Book balance |
|-------------------------------------|------------------|
| Within one year (One year included) | 2,331,925,465.12 |
| Including: within 6 months | 2,192,383,807.92 |
| 6 months to one year | 139,541,657.20 |
| 1-2 years | 48,935,673.97 |
| 2-3 years | 9,802,663.63 |
| Over 3 years | 7,626,345.39 |
| 3-4 years | 7,626,345.39 |
| Total | 2,398,290,148.11 |

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual in the period:

In RMB/CNY

| Category | Opening balance | Amount changed in the period | | | | Ending balance |
|--------------------|-----------------|------------------------------|-----------------------|-------------|------------|----------------|
| | | Accrual | Collected or reversal | Written-off | Other | |
| Bad debt provision | 39,908,064.48 | 50,047,078.02 | 2,249,050.80 | 468,253.13 | 385,833.69 | 87,623,672.22 |
| Total | 39,908,064.48 | 50,047,078.02 | 2,249,050.80 | 468,253.13 | 385,833.69 | 87,623,672.22 |

Important bad debt provision collected or switch back:

In RMB/CNY

| Enterprise | Amount collected or switch back | Collection way |
|------------|---------------------------------|----------------|
| BD bills | 1,700,000.00 | Cash |
| Total | 1,700,000.00 | -- |

(3) Account receivable actual charge off in the Period

In RMB/CNY

| Item | Amount charge off |
|------------------------|-------------------|
| Fujian Lijia Co., Ltd. | 322,865.28 |
| Retail enterprise | 145,387.85 |
| Total | 468,253.13 |

Major charge-off for the major receivable:

Nil

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

In RMB/CNY

| Name | Ending balance of account receivable | Ratio in total ending balance of account receivables | Ending balance of bad debt reserve |
|--|--------------------------------------|--|------------------------------------|
| Bosch Automobile Diesel System Co., Ltd. | 478,258,447.23 | 19.94% | |
| Robert Bosch Company | 155,195,576.42 | 6.47% | 135,534.13 |
| Custom 3 | 154,422,931.11 | 6.44% | 890,034.27 |
| Custom 4 | 143,013,746.24 | 5.97% | 242,659.49 |
| Custom 5 | 142,047,192.75 | 5.92% | 4,797,246.10 |
| Total | 1,072,937,893.75 | 44.74% | |

(5) Account receivable derecognition due to financial assets transfer

Nil

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

Nil

5、Receivables financing

In RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------------------|----------------------|----------------------|
| Note receivable | 23,873,317.86 | 49,984,087.50 |
| Including: bank acceptance bill | 23,873,317.86 | 49,984,087.50 |
| Trade acceptance bill | | |
| Total | 23,873,317.86 | 49,984,087.50 |

Increase and decrease in current period and changes in fair value of receivables financing

Applicable Not applicable

If the bad debt provision for account receivable is calculated and withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other account receivables in aspect of impairment provision:

Applicable Not applicable

Other explanation:

During the management of enterprise liquidity, the company will discount or endorse transfers before the maturity of some bills, the business model for managing bills receivable is to collect contractual cash flows and sell the financial asset, so it is classified as financial assets measured at fair value and whose changes are included in other comprehensive income, which is listed in receivables financing.

6. Account paid in advance

(1) Account age of account paid in advance

In RMB/CNY

| Account age | Ending balance | | Opening balance | |
|-----------------|-----------------------|-----------|----------------------|-----------|
| | Amount | Ratio | Amount | Ratio |
| Within one year | 118,030,952.47 | 84.77% | 89,076,980.53 | 94.11% |
| 1-2 years | 19,644,713.49 | 14.11% | 4,536,408.47 | 4.79% |
| 2-3 years | 683,098.16 | 0.49% | 980,958.32 | 1.04% |
| Over 3 years | 883,153.66 | 0.63% | 57,083.99 | 0.06% |
| Total | 139,241,917.78 | -- | 94,651,431.31 | -- |

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

(2) Top 5 account paid in advance at ending balance by prepayment object

Total year-end balance of top five account paid in advance by prepayment object amounted to 42,879,852.81 Yuan, takes 30.80 percent of the total advance payment at year-end.

7. Other account receivables

In RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------------|----------------|-----------------|
| Interest receivable | 655,052.98 | 1,842,437.50 |
| Dividend receivable | 1,070,000.00 | |
| Other account receivables | 42,004,970.33 | 82,739,808.66 |
| Total | 43,730,023.31 | 84,582,246.16 |

(1) Interest receivable**1) Category of interest receivable**

In RMB/CNY

| Item | Ending balance | Opening balance |
|-----------------------------|----------------|-----------------|
| Time deposit | | 1,842,437.50 |
| Interest of fund occupation | 655,052.98 | |
| Total | 655,052.98 | 1,842,437.50 |

2) Significant overdue interest

Nil

3) Accrual of bad debt provision

□ Applicable ✓ Not applicable

(2) Dividend receivable**1) Category of dividend receivable**

In RMB/CNY

| Item (or invested enterprise) | Ending balance | Opening balance |
|---|----------------|-----------------|
| Weifu Precision Machinery Manufacturing Co., Ltd. | 1,070,000.00 | |
| Total | 1,070,000.00 | |

2) Important dividend receivable with account age over one year

Nil

3) Accrual of bad debt provision

Applicable Not applicable

(3) Other account receivables**1) Other account receivables classification by nature**

In RMB/CNY

| Nature | Ending book balance | Opening book balance |
|--|----------------------|----------------------|
| Intercourse funds from units | 35,441,483.88 | 15,328,121.55 |
| Equity disposal fund of Protean Holdings Corp. | 10,654,092.89 | |
| Compensation for assets disposal receivable | | 67,981,726.00 |
| Cash deposit | 3,625,917.96 | 3,206,825.88 |
| Staff loans and petty cash | 1,346,241.81 | 1,172,017.93 |
| Other | 300,206.93 | 509,873.93 |
| Total | 51,367,943.47 | 88,198,565.29 |

2) Accrual of bad debt provision

In RMB/CNY

| Bad debt reserve | Phase I | Phase II | Phase III | Total |
|---------------------------------------|--|---|--|--------------|
| | Expected credit losses over next 12 months | Expected credit losses for the entire duration (without credit impairment occurred) | Expected credit losses for the entire duration (with credit impairment occurred) | |
| Balance on Jan. 1, 2019 | 2,683,204.00 | | 2,775,552.63 | 5,458,756.63 |
| Balance of Jan. 1, 2019 in the period | — | — | — | — |
| Current accrual | 5,031,258.43 | | | 5,031,258.43 |
| Current reversal | 3,410.40 | | | 3,410.40 |
| Current written-off | | | 1,260,881.43 | 1,260,881.43 |
| Other change | 137,249.91 | | | 137,249.91 |
| Balance on Dec. 31, 2019 | 7,848,301.94 | | 1,514,671.20 | 9,362,973.14 |

Change of book balance of loss provision with amount has major changes in the period

Applicable Not applicable

By account age

In RMB/CNY

| Account age | Book balance |
|-------------------------------------|---------------|
| Within one year (One year included) | 38,727,142.89 |
| Within 6 months | 3,938,022.28 |
| 6 months to one year | 34,789,120.61 |
| 1-2 years | 8,440,524.38 |
| 2-3 years | 7,200.00 |
| Over 3 years | 4,193,076.20 |
| 3-4 years | 4,193,076.20 |
| Total | 51,367,943.47 |

3) Bad debt provision accrual, collected or switch back

Bad debt provision accrual in the period:

In RMB/CNY

| Category | Opening balance | Amount changed in the period | | | | Ending balance |
|--------------------|-----------------|------------------------------|-----------------------|--------------|------------|----------------|
| | | Accrual | Collected or reversal | Written-off | Other | |
| Bad debt provision | 5,458,756.63 | 5,031,258.43 | 3,410.40 | 1,260,881.43 | 137,249.91 | 9,362,973.14 |
| Total | 5,458,756.63 | 5,031,258.43 | 3,410.40 | 1,260,881.43 | 137,249.91 | 9,362,973.14 |

Including the important bad debt provision switch back or collected in the period: nil

4) Other receivables actually written-off during the reporting period

In RMB/CNY

| Item | Amount charge off |
|-----------------------------------|-------------------|
| Nanjing Jinning Machinery Factory | 1,260,881.43 |

Note of important other receivables of written-off: nil

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

In RMB/CNY

| Enterprise | Nature | Ending balance | Account age | Ratio in total ending balance of other receivables | Ending balance of bad debt reserve |
|--|----------------------------------|----------------|----------------------|--|------------------------------------|
| Troowin Power System Technology Co., Ltd. | Intercourse funds of unit | 24,000,000.00 | 6 months to one year | 46.72% | 2,400,000.00 |
| Virtue Surge Limited | Receivables from equity disposal | 10,654,092.89 | 6 months to one year | 20.74% | 1,065,409.29 |
| Robert Bosch Company | Intercourse funds of unit | 7,600,000.00 | 1-2 years | 14.80% | 1,520,000.00 |
| Ningbo Jiangbei High-Tech Industry Park Development Construction Co., Ltd. | Performance bond | 1,767,000.00 | Over 3 years | 3.44% | 1,767,000.00 |
| American HESS Company | Intercourse funds of unit | 1,514,671.20 | Over 3 years | 2.95% | 1,514,671.20 |
| Total | -- | 45,535,764.09 | -- | 88.65% | 8,267,080.49 |

6) Other account receivables related to government grants

Nil

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

Nil

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

Nil

8. Inventory

Whether implemented the new revenue standards

Yes No**(1) Category of inventory**

In RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|------|----------------|----------------------|------------|-----------------|----------------------|------------|
| | Book balance | Depreciation reserve | Book value | Book balance | Depreciation reserve | Book value |
| | | | | | | |

| | | | | | | |
|------------------|------------------|----------------|------------------|------------------|----------------|------------------|
| Raw materials | 495,927,678.66 | 81,069,128.03 | 414,858,550.63 | 405,113,183.37 | 71,085,820.65 | 334,027,362.72 |
| Goods in process | 243,525,007.82 | 13,963,866.92 | 229,561,140.90 | 182,564,277.52 | 13,682,081.67 | 168,882,195.85 |
| Finished goods | 1,937,368,868.87 | 163,043,724.58 | 1,774,325,144.29 | 1,080,800,727.38 | 145,181,571.36 | 935,619,156.02 |
| Total | 2,676,821,555.35 | 258,076,719.53 | 2,418,744,835.82 | 1,668,478,188.27 | 229,949,473.68 | 1,438,528,714.59 |

(2) Inventory depreciation reserve

In RMB/CNY

| Item | Opening balance | Current increased | | Current decreased | | Ending balance |
|------------------|-----------------|-------------------|--------------|--------------------------|-------|----------------|
| | | Accrual | Other | Switch back or write-off | Other | |
| Raw materials | 71,085,820.65 | 40,618,305.80 | 4,510,504.49 | 35,145,502.91 | | 81,069,128.03 |
| Goods in process | 13,682,081.67 | 6,871,191.49 | | 6,589,406.24 | | 13,963,866.92 |
| Finished goods | 145,181,571.36 | 121,970,802.44 | | 104,108,649.22 | | 163,043,724.58 |
| Total | 229,949,473.68 | 169,460,299.73 | 4,510,504.49 | 145,843,558.37 | | 258,076,719.53 |

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

② Accrual basis for inventory depreciation reserve:

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

③ Reasons of write-off for inventory falling price reserves:

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

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

Nil

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

Nil

9. Other current assets

Whether implemented the new revenue standards

Yes No

In RMB/CNY

| Item | Ending balance | Opening balance |
|--|-------------------------|----------------------|
| Structured deposits | 965,000,000.00 | |
| Receivable export tax rebates | 5,383,485.34 | 7,848,937.72 |
| VAT refund receivable | 1,648,669.86 | |
| Prepaid taxes and VAT retained | 36,067,254.77 | 47,808,273.37 |
| Input tax to be deducted and certification | 764,895.21 | 3,420,317.46 |
| Other | 3,191,300.56 | 1,173,368.28 |
| Total | 1,012,055,605.74 | 60,250,896.83 |

10. Long-term equity investments

In RMB/CNY

| The invested entity | Opening balance (book value) | Current changes (+, -) | | | | | | | | Ending balance (book value) | Ending balance of depreciation reserves | |
|---|------------------------------|------------------------|-------------------|--|---------------------------------------|---------------------|---|--------------------|-------|-----------------------------|---|--|
| | | Additonal investment | Capital reduction | Investment gain/loss recognized under equity | Other comprehensive income adjustment | Other equity change | Cash dividend or profit announced to issued | Impairment accrual | Other | | | |
| I. Joint venture | | | | | | | | | | | | |
| Wuxi Weifu Environment Catalyst Co., Ltd. | 565,646,086.93 | | | 12,720,745.34 | | | | | | | 578,366,832.27 | |
| Wuxi Weifu Electric Drive Tech. Co., Ltd. | 54,742,375.02 | | | -910,094.79 | | | | | | -53,832,280.23 | | |
| Subtotal | 620,388,461.95 | | | 11,810,650.55 | | | | | | -53,832,280.23 | 578,366,832.27 | |

| II. Associated enterprise | | | | | | | | | | | |
|--|----------------------|--|--|----------------------|--|--|---------------------|--|--------------------|----------------------|--|
| Bosch Automobile Diesel System Co., Ltd. | 3,207,122,89 3.40 | | | 1,068,866 ,020.19 | | | 858,896,7 76.94 | | | 3,417,092 ,136.65 | |
| Zhonglian Automobile Electronic Co., Ltd. | 1,086,475,95 5.72 | | | 279,956,6 79.58 | | | 105,200,0 00.00 | | | 1,261,232 ,635.30 | |
| Weifu Precision Machinery Manufacturi ng Co., Ltd. | 55,310,157.9 0 | | | 9,826,444 .92 | | | 3,600,000 .00 | | | 61,536,60 2.82 | |
| Shinwell Automobile Tech. (Wuxi) Co., Ltd. | 7,476,477.77 | | | -3,298,73 1.46 | | | | | | 4,177,746 .31 | |
| Subtotal | 4,356,385,48 4.79 | | | 1,355,350 ,413.23 | | | 967,696,7 76.94 | | | 4,744,039 ,121.08 | |
| Total | 4,976,773,94 6.74 | | | 1,367,161 ,063.78 | | | -967,696, 776.94 | | -53,832,2 80.23 | 5,322,405 ,953.35 | |

11. Other equity instrument investment

In RMB/CNY

| Item | Ending balance | Opening balance |
|---|----------------|-----------------|
| Wuxi Xidong Science & Technology Industrial Park | 5,000,000.00 | 5,000,000.00 |
| Beijing Zhike Industry Investment Holding Group Co., Ltd. | 75,940,000.00 | 75,940,000.00 |
| Rare earth Catalysis Innovation Research Institute (Dongying) Co., Ltd. | 4,108,000.00 | |
| Wuxi Xichang Microchip Semi-Conductor | 200,000,000.00 | |
| Protean Holdings Corp. | | 6,148,272.91 |
| Total | 285,048,000.00 | 87,088,272.91 |

12. Other non-current financial assets

In RMB/CNY

| Item | Ending balance | Opening balance |
|---|------------------|-----------------|
| Tradable financial assets holding for over one year | 1,000,246,703.43 | |
| Equity instrument investment | 43,343,284.00 | 47,820,896.00 |
| Total | 1,043,589,987.43 | 47,820,896.00 |

13. Investment real estate

(1) Investment real estate measured by cost

√ Applicable □ Not applicable

In RMB/CNY

| Item | House and Building | Land use right | Construction in progress | Total |
|--|--------------------|----------------|--------------------------|---------------|
| I. original book value | | | | |
| 1. Opening balance | 61,677,335.83 | | | 61,677,335.83 |
| 2. Current increased | 3,846,716.78 | | | 3,846,716.78 |
| (1) outsourcing | | | | |
| (2) Inventory\fixed assets\construction in process transfer-in | 3,846,716.78 | | | 3,846,716.78 |
| (3) increased by combination | | | | |
| 3. Current decreased | | | | |
| (1) disposal | | | | |
| (2) other transfer-out | | | | |
| 4. Ending balance | 65,524,052.61 | | | 65,524,052.61 |
| II. Accumulated depreciation and accumulated amortization | | | | |
| 1. Opening balance | 39,771,201.31 | | | 39,771,201.31 |
| 2. Current increased | 3,342,339.43 | | | 3,342,339.43 |
| (1) accrual or amortization | 1,547,442.12 | | | 1,547,442.12 |
| (2) Inventory\fixed assets\construction in process transfer-in | 1,794,897.31 | | | 1,794,897.31 |
| 3. Current decreased | | | | |
| (1) disposal | | | | |
| (2) other transfer-out | | | | |
| 4. Ending balance | 43,113,540.74 | | | 43,113,540.74 |
| III. Depreciation reserves | | | | |
| 1. Opening balance | | | | |

| | | | | |
|------------------------|---------------|--|--|---------------|
| 2.Current increased | | | | |
| (1) accrual | | | | |
| 3. Current decreased | | | | |
| (1) disposal | | | | |
| (2) other transfer-out | | | | |
| 4.Ending balance | | | | |
| IV. Book value | | | | |
| 1.Ending Book value | 22,410,511.87 | | | 22,410,511.87 |
| 2.Opening Book value | 21,906,134.52 | | | 21,906,134.52 |

(2) Investment real estate measured at fair value

Applicable Not applicable

(3) Investment real estate without property certification held

Nil

14. Fixed assets

In RMB/CNY

| Item | Ending balance | Opening balance |
|--------------|------------------|------------------|
| Fixed assets | 2,845,176,078.20 | 2,707,374,678.61 |
| Total | 2,845,176,078.20 | 2,707,374,678.61 |

(1) Fixed assets

In RMB/CNY

| Item | House and Building | Machinery equipment | Transportation equipment | Electronic and other equipment | Total |
|--|--------------------|---------------------|--------------------------|--------------------------------|------------------|
| I. original book value: | | | | | |
| 1.Opening balance | 1,552,720,830.68 | 2,491,008,841.08 | 35,760,995.37 | 506,932,413.54 | 4,586,423,080.67 |
| 2.Current increased | 32,597,449.93 | 440,526,599.96 | 949,623.23 | 15,433,573.34 | 489,507,246.46 |
| (1) Purchase | 1,500,637.09 | 5,378,775.17 | | 2,756,499.91 | 9,635,912.17 |
| (2) Construction in progress transfer-in | 31,096,812.84 | 408,896,922.14 | 949,623.23 | 11,975,057.44 | 452,918,415.65 |
| (3) increased by combination | | 26,250,902.65 | | 702,015.99 | 26,952,918.64 |
| 3.Current decreased | 7,591,046.58 | 40,296,060.80 | 3,679,012.79 | 3,546,139.10 | 55,112,259.27 |

| | | | | | |
|---|------------------|------------------|---------------|----------------|------------------|
| (1) disposal or scrapping | 3,744,329.80 | 37,268,249.41 | 3,679,012.79 | 3,546,139.10 | 48,237,731.10 |
| (2) Investment real estate transfer-in | 3,846,716.78 | | | | 3,846,716.78 |
| (3) Other | | 3,027,811.39 | | | 3,027,811.39 |
| 4. Conversion of foreign currency financial statement | | 937,943.98 | | 24,764.50 | 962,708.48 |
| 5. Ending balance | 1,577,727,234.03 | 2,892,177,324.22 | 33,031,605.81 | 518,844,612.28 | 5,021,780,776.34 |
| II. Accumulated depreciation | | | | | |
| 1. Opening balance | 329,964,732.08 | 1,229,552,990.27 | 24,745,652.33 | 240,562,371.27 | 1,824,825,745.95 |
| 2. Current increased | 46,884,559.78 | 262,429,205.69 | 2,546,483.62 | 21,558,194.71 | 333,418,443.80 |
| (1) accrual | 46,884,559.78 | 243,682,598.86 | 2,546,483.62 | 20,989,370.97 | 314,103,013.23 |
| (3) increased by combination | | 18,746,606.83 | | 568,823.74 | 19,315,430.57 |
| 3. Current decreased | 3,380,519.88 | 26,334,874.99 | 2,719,752.16 | 2,589,998.81 | 35,025,145.84 |
| (1) disposal or scrapping | 1,585,622.57 | 26,334,874.99 | 2,719,752.16 | 2,589,998.81 | 33,230,248.53 |
| (2) Investment real estate transfer-in | 1,794,897.31 | | | | 1,794,897.31 |
| 4. Conversion of foreign currency financial statement | | 642,315.30 | | 19,432.82 | 661,748.12 |
| 5. Ending balance | 373,468,771.98 | 1,466,289,636.27 | 24,572,383.79 | 259,549,999.99 | 2,123,880,792.03 |
| III. Depreciation reserves | | | | | |
| 1. Opening balance | | 46,869,092.62 | 73,319.90 | 7,280,243.59 | 54,222,656.11 |
| 2. Current increased | | 4.75 | | 1.00 | 5.75 |
| (1) accrual | | | | | |
| (2) Construction in progress transfer-in | | 4.75 | | 1.00 | 5.75 |
| 3. Current decreased | | 1,498,755.75 | | | 1,498,755.75 |
| (1) disposal or scrapping | | 1,498,755.75 | | | 1,498,755.75 |
| (2) Construction in progress transfer-in | | | | | |
| 4. Conversion of foreign currency financial statement | | | | | |
| 5. Ending balance | | 45,370,341.62 | 73,319.90 | 7,280,244.59 | 52,723,906.11 |
| IV. Book value | | | | | |
| 1. Ending Book value | 1,204,258,462.05 | 1,380,517,346.33 | 8,385,902.12 | 252,014,367.70 | 2,845,176,078.20 |
| 2. Opening Book value | 1,222,756,098.60 | 1,214,586,758.19 | 10,942,023.14 | 259,089,798.68 | 2,707,374,678.61 |

(2) Temporarily idle fixed assets

Nil

(3) Fixed assets acquired by financing lease

Nil

(4) Fixed assets acquired by operating lease

Nil

(5) Fixed assets without property certification held

In RMB/CNY

| Item | Book value | Reasons for without the property certification |
|---|---------------|--|
| Plant and office building of Weifu Chang'an | 35,810,541.23 | Still in process of relevant property procedures |

Other explanation

Original value of machinery equipment has 3,027,811.39 yuan in other decrease in the period refers to the difference between the provisional estimation amount and the final settlement amount when is formally transferred to fixed assets in the period.

(6) Disposal of fixed assets

Nil

15. Construction in progress

In RMB/CNY

| Item | Ending balance | Opening balance |
|--------------------------|----------------|-----------------|
| Construction in progress | 247,857,777.25 | 166,414,542.18 |
| Total | 247,857,777.25 | 166,414,542.18 |

(1) Construction in progress

In RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|------|----------------|-------------------------|------------|-----------------|-----------------------|------------|
| | Book balance | Depreciated on reserves | Book value | Book balance | Depreciation reserves | Book value |
| | | | | | | |

| | | | | | | |
|--|----------------|--|----------------|----------------|--------------|----------------|
| Technical transformation of parent company | 98,032,515.22 | | 98,032,515.22 | 62,131,476.77 | 1,470,033.00 | 60,661,443.77 |
| Technical transformation of Weifu Autocam | 44,412,832.62 | | 44,412,832.62 | 64,861,621.60 | | 64,861,621.60 |
| Technical transformation of Weifu Leader | 25,051,156.03 | | 25,051,156.03 | 3,586,262.68 | | 3,586,262.68 |
| Other item | 80,361,273.38 | | 80,361,273.38 | 39,401,556.75 | 2,096,342.62 | 37,305,214.13 |
| Total | 247,857,777.25 | | 247,857,777.25 | 169,980,917.80 | 3,566,375.62 | 166,414,542.18 |

(2) Changes of major projects under construction

In RMB/CNY

| Item | Budget | Opening balance | Current increased | Fixed assets transfer-in in the Period | Other decreased in the Period | Ending balance | Proportion of project investment in budget | Progress | Accumulated amount of interest capitalization | including: interest capitalized amount of the year | Interest capitalization rate of the year | Source of funds |
|--|--------|-----------------|-------------------|--|-------------------------------|----------------|--|----------|---|--|--|-----------------|
| Technical transformation of parent company | | 62,131,476.77 | 314,649,694.53 | 276,206,773.75 | 2,541,882.33 | 98,032,515.22 | | | | | | Other |
| Technical transformation of Weifu Autocam | | 64,861,621.60 | 51,018,390.60 | 71,467,179.58 | | 44,412,832.62 | | | | | | Other |
| Technical transformation of Weifu Leader | | 3,586,262.68 | 56,575,104.34 | 35,110,210.99 | | 25,051,156.03 | | | | | | Other |
| Total | | 130,579,361.05 | 422,243,189.47 | 382,784,164.32 | 2,541,882.33 | 167,496,503.87 | -- | -- | | | | -- |

(3) The provision for impairment of construction projects

Nil

16. Intangible assets

(1) Intangible assets

In RMB/CNY

| Item | Land use right | Patent | Non-patent technology | Computer software | Trademark and trademark license | Total |
|---|----------------|--------|-----------------------|-------------------|---------------------------------|----------------|
| I. original book value | | | | | | |
| 1. Opening balance | 381,203,520.00 | | 3,539,793.05 | 52,996,879.28 | 41,597,126.47 | 479,337,318.80 |
| 2. Current increased | 572,989.00 | | 101,506,610.23 | 29,027,429.73 | | 131,107,028.96 |
| (1) Purchase | 572,989.00 | | 4,615.15 | 28,413,520.75 | | 28,991,124.90 |
| (2) internal R&D | | | | | | |
| (3) increased by combination | | | 101,501,995.08 | 613,908.98 | | 102,115,904.06 |
| 3. Current decreased | 789,751.89 | | | 232,061.03 | | 1,021,812.92 |
| (1) disposal | 789,751.89 | | | 232,061.03 | | 1,021,812.92 |
| 4. Conversion of foreign currency financial statement | | | 40,270.18 | 31,355.50 | | 71,625.68 |
| 5. Ending balance | 380,986,757.11 | | 105,086,673.46 | 81,823,603.48 | 41,597,126.47 | 609,494,160.52 |
| II. accumulated amortization | | | | | | |
| 1. Opening balance | 78,623,510.56 | | 2,625,346.70 | 46,839,738.79 | 9,709,000.00 | 137,797,596.05 |
| 2. Current increased | 9,690,748.00 | | 7,195,040.37 | 7,896,477.23 | | 24,782,265.60 |
| (1) accrual | 9,690,748.00 | | 7,097,978.21 | 7,487,638.60 | | 24,276,364.81 |
| (2) Increased by combination | | | 97,062.16 | 408,838.63 | | 505,900.79 |
| 3. Current decreased | 113,583.40 | | | 232,061.03 | | 345,644.43 |
| (1) disposal | 113,583.40 | | | 232,061.03 | | 345,644.43 |
| 4. Conversion of foreign currency financial statement | | | 3,578.14 | 15,093.04 | | 18,671.18 |
| 5. Ending balance | 88,200,675.16 | | 9,823,965.21 | 54,519,248.03 | 9,709,000.00 | 162,252,888.40 |
| III. Depreciation reserves | | | | | | |
| 1. Opening balance | | | | | 16,646,900.00 | 16,646,900.00 |
| 2. Current increased | | | | | | |

| | | | | | | |
|----------------------|----------------|--|---------------|---------------|---------------|----------------|
| (1) accrual | | | | | | |
| 3.Current decreased | | | | | | |
| (1) disposal | | | | | | |
| 4.Ending balance | | | | | 16,646,900.00 | 16,646,900.00 |
| IV. Book value | | | | | | |
| 1.Ending Book value | 292,786,081.95 | | 95,262,708.25 | 27,304,355.45 | 15,241,226.47 | 430,594,372.12 |
| 2.Opening Book value | 302,580,009.44 | | 914,446.35 | 6,157,140.49 | 15,241,226.47 | 324,892,822.75 |

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

(2) Land use right without property certification held

Nil

17. Goodwill

(1) Original book value of goodwill

In RMB/CNY

| The invested entity or matters forming goodwill | Opening balance | Current increased | Current decreased | Ending balance |
|---|-----------------|--------------------------------|-------------------|----------------|
| | | Formed by business combination | Disposal | |
| Weifu Tianli | 1,784,086.79 | | | 1,784,086.79 |
| Total | 1,784,086.79 | | | 1,784,086.79 |

(2) Goodwill depreciation reserves

Nil

Relevant information about the assets group or portfolio goodwill included

Instructions for goodwill impairments test process and key parameters (such as the forecast period growth rate, stable period growth rate, profit rate, discount rate, and forecast period when estimating the present value of the future cash flow), and the method of confirming the impairment loss of goodwill:

Impact of goodwill impairment test

Other explanation

(1) Goodwill of the Weifu Tianli

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

At the end of the period, the company conducted an impairment test on goodwill to estimate the present value of future cash flows and the recoverable amount of the goodwill-related asset group, that is to estimate the present

value of future cash flow based on the management's financial budget for the next five years and the discount rate of 11.35%, the cash flow of the year after the five years of financial budget has remained stable. The asset group identified during the goodwill impairment test did not change.

The key parameters determined by the goodwill impairment test are as follows: The current value of the expected future cash flow of the asset group related to goodwill is measured by using 21%~23% of gross profit margin and 7%~12% of the operating income growth rate in the forecast period as key parameters. The management determines these parameters based on historical conditions prior to the forecast period and forecasts of market development. After the above tests, the company's goodwill does not need to make provisions for impairment.

18. Long-term deferred expenses

In RMB/CNY

| Item | Opening balance | Current increased | Amortized in the Period | Other decrease | Ending balance |
|-----------------------|-----------------|-------------------|-------------------------|----------------|----------------|
| Remodeling costs etc. | 16,637,652.31 | 8,191,818.63 | 6,293,470.69 | | 18,536,000.25 |
| Total | 16,637,652.31 | 8,191,818.63 | 6,293,470.69 | | 18,536,000.25 |

19. Deferred income tax assets/Deferred income tax liabilities

(1) Deferred income tax assets that are not offset

In RMB/CNY

| Item | Ending balance | | Opening balance | |
|---|---------------------------------|----------------------------|---------------------------------|----------------------------|
| | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Bad debt reserve | 94,527,571.76 | 14,302,572.39 | 44,576,998.51 | 6,770,470.23 |
| Inventory depreciation reserve | 237,900,564.04 | 38,773,864.59 | 210,088,809.57 | 32,942,217.43 |
| Depreciation reserves of fixed assets | 19,197,534.00 | 3,095,824.19 | 20,661,129.43 | 3,315,363.51 |
| Depreciation reserves of construction in progress | | | 3,566,375.62 | 534,956.34 |
| Depreciation reserves of intangible assets | 16,646,900.00 | 2,497,035.00 | 16,646,900.00 | 2,497,035.00 |
| Other equity instrument investment | 10,000,000.00 | 1,500,000.00 | 155,994,927.09 | 23,399,239.06 |
| Change of fair value of transaction financial asset | 16,517,403.00 | 2,477,610.45 | 23,305,227.00 | 3,495,784.05 |
| Deferred income | 362,993,022.12 | 54,664,953.32 | 422,215,782.35 | 63,332,367.36 |
| Internal un-realized profit | 22,481,656.04 | 4,568,190.39 | 33,204,053.14 | 6,439,903.29 |
| Payable salary, accrued expenses etc. | 622,348,855.94 | 96,720,511.00 | 539,804,494.87 | 85,801,436.71 |

| | | | | |
|--|------------------|----------------|------------------|----------------|
| Depreciation assets, amortization difference | 49,220,776.87 | 7,779,059.56 | 53,624,344.54 | 8,439,877.52 |
| Deductible loss of subsidiary | 21,714,524.19 | 4,101,171.83 | 9,677,975.44 | 2,419,493.86 |
| Change of fair value of derivative financial liability | | | 490,329.13 | 73,549.37 |
| Total | 1,473,548,807.96 | 230,480,792.72 | 1,533,857,346.69 | 239,461,693.73 |

(2) Deferred income tax liabilities that are not offset

In RMB/CNY

| Item | Ending balance | | Opening balance | |
|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
| Asset evaluation increment for combination not under the same control | 12,011,409.46 | 1,801,711.40 | 12,751,629.44 | 1,912,744.40 |
| Resulted by the difference between the fair value of assets from IRD combined not under the same control and tax basis | 94,383,365.10 | 20,764,340.32 | | |
| Change of fair value of transaction financial asset | 18,231,842.32 | 2,734,776.35 | 25,169,410.96 | 3,775,411.64 |
| Accelerated depreciation of fixed assets | 98,019,924.32 | 15,269,514.83 | 31,763,694.33 | 4,764,554.15 |
| Total | 222,646,541.20 | 40,570,342.90 | 69,684,734.73 | 10,452,710.19 |

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

In RMB/CNY

| Item | Trade-off between the deferred income tax assets and liabilities | Ending balance of deferred income tax assets or liabilities after off-set | Trade-off between the deferred income tax assets and liabilities at period-begin | Opening balance of deferred income tax assets or liabilities after off-set |
|---------------------------------|--|---|--|--|
| Deferred income tax assets | -18,004,291.18 | 212,476,501.54 | -8,539,965.79 | 230,921,727.94 |
| Deferred income tax liabilities | -18,004,291.18 | 22,566,051.72 | -8,539,965.79 | 1,912,744.40 |

(4) Details of unrecognized deferred income tax assets

In RMB/CNY

| Item | Ending balance | Opening balance |
|--------------------------------|----------------|-----------------|
| Bad debt reserve | 2,459,073.60 | 789,822.60 |
| Inventory depreciation reserve | 20,176,155.49 | 19,860,664.11 |
| Loss from subsidiary | 103,734,801.82 | 139,281,223.32 |

| | | |
|---------------------------------------|----------------|----------------|
| Depreciation reserves of fixed assets | 33,526,372.11 | 33,561,526.68 |
| Other equity instrument investment | 48,633,106.95 | 48,633,106.95 |
| Total | 208,529,509.97 | 242,126,343.66 |

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

In RMB/CNY

| Maturity year | Ending amount | Opening amount | Note |
|---------------|----------------|----------------|------------------------------------|
| 2019 | | 25,671,694.55 | Subsidiaries have operating losses |
| 2020 | 23,567,088.89 | 44,795,747.87 | Subsidiaries have operating losses |
| 2021 | 43,218,245.04 | 46,080,956.48 | Subsidiaries have operating losses |
| 2022 | 9,901,777.74 | 10,503,882.86 | Subsidiaries have operating losses |
| 2023 | 7,882,026.39 | 12,228,941.56 | Subsidiaries have operating losses |
| 2024 | 19,165,663.76 | | |
| Total | 103,734,801.82 | 139,281,223.32 | -- |

20. Other non-current assets

Whether implemented the new revenue standards

 Yes No

In RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------------------------|----------------|-----------------|
| Engineering equipment paid in advance | 230,235,982.45 | 251,462,676.27 |
| Total | 230,235,982.45 | 251,462,676.27 |

21. Short-term borrowings

(1) Category of short-term borrowings

In RMB/CNY

| Item | Ending balance | Opening balance |
|------------------|----------------|-----------------|
| Credit loan | 305,835,808.28 | 298,928,213.94 |
| Bill financing | 5,976,347.95 | |
| Accrued interest | 341,813.58 | 420,478.58 |
| Total | 312,153,969.81 | 299,348,692.52 |

(2) Overdue short-term loans without payment

Nil

22. Derivative financial liability

In RMB/CNY

| Item | Ending balance | Opening balance |
|--------------------------------|----------------|-----------------|
| Derivative financial liability | | 490,329.13 |
| Total | | 490,329.13 |

23. Note payable

In RMB/CNY

| Category | Ending balance | Opening balance |
|----------------------|------------------|------------------|
| Bank acceptance bill | 1,745,218,439.52 | 1,018,367,533.74 |
| Total | 1,745,218,439.52 | 1,018,367,533.74 |

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

24. Account payable**(1) Account payable**

In RMB/CNY

| Item | Ending balance | Opening balance |
|------------------|------------------|------------------|
| Within 1 year | 3,214,392,402.81 | 1,957,672,043.76 |
| 1-2 years | 74,021,217.00 | 10,208,129.49 |
| 2-3 years | 5,854,811.50 | 7,830,950.08 |
| Over three years | 17,985,798.53 | 71,625,711.33 |
| Total | 3,312,254,229.84 | 2,047,336,834.66 |

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

Nil

25. Accounts received in advance

Whether implemented the new revenue standards

Yes No

(1) Accounts received in advance

In RMB/CNY

| Item | Ending balance | Opening balance |
|------------------|----------------|-----------------|
| Within 1 year | 111,750,033.74 | 33,337,169.03 |
| 1-2 years | 698,914.28 | 6,544,805.44 |
| 2-3 years | 260,387.26 | 425,759.63 |
| Over three years | 1,028,097.33 | 1,022,123.70 |
| Total | 113,737,432.61 | 41,329,857.80 |

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

Nil

(3) Projects that settle without completed from construction contract at period-end:

Nil

26. Wage payable**(1) Wage payable**

In RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|--|-----------------|-------------------|-------------------|----------------|
| I. Short-term compensation | 167,414,050.82 | 1,010,548,286.43 | 1,016,760,079.63 | 161,202,257.62 |
| II. Post-employment welfare- defined contribution plans | 32,505,677.48 | 140,892,599.48 | 145,810,536.93 | 27,587,740.03 |
| III. Dismissed welfare | 2,601,561.75 | 2,799,010.08 | 3,151,042.01 | 2,249,529.82 |
| IV. Other welfare due within one year | 90,050,000.00 | 70,349,492.30 | 54,219,492.30 | 106,180,000.00 |
| V. Other short-term welfare-Housing subsidies, employee benefits and welfare funds | 19,541,888.19 | | 2,417,678.00 | 17,124,210.19 |
| Total | 312,113,178.24 | 1,224,589,388.29 | 1,222,358,828.87 | 314,343,737.66 |

(2) Short-term compensation

In RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---|-----------------|-------------------|-------------------|----------------|
| 1. Wages, bonuses, allowances and subsidies | 148,435,979.41 | 788,426,052.93 | 795,614,835.49 | 141,247,196.85 |
| 2. Welfare for workers and staff | | 71,374,610.69 | 71,374,610.69 | |

| | | | | |
|--|----------------|------------------|------------------|----------------|
| 3. Social insurance | 9,451,627.58 | 67,628,995.55 | 68,379,176.00 | 8,701,447.13 |
| Including: Medical insurance | 7,681,163.73 | 58,550,036.79 | 58,656,026.87 | 7,575,173.65 |
| Work injury insurance | 997,896.55 | 4,024,370.78 | 4,481,037.31 | 541,230.02 |
| Maternity insurance | 772,567.30 | 5,054,587.98 | 5,242,111.82 | 585,043.46 |
| 4. Housing accumulation fund | 658,798.00 | 68,367,627.00 | 68,346,748.00 | 679,677.00 |
| 5. Labor union expenditure and personnel education expense | 8,867,645.83 | 14,751,000.26 | 13,044,709.45 | 10,573,936.64 |
| Total | 167,414,050.82 | 1,010,548,286.43 | 1,016,760,079.63 | 161,202,257.62 |

(3) Defined contribution plans

In RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|------------------------------|-----------------|-------------------|-------------------|----------------|
| 1. Basic endowment insurance | 17,945,666.32 | 97,581,401.68 | 105,744,318.17 | 9,782,749.83 |
| 2. Unemployment insurance | 581,515.16 | 3,120,624.55 | 3,289,165.49 | 412,974.22 |
| 3. Enterprise annuity | 13,978,496.00 | 40,190,573.25 | 36,777,053.27 | 17,392,015.98 |
| Total | 32,505,677.48 | 140,892,599.48 | 145,810,536.93 | 27,587,740.03 |

Other explanation:

Reclassification of long-term staff remuneration payable:

- ① An amount of RMB 71,880,000.00 in short-term remuneration is reclassified into long-term staff remuneration payable, which represents the incentive fund of RMB 71,880,000.00 provided for in this period.
- ② An amount of RMB 85,784,376.17 is recorded in post office benefits - defined benefit plan and incentive fund payable within one year, which represents the difference between the incentive fund of RMB 121,830,000.00 expected to be paid in 2020 and the beginning balance of incentive fund payable within one year, post office benefits-defined benefit plan and the actual amount paid in this period.

Post-employment welfare- defined contribution plans:

The Company participates in the pension insurance and unemployment insurance plans established by government authorities by laws, a certain percentage of the social security fee regulated by the government will pay by the Company monthly for the plans. Other than the aforesaid monthly contribution, the Company takes no further payment obligation. The relevant expenditure is included in current profit or loss or cost of relevant assets when occurs. Found more of enterprise annuity in Note XIV-4. "Annuity plan"

(4) Dismiss welfare

The wages payable resulted from the implementation of inner retirement plan, the amount paid in the year RMB 2,382,745.58 re-classified into the wage payable from long-term wages payable.

27. Taxes payable

In RMB/CNY

| Item | Ending balance | Opening balance |
|---|-----------------------|----------------------|
| Value-added tax | 61,749,095.75 | 15,332,751.18 |
| Corporation income tax | 50,686,013.43 | 48,855,330.99 |
| Individual income tax | 2,689,642.51 | 1,861,196.92 |
| City maintaining & construction tax | 4,348,399.47 | 884,819.63 |
| Educational surtax | 3,105,999.62 | 543,438.10 |
| Other (including stamp tax and local funds) | 6,959,261.08 | 6,794,077.10 |
| Total | 129,538,411.86 | 74,271,613.92 |

28. Other account payable

In RMB/CNY

| Item | Ending balance | Opening balance |
|------------------------|----------------------|----------------------|
| Interest payable | | 6,678.00 |
| Other accounts payable | 65,266,262.39 | 63,931,254.44 |
| Total | 65,266,262.39 | 63,937,932.44 |

(1) Interest payable

In RMB/CNY

| Item | Ending balance | Opening balance |
|--------------|----------------|-----------------|
| Other | | 6,678.00 |
| Total | | 6,678.00 |

Major overdue interest: nil

(2) Dividend payable

Nil

(3) Other account payable**1) Classification of other accounts payable according to nature of account**

In RMB/CNY

| Item | Ending balance | Opening balance |
|--------------------|----------------|-----------------|
| Deposit and margin | 14,458,865.71 | 18,680,843.00 |

| | | |
|--|---------------|---------------|
| Social insurance and reserves funds that withholding | 8,434,584.35 | 7,682,496.48 |
| Intercourse funds of unit | 37,055,997.50 | 30,982,145.98 |
| Other | 5,316,814.83 | 6,585,768.98 |
| Total | 65,266,262.39 | 63,931,254.44 |

2) Significant other payable with over one year age

In RMB/CNY

| Item | Ending balance | Reasons for non-repayment or carry-over |
|---|----------------|---|
| Nanjing Jidian Industrial Group Co., Ltd. | 4,500,000.00 | Intercourse funds |
| Total | 4,500,000.00 | -- |

29. Non-current liabilities due within one year

In RMB/CNY

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| Long-term borrowings due within one year | | 15,000,000.00 |
| Accrued interest | | 21,770.83 |
| Total | | 15,021,770.83 |

30. Long-term borrowings

(1) Category of Long-term borrowings

In RMB/CNY

| Item | Ending balance | Opening balance |
|------------------|----------------|-----------------|
| Guaranteed loan | | 30,000,000.00 |
| Accrued interest | | 43,541.67 |
| Total | | 30,043,541.67 |

31. Long-term account payable

In RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------------|----------------|-----------------|
| Long-term account payable | 16,843,181.00 | 17,182,272.00 |
| Special accounts payable | 18,265,082.11 | 18,265,082.11 |
| Total | 35,108,263.11 | 35,447,354.11 |

(1) Long-term account payable listed by nature

In RMB/CNY

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| Hi-tech Branch of Nanjing Finance Bureau (note ①) Financial support funds (2005) | 1,140,000.00 | 1,140,000.00 |
| Hi-tech Branch of Nanjing Finance Bureau (note ②) Financial support funds (2006) | 1,250,000.00 | 1,250,000.00 |
| Hi-tech Branch of Nanjing Finance Bureau (note ③) Financial support funds (2007) | 1,230,000.00 | 1,230,000.00 |
| Loan transferred from treasury bond (note ④) | 678,181.00 | 1,017,272.00 |
| Hi-tech Branch of Nanjing Finance Bureau (note ⑤) Financial support funds (2008) | 2,750,000.00 | 2,750,000.00 |
| Hi-tech Branch of Nanjing Finance Bureau (note ⑥) Financial support funds (2009) | 1,030,000.00 | 1,030,000.00 |
| Hi-tech Branch of Nanjing Finance Bureau (note ⑦) Financial support funds (2010) | 960,000.00 | 960,000.00 |
| Hi-tech Branch of Nanjing Finance Bureau (note ⑧) Financial support funds (2011) | 5,040,000.00 | 5,040,000.00 |
| Hi-tech Branch of Nanjing Finance Bureau (note ⑨) Financial support funds (2013) | 2,740,000.00 | 2,740,000.00 |
| Total | 16,818,181.00 | 17,157,272.00 |

Other explanation:

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

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

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

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

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

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

Note ⑦: To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone,

financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 27 December 2010 to 27 December 2025. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

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

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

(2) Special accounts payable

In RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance | Cause of formation |
|--|-----------------|-------------------|-------------------|----------------|--------------------|
| Removal compensation of subsidiary Weifu Jinning | 18,265,082.11 | | | 18,265,082.11 | |
| Total | 18,265,082.11 | | | 18,265,082.11 | -- |

Other explanation:

In line with regulation of the house acquisition decision of People's government of Xuanwu District, Nanjing City, Ning Xuan Fu Zheng Zi (2012) No.001, part of the lands and property of Weifu Jinning needs expropriation in order to carry out the comprehensively improvement of Ming Great Wall. According to the house expropriation and compensation agreement in state-owned lands signed between Weifu Jinning and House Expropriation Management Office of Xuanwu District, Nanjing City, RMB 19.7067 million in total are compensate, including operation losses from lessee RMB 1.4416 million in total. The above compensation was received in last period and is making up for the losses from lessee, and the above lands and property have not been collected up to 31 December 2019.

32. Long-term wages payable

(1) Long-term wages payable

In RMB/CNY

| Item | Ending balance | Opening balance |
|------------------------------|----------------|-----------------|
| II. Dismiss welfare | 8,333,666.85 | 10,716,412.43 |
| III. Other long-term welfare | 50,058,386.76 | 63,962,762.93 |
| Total | 58,392,053.61 | 74,679,175.36 |

33. Deferred income

In RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance | Cause of formation |
|------------------|-----------------|-------------------|-------------------|----------------|-------------------------------|
| Government grand | 425,769,854.13 | 9,571,000.00 | 70,224,831.15 | 365,116,022.98 | Financial allocation received |
| Total | 425,769,854.13 | 9,571,000.00 | 70,224,831.15 | 365,116,022.98 | -- |

Item with government grants involved:

In RMB/CNY

| Item | Opening balance | New grants in the Period | Amount reckoned in non-operation revenue | Amount reckoned into other income in the period | Cost reduction in the period | Other changes | Ending balance | Assets related/Income related |
|--|-----------------|--------------------------|--|---|------------------------------|---------------|----------------|-------------------------------|
| Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used | 2,884,001.16 | | | 721,000.30 | | | 2,163,000.86 | Assets related/Income related |
| Appropriation on reforming of production line technology and R&D ability of common rail system for diesel by distributive high-voltage | 7,100,000.00 | | | | | | 7,100,000.00 | Assets related |
| Fund of industry upgrade (2012) | 60,400,000.00 | | | 33,742,473.83 | | | 26,657,526.17 | Income related |
| Fund of industry upgrade (2013) | 60,520,000.00 | | | | | | 60,520,000.00 | Income related |
| Appropriation on central basic construction investment | 2,142,857.16 | | | 714,285.71 | | | 1,428,571.45 | Assets related |

| | | | | | | | | |
|--|----------------|--------------|--|---------------|--|--|----------------|-------------------------------|
| R&D and industrialization of the high-pressure variable pump of the common rail system of diesel engine for automobile | 8,413,809.44 | | | 1,543,095.28 | | | 6,870,714.16 | Assets related |
| Research institute of motor vehicle exhaust aftertreatment technology | 2,472,471.21 | | | 635,758.63 | | | 1,836,712.58 | Assets related |
| Fund of industry upgrade (2014) | 36,831,000.00 | | | | | | 36,831,000.00 | Income related |
| New-built assets compensation after the removal of parent company | 147,575,675.52 | | | 22,726,281.60 | | | 124,849,393.92 | Assets related |
| Fund of industry upgrade (2016) | 40,000,000.00 | | | | | | 40,000,000.00 | Income related |
| Guiding capital for the technical reform from State Hi-Tech Technical Commission | 9,740,000.00 | | | 1,592,569.73 | | | 8,147,430.27 | Assets related |
| Implementation of the variable cross-section turbocharger for diesel engine | 10,908,721.03 | | | 1,935,949.61 | | | 8,972,771.42 | Assets related |
| Demonstration project for intelligent manufacturing | 1,450,030.10 | | | 301,588.76 | | | 1,148,441.34 | Assets related |
| Other | 35,331,288.51 | 9,571,000.00 | | 6,311,827.70 | | | 38,590,460.81 | Assets related/Income related |
| Total | 425,769,854.13 | 9,571,000.00 | | 70,224,831.15 | | | 365,116,022.98 | |

Other explanation:

(1) Appropriation on industrialization project of electrical control and high voltage jet VE system of low emissions diesel: in September 2009, Weifu Jinning signed “Project Contract of Technology Outcome Transferring Special Capital in Jiangsu Province” with Nanjing Technical Bureau, according to which Weifu

Jinning received appropriation 6.35 million Yuan in 2009, 4.775 million Yuan received in 2010 and 0.875 million Yuan received in 2011. According to the contract, the attendance date of this project was: from October of 2009 to March of 2012. This contract agreed 62% of newly increased investment in project would be spent in fixed assets investment which are belongs to the government grand with assets/income concerned. In 2013, accepted by the science & technology agency of Jiangsu Province, and 4,789,997.04 Yuan with income related was reckoned into current operation revenue directly; the 7,210,002.96 Yuan with assets related was amortized during the predicted service period of the assets, and 721,000.30 Yuan amortized in the Period.

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

(3) Industry upgrading funds (2012): In accordance with the document Xi Xin Guanjing Fa [2012] No.216 and Document Xi Xin Guancai Fa [2012] No. 85, the Company received funds of 60.4 million Yuan appropriated for industry upgrading this year. Current write off: 33,742,473.83 Yuan.

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

(5) Appropriation for investment of capital construction from the central government: In accordance with the document Xi Caijian [2012] No.43, the Company received appropriation of 5 million Yuan for investment of capital construction from the central government in 2012. The project has passed the acceptance check in current period, this appropriation should be amortized within the surplus service life of current assets, and amortization amount of current period is 714,285.71 Yuan.

(6) R&D and industrialization of the high pressure variable pump of the common rail system of diesel engine for automobile: the Company received appropriated for the project in 2013 with 8.05 million Yuan in line with documents of Xi Ke Ji [2013] No.186, Xi Ke Ji [2013] No.208, Xi Cai Gong Mao [2013] No.104, Xi Cai Gong Mao [2013] No.138, Xi Ke Ji [2014] No.125, Xi Cai Gong Mao [2014] No.58, Xi Ke Ji [2014] No. 246 and Xi Cai Gong Mao [2014] No.162. Received 3 million Yuan in 2014 and 0.45 million Yuan in 2015; and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 1,543,095.28 Yuan amortizes in the year.

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

assets and will be amortized according to the depreciation process, amount of 635,758.63 Yuan amortizes in the year.

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

(9) New-built assets compensation after the removal of parent company: policy relocation compensation received by the Company, and will be amortized according to the depreciation of new-built assets, amount of 22,726,281.60 Yuan amortizes in the year.

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

(11) Guiding capital for the technical reform from State Hi-Tech Technical Commission: In accordance with the document Xi Jing Xin ZH [2016] No.9 and Xi Cai GM [2016] No.56, the Company received a 9.74 million Yuan for the guiding capital of technical reform (1st batch) from Wuxi for year of 2016, and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 1,592,569.73 Yuan amortize in the year.

(12) Implementation of the variable cross-section turbocharger for diesel engine: In accordance with the document YCZ Fa[2016] NO.623 and “Strong Industrial Base Project Contract for year of 2016”, subsidiary Weifu Tianli received a specific subsidy of 16.97 million Yuan (760,000 Yuan received in 2018), the fund supporting strong industrial base project (made-in-China 2025) of central industrial transformation and upgrading 2016 from Ministry of Industry and Information Technology; and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 1,935,949.61 Yuan amortize in the year.

(13) Demonstration project for intelligent manufacturing: under the Notice Relating to Selection of the Intelligent Manufacturing Model Project in Huishan District in 2016 (HJXF[2016]No.36), a fiscal subsidy of 3,000,000 Yuan was granted by relevant government authority in Huishan district to our subsidiary Weifu Leader in 2017 to be utilized for transformation and upgrade of Weifu Leader’s intelligent manufacturing facilities. This subsidy belongs to government grant related to assets which shall be amortized based on the depreciation progress of the assets. Amortization for the year amounts to 301,588.76 Yuan.

34. Share capital

In RMB

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

35. Capital reserve

In RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---|------------------|-------------------|-------------------|------------------|
| Capital premium (Share capital premium) | 3,370,828,806.22 | | 24,494,988.81 | 3,346,333,817.41 |
| Other Capital reserve | 45,193,988.92 | | | 45,193,988.92 |
| Total | 3,416,022,795.14 | | 24,494,988.81 | 3,391,527,806.33 |

Other explanation, including changes in the period and reasons for changes;

The share premium was reduced by 24,494,988.81 yuan in the current period, which was the difference between the long-term equity investment newly acquired by the company through the purchase of minority shareholding of Weifu Tianli and the net assets share that Weifu Tianli continued to calculate from the date of purchase according to the new shareholding ratio.

36. Other comprehensive income

In RMB/CNY

| Item | Opening balance | Current period | | | | | | Ending balance |
|--|-----------------|---------------------------------------|--|---|--------------------------|------------------------------------|---|----------------|
| | | Account before income tax in the year | Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period | Less: written in other comprehensive income in previous period and carried forward to retained earnings in current period | Less: income tax expense | Belong to parent company after tax | Belong to minority shareholders after tax | |
| II. Other comprehensive income items which will be reclassified subsequently to profit or loss | | 203,603.86 | | | | 134,871.67 | 68,732.19 | 134,871.67 |
| Conversion difference of foreign currency financial statement | | 203,603.86 | | | | 134,871.67 | 68,732.19 | 134,871.67 |
| Total other comprehensive income | | 203,603.86 | | | | 134,871.67 | 68,732.19 | 134,871.67 |

Other explanation, including the adjustment on initial recognition for arbitrage items that transfer from the effective part of cash flow hedge profit/loss:

37. Reasonable reserve

In RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|-------------------------|-----------------|-------------------|-------------------|----------------|
| Safety production costs | 1,618,490.50 | 19,723,986.94 | 18,094,720.38 | 3,247,757.06 |
| Total | 1,618,490.50 | 19,723,986.94 | 18,094,720.38 | 3,247,757.06 |

Other explanation, including changes and reasons for changes:

(1) Instructions for the withdrawing of special reserves (safe production cost): According to the CQ [2012] No. 16 - Administrative Measures on the Withdrawing and Use of Enterprise Safety Production Expenses jointly issued by the Ministry of Finance and the State Administration of Work Safety, in the current period, the Company adopted excess retreat method for quarterly withdrawal by taking the actual operating income of the previous period as the withdrawing basis.

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

38. Surplus reserve

In RMB/CNY

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|----------------------------|-----------------|-------------------|-------------------|----------------|
| Statutory surplus reserves | 510,100,496.00 | | | 510,100,496.00 |
| Total | 510,100,496.00 | | | 510,100,496.00 |

Other explanation, including changes and reasons for changes:

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

39. Retained profit

In RMB/CNY

| Item | Current period | Last period |
|--|-------------------|------------------|
| Retained profits at the end of last year before adjustment | 10,996,945,870.13 | 9,811,609,138.92 |
| Total retained profit at beginning of the adjustment (+ for increased, -for decreased) | 1,584,556.37 | |
| Retained profits at the beginning of the year after adjustment | 10,998,530,426.50 | 9,811,609,138.92 |
| Add: The net profits belong to owners of patent company of this period | 2,268,026,432.78 | 2,396,077,415.21 |
| Common dividend payable | 1,210,740,684.00 | 1,210,740,684.00 |
| Add: Net effect of disposal other equity instrument investment | 20,627,460.28 | |

| | | |
|-------------------------------|-------------------|-------------------|
| Retained profit at period-end | 12,076,443,635.56 | 10,996,945,870.13 |
|-------------------------------|-------------------|-------------------|

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

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 1,584,556.37 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan

40. Operating income and cost

In RMB/CNY

| Item | Current period | | Last Period | |
|----------------|------------------|------------------|------------------|------------------|
| | Income | Cost | Income | Cost |
| Main operating | 8,354,743,964.67 | 6,322,810,707.67 | 8,262,954,878.87 | 6,334,140,163.43 |
| Other business | 429,612,995.63 | 347,543,672.87 | 458,719,792.31 | 357,716,676.54 |
| Total | 8,784,356,960.30 | 6,670,354,380.54 | 8,721,674,671.18 | 6,691,856,839.97 |

Whether implemented the new revenue standards

Yes No

41. Operating tax and extras

In RMB/CNY

| Item | Current period | Last Period |
|-------------------------------------|----------------|---------------|
| City maintaining & construction tax | 24,124,239.92 | 23,365,378.57 |
| Educational surtax | 17,320,175.67 | 16,600,470.65 |
| Property tax | 16,236,869.24 | 15,673,296.50 |
| Land use tax | 5,991,933.84 | 6,488,307.08 |
| Vehicle use tax | 31,410.44 | 37,664.70 |
| Stamp duty | 2,720,462.05 | 3,054,969.25 |
| Other taxes | 209,545.50 | 168,243.17 |
| Total | 66,634,636.66 | 65,388,329.92 |

42. Sales expenses

In RMB/CNY

| Item | Current period | Last Period |
|---------------------------|----------------|---------------|
| Salary and fringe benefit | 53,193,376.14 | 49,030,453.69 |

| | | |
|--|-----------------------|-----------------------|
| Consumption of office materials and business travel charge | 12,114,381.29 | 13,500,456.63 |
| Transportation charge | 36,110,291.16 | 36,096,699.36 |
| Warehouse charge | 13,540,499.34 | 13,503,116.85 |
| Three guarantees and quality cost | 102,034,286.75 | 93,151,070.22 |
| Business entertainment fee | 26,297,874.14 | 18,934,440.36 |
| Other | 16,360,043.51 | 13,623,235.17 |
| Total | 259,650,752.33 | 237,839,472.28 |

43. Administration expenses

In RMB/CNY

| Item | Current period | Last Period |
|--|-----------------------|-----------------------|
| Salary and fringe benefit | 261,541,676.32 | 242,611,825.10 |
| Depreciation charger and long-term assets amortization | 55,145,177.10 | 53,544,172.92 |
| Consumption of office materials and business travel charge | 19,603,194.54 | 19,301,684.66 |
| Incentive fund | 71,880,000.00 | 128,559,600.00 |
| Other | 105,858,403.80 | 140,988,103.07 |
| Total | 514,028,451.76 | 585,005,385.75 |

44. R&D expenses

In RMB/CNY

| Item | Current period | Last Period |
|------------------------------------|-----------------------|-----------------------|
| Technological development expenses | 417,924,908.28 | 403,263,972.20 |
| Total | 417,924,908.28 | 403,263,972.20 |

45. Financial expenses

In RMB/CNY

| Item | Current period | Last Period |
|---------------------------------|----------------|---------------|
| Interest expenses | 21,770,516.39 | 17,562,164.63 |
| Note discount interest expenses | 1,205,789.22 | 413,348.40 |
| Less: interest income | 79,299,239.77 | 34,156,380.22 |
| Gains/losses from exchange | -5,453,798.20 | -4,437,834.09 |

| | | |
|------------------|----------------|----------------|
| Handling charges | 3,884,456.24 | 3,225,120.73 |
| Total | -57,892,276.12 | -17,393,580.55 |

46. Other income

In RMB/CNY

| Sources of income generated | Current period | Last Period |
|---|----------------|---------------|
| Government grants with routine operation activity concerned | 91,170,663.57 | 48,404,480.99 |
| Total | 91,170,663.57 | 48,404,480.99 |

47. Investment income

In RMB/CNY

| Item | Current period | Last Period |
|--|------------------|------------------|
| Income of long-term equity investment calculated based on equity | 1,378,264,061.18 | 1,623,761,059.52 |
| Investment income from holding financial assets available for sales | 1,383,668.59 | |
| Dividend income from holding other equity instrument investment | 900,000.00 | |
| Investment income from holding available-for-sale financial assets | | 3,274,260.41 |
| Investment income obtained from disposal of financial assets available for sales | | 17,370,816.75 |
| Investment income of financial products | 236,832,172.54 | 311,261,918.65 |
| Other | -2,839,187.48 | |
| Total | 1,614,540,714.83 | 1,955,668,055.33 |

48. Income from change of fair value

In RMB/CNY

| Sources | Current period | Last Period |
|-----------------------------|----------------|-------------|
| Transaction financial asset | 25,019,666.32 | |
| Other | | -490,329.13 |
| Total | 25,019,666.32 | -490,329.13 |

49. Credit impairment loss

In RMB/CNY

| Item | Current period | Last Period |
|---------------|----------------|-------------|
| Bad debt loss | -52,825,875.25 | |
| Total | -52,825,875.25 | |

50. Assets impairment loss

Whether implemented the new revenue standards

Yes No

In RMB/CNY

| Item | Current period | Last Period |
|---|-----------------|-----------------|
| I. Bad debt losses | | -27,180,572.84 |
| II. Loss on inventory valuation | -169,460,299.73 | -77,193,338.52 |
| III. Impairment loss on available-for-sale financial assets | | -145,994,927.09 |
| IV. Impairment loss on fixed assets | | -504,907.39 |
| Total | -169,460,299.73 | -250,873,745.84 |

51. Income from assets disposal

In RMB/CNY

| Sources | Current period | Last Period |
|--|----------------|----------------|
| Income from disposal of non-current assets | 34,050,815.11 | 103,712,793.61 |
| Losses from disposal of non-current assets | -1,896,354.90 | -1,239,798.14 |
| Total | 32,154,460.21 | 102,472,995.47 |

52. Non-operating income

In RMB/CNY

| Item | Current period | Last Period | Amount reckoned into current non-recurring gains/losses |
|-------|----------------|--------------|---|
| Other | 2,413,561.54 | 1,264,830.90 | 2,413,561.54 |
| Total | 2,413,561.54 | 1,264,830.90 | 2,413,561.54 |

53. Non-operating expense

In RMB/CNY

| Item | Current period | Last Period | Amount reckoned into current non-recurring gains/losses |
|------------------------------------|----------------|--------------|---|
| Donation | 73,332.31 | 1,313,246.00 | 73,332.31 |
| Non-current assets disposal losses | 3,161,855.50 | 6,310,772.90 | 3,161,855.50 |
| Local fund | 2,734,286.52 | 1,804,429.63 | |
| Other | 156,952.84 | 548,711.02 | 156,952.84 |
| Total | 6,126,427.17 | 9,977,159.55 | 3,392,140.65 |

54. Income tax expense**(1) Income tax expense**

In RMB/CNY

| Item | Current period | Last Period |
|--|----------------|----------------|
| Payable tax in current period | 147,179,544.24 | 165,302,326.13 |
| Adjusted the previous income tax | 5,674,478.65 | -1,108,883.52 |
| Increase/decrease of deferred income tax assets | -12,918,338.05 | -32,958,287.45 |
| Increase/decrease of deferred income tax liability | 7,870,125.22 | 4,653,521.15 |
| Total | 147,805,810.06 | 135,888,676.31 |

(2) Adjustment on accounting profit and income tax expenses

In RMB/CNY

| Item | Current period |
|---|------------------|
| Total profit | 2,450,542,571.17 |
| Income tax measured by statutory/applicable tax rate | 367,581,385.68 |
| Impact by different tax rate applied by subsidies | -1,947,091.29 |
| Adjusted the previous income tax | 5,674,478.65 |
| Impact by non-taxable revenue | -206,340,756.97 |
| Impact on cost, expenses and losses that unable to deducted | 4,010,888.91 |
| Impact by the deductible losses of the un-recognized previous deferred income tax | -18,976,480.36 |
| The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period | 17,223,751.75 |
| Impact on additional deduction | -24,452,642.98 |
| Other | 5,032,276.67 |
| Income tax expense | 147,805,810.06 |

55. Other comprehensive income

See Note VII. 36 “Other comprehensive income”

56. Items of cash flow statement**(1) Other cash received in relation to operation activities**

In RMB/CNY

| Item | Current period | Last Period |
|--------------------------|----------------|----------------|
| Interest income | 77,690,762.13 | 34,156,380.22 |
| Government grants | 30,510,895.39 | 23,299,447.35 |
| Margin on operation bill | 27,804,815.03 | 53,427,527.69 |
| Other | 7,906,425.25 | 7,294,400.13 |
| Total | 143,912,897.80 | 118,177,755.39 |

(2) Other cash paid in relation to operation activities

In RMB/CNY

| Item | Current period | Last Period |
|-----------|----------------|----------------|
| Cash cost | 525,923,320.71 | 530,988,250.24 |
| Other | 22,629,265.34 | 28,148,968.46 |
| Total | 548,552,586.05 | 559,137,218.70 |

(3) Cash received from other investment activities

In RMB/CNY

| Item | Current period | Last Period |
|--|----------------|-------------|
| Letter of credit for import equipment margin | 1,450,000.00 | |
| Cash from Weifu Electronic Drive merger not under the same control | 67,622,008.17 | |
| Other | 953,424.66 | |
| Total | 70,025,432.83 | |

(4) Cash paid related with investment activities

In RMB/CNY

| Item | Current period | Last Period |
|--|----------------|--------------|
| Margin paid by L/C for purchase of equipment | | 1,090,775.32 |
| Trading losses on forward foreign exchange and RMB options | 1,115,357.50 | |
| Intercourse funds of unit | 24,000,000.00 | |
| Total | 25,115,357.50 | 1,090,775.32 |

(5) Other cash received in relation to financing activities

In RMB/CNY

| Item | Current period | Last Period |
|-------------------------------------|----------------|--------------|
| Borrowings received by Weifu Leader | | 5,470,000.00 |

| | | |
|----------------------------|------------|--------------|
| Borrowings received by IRD | 845,291.11 | |
| Total | 845,291.11 | 5,470,000.00 |

(6) Cash paid related with financing activities

In RMB/CNY

| Item | Current period | Last Period |
|---|----------------|---------------|
| Account paid for purchasing minority equity of Weifu Tianli | 132,522,000.00 | 15,570,000.00 |
| National debt paid transfer to loans | 339,091.00 | 339,091.00 |
| Borrowing return by Weifu Leader | 5,470,000.00 | |
| Borrowing return by IRD | 7,733,845.00 | |
| Total | 146,064,936.00 | 15,909,091.00 |

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

In RMB/CNY

| Supplementary information | Current period | Last Period |
|--|-------------------|-------------------|
| 1. Net profit adjusted to cash flow of operation activities: | -- | -- |
| Net profit | 2,302,736,761.11 | 2,466,294,703.47 |
| Add: Assets impairment provision | 222,286,174.98 | 250,873,745.84 |
| Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets | 315,650,455.35 | 285,471,054.32 |
| Amortization of intangible assets | 24,276,364.81 | 17,249,463.37 |
| Amortization of long-term deferred expenses | 6,293,470.69 | 1,567,262.43 |
| Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is listed with “-”) | -32,154,460.21 | -102,472,995.47 |
| Losses on scrapping of fixed assets (gain is listed with “-”) | 3,161,855.50 | 6,310,772.90 |
| Gain/loss of fair value changes (gain is listed with “-”) | -25,019,666.32 | 490,329.13 |
| Financial expenses (gain is listed with “-”) | 15,026,154.36 | 14,840,492.09 |
| Investment loss (gain is listed with “-”) | -1,613,945,471.30 | -1,956,287,284.27 |
| Decrease of deferred income tax asset ((increase is listed with “-”) | -12,918,338.05 | -32,958,287.45 |
| Increase of deferred income tax liability (decrease is listed with “-”) | 7,870,125.22 | 4,653,521.15 |
| Decrease of inventory (increase is listed with “-”) | -1,130,561,363.05 | -35,700,126.59 |

| | | |
|---|-------------------|------------------|
| Decrease of operating receivable accounts (increase is listed with “-”) | -1,110,387,668.48 | 381,642,704.00 |
| Increase of operating payable accounts (decrease is listed with “-”) | 2,074,881,909.55 | -429,597,489.90 |
| Other | 1,473,749.07 | 2,003,661.61 |
| Net cash flows arising from operating activities | 1,048,670,053.23 | 874,381,526.63 |
| 2. Material investment and financing not involved in cash flow | -- | -- |
| 3. Net change of cash and cash equivalents: | -- | -- |
| Balance of cash at period end | 820,498,653.85 | 2,404,674,139.49 |
| Less: Balance of cash equivalent at year-begin | 2,404,674,139.49 | 2,948,439,354.22 |
| Net increase of cash and cash equivalents | -1,584,175,485.64 | -543,765,214.73 |

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

In RMB/CNY

| | Amount |
|---|----------------|
| Cash and cash equivalent paid in the period for enterprise combination occurred in the period | 54,936,420.00 |
| Including: | -- |
| Weifu Electronic Drive | |
| IRD | 54,936,420.00 |
| Less: Cash and cash equivalent held by subsidiary on purchasing date | 72,627,687.42 |
| Including: | -- |
| Weifu Electronic Drive | 67,622,008.17 |
| IRD | 5,005,679.25 |
| Including: | -- |
| Net cash paid for subsidiary obtained | -17,691,267.42 |

(3) Net cash received from the disposal of subsidiaries

Nil

(4) Constitution of cash and cash equivalent

In RMB/CNY

| Item | Ending balance | Opening balance |
|---|----------------|------------------|
| I. Cash | 820,498,653.85 | 2,404,674,139.49 |
| Including: Cash on hand | 93,165.33 | 194,161.03 |
| Bank deposit available for payment at any time | 820,405,488.52 | 2,404,479,978.46 |
| III. Balance of cash and cash equivalents at the period-end | 820,498,653.85 | 2,404,674,139.49 |

58. Note of the changes of owners' equity

Explain the items and amount at period-end adjusted for "Other" at end of the last year: nil

59. Assets with ownership or use right restricted

In RMB/CNY

| Item | Ending Book value | Restriction reason |
|-----------------------------|-------------------|---|
| Monetary funds | 158,280.00 | Guarantee deposit |
| Note receivable | 847,613,449.94 | Notes pledge for bank acceptance |
| Monetary funds | 32,372,582.46 | Cash deposit paid for bank acceptance |
| Monetary funds | 2,206,857.75 | Court freeze |
| Monetary funds | 209,180.00 | Mastercard deposit |
| Transaction financial asset | 119,026,951.14 | In accordance with the civil ruling No.(2016)Y03MC2490 and No.(2016) Y03MC2492 of Guangdong Shenzhen Intermediate People's Court (Hereinafter referred to as Shenzhen Intermediate People's Court), the property with the value of 217 million Yuan under the name of the Company and other seven respondents and the third party Shenzhen Hejun Chuangye Holdings Co., Ltd. (Hereinafter referred to as Hejun Company) was frozen. As of the end of the reporting period, 4.71 million shares of Miracle Automation and 11,739,102 shares of SDEC held by the Company were frozen. |
| Total | 1,001,587,301.29 | -- |

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

In RMB/CNY

| Item | Closing balance of foreign currency | Rate of conversion | Ending RMB balance converted |
|--------------------|-------------------------------------|--------------------|------------------------------|
| Monetary funds | -- | -- | |
| Including: USD | 25,112,511.47 | 6.9762 | 175,189,902.50 |
| EUR | 676,627.06 | 7.8155 | 5,288,178.79 |
| HKD | 13,879,743.72 | 0.89578 | 12,433,196.83 |
| JPY | 1,438,039.04 | 0.064086 | 92,158.17 |
| DKK | 30,062,947.57 | 1.0459 | 31,442,836.86 |
| Account receivable | -- | -- | |
| Including: USD | 1,728,936.45 | 6.9762 | 12,061,406.47 |
| EUR | 805,122.42 | 7.8155 | 6,292,434.27 |
| HKD | | | |

| | | | |
|---------------------------|---------------|----------|---------------|
| JPY | 11,944,870.00 | 0.064086 | 765,498.94 |
| DKK | 8,223,496.63 | 1.0459 | 8,600,955.13 |
| Long-term borrowings | -- | -- | |
| Including: USD | | | |
| EUR | | | |
| HKD | | | |
| Other account receivables | | | |
| Including: USD | 1,527,205.77 | 6.9762 | 10,654,092.89 |
| Short-term borrowings | | | |
| Including: EUR | 3,561,165.80 | 7.8155 | 27,835,808.28 |
| Account payable | | | |
| Including: USD | 392,583.69 | 6.9762 | 2,738,742.35 |
| EUR | 2,805,555.32 | 7.8155 | 21,926,817.61 |
| JPY | 30,690,556.00 | 0.064086 | 1,966,834.98 |
| CHF | 38,190.00 | 7.2028 | 275,074.93 |
| DKK | 6,579,913.90 | 1.0459 | 6,881,931.95 |
| Other account payable | | | |
| Including: DKK | 2,222,338.73 | 1.0459 | 2,324,344.08 |

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

Applicable Not applicable

Controlling subsidiary of the Company IRD was established in Denmark in 1996. The 66% equity of IRD were required by the Company in cash in April 2019. Book-keeping currency of IRD was Danish krone, and IRD mainly engaged in the R&D, production and sales of fuel cell components.

61. Government grants

(1) Government grants

In RMB/CNY

| Category | Amount | Item | Amount reckoned in current gain/loss |
|--|--------------|-----------------|--------------------------------------|
| Subsidy for the intelligent production line of automobile components process | 2,160,000.00 | Deferred income | |

| | | | |
|--|---------------|-------------------------------|---------------|
| Subsidy for the project of 150,000 turbochargers for gasoline engines in one year | 1,930,600.00 | Deferred income, other income | 700,701.44 |
| Intelligent manufacturing project | 3,780,000.00 | Deferred income | |
| Stable subsidy | 2,291,128.53 | Other income | 2,291,128.53 |
| Financing for mergers and acquisition of IRD project | 1,370,000.00 | Other income | 1,370,000.00 |
| National high-quality development fund for manufacturing industry | 4,850,000.00 | Other income | 4,850,000.00 |
| Intelligent transformation and technology transformation guiding fund | 5,110,000.00 | Other income | 5,110,000.00 |
| Manufacturing tax for top 30 | 350,000.00 | Other income | 350,000.00 |
| Talent award from management committee of Huishan Economic Development Zone, Wuxi, Jiangsu | 231,525.00 | Other income | 231,525.00 |
| Subsidy for provincial “Encourage Startups & Innovation” for 2018 | 350,000.00 | Other income | 350,000.00 |
| Special fund for intellectual property | 336,951.00 | Other income | 336,951.00 |
| Patent funding | 239,195.00 | Other income | 239,195.00 |
| Special fund for district-level ecological and environmental protection for 2019 | 374,000.00 | Other income | 374,000.00 |
| Special subsidy for R&D investment for city-level enterprises | 208,300.00 | Other income | 208,300.00 |
| Fund of policy cashing for top 30 enterprises | 1,089,000.00 | Other income | 1,089,000.00 |
| Technical standard funding in City | 200,000.00 | Other income | 200,000.00 |
| Construction subsidy of postdoctoral workstation for enterprises | 120,000.00 | Other income | 120,000.00 |
| Subsidy for high-skilled personnel training for 3Q of 2019 | 156,800.00 | Other income | 156,800.00 |
| Training subsidy for smart employees | 155,000.00 | Other income | 155,000.00 |
| The first batch of funding for innovation pioneer of “Pioneer talent program” in Huishan District 2019 | 150,000.00 | Other income | 150,000.00 |
| Fund of party-masses of Pioneer Talent Program | 150,000.00 | Other income | 150,000.00 |
| Support funds for standardization construction in Huishan District | 100,000.00 | Other income | 100,000.00 |
| Modern industry development fund | 250,000.00 | Other income | 250,000.00 |
| Award for the development of high and new technology | 100,000.00 | Other income | 100,000.00 |
| Other | 4,464,332.89 | Deferred income, other income | 3,023,932.89 |
| Total | 30,516,832.42 | | 21,906,533.86 |

(2) Government grants rebate

□ Applicable√ Not applicable

VIII. Changes of consolidation scope**1. Enterprise combine not under the same control****(1) Enterprise combine not under the same control occurred in the period**

In RMB/CNY

| Purchaser | Time point for equity obtained | Cost of equity obtained | Ratio of equity obtained | Acquired way Equity obtained way | Purchasing date | Standard to determine the purchasing date | Income of purchaser from purchasing date to period-end | Net profit of purchaser from purchasing date to period-end |
|------------------------|--------------------------------|-------------------------|--------------------------|---------------------------------------|-----------------|---|--|--|
| Weifu Electronic Drive | 2019-05-05 | 53,832,280.23 | 80.00% | Alteration of articles of association | 2019-05-05 | Obtained controlling rights | 213,716.80 | -1,426,332.63 |
| IRD | 2019-04-30 | 54,936,420.00 | 66.00% | Cash purchase | 2019-04-30 | Obtained controlling rights | 17,559,274.67 | -21,911,591.03 |

(2) Combination cost and goodwill

In RMB/CNY

| Combination cost | Weifu Electronic Drive | IRD |
|--|------------------------|---------------|
| --Cash | | 54,936,420.00 |
| --Fair value of the equity prior to the purchasing date | 53,832,280.23 | |
| Total combination cost | 53,832,280.23 | 54,936,420.00 |
| Less: shares of fair value of identifiable net assets acquired | 53,832,280.23 | 54,936,420.00 |
| Goodwill/merger cost is less than the shares of fair value of identifiable net assets acquired | | |

(3) Identifiable assets and liability on purchasing date under the purchaser

In RMB/CNY

| | Weifu Electronic Drive | | IRD | |
|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Fair value on purchasing date | Book value on purchasing date | Fair value on purchasing date | Book value on purchasing date |
| Monetary funds | 67,622,008.17 | 67,622,008.17 | 5,207,299.25 | 5,207,299.25 |

| | | | | |
|------------------------------|---------------|---------------|----------------|---------------|
| Account receivable | | | 5,345,480.23 | 5,345,480.23 |
| Inventory | | | 10,402,812.64 | 10,402,812.64 |
| Fixed assets | | | 7,637,488.07 | 7,637,488.07 |
| Intangible assets | | | 101,610,003.27 | 484,969.23 |
| Account paid in advance | | | 1,289,849.37 | 1,289,849.37 |
| Other account receivables | | | 2,038,222.11 | 2,038,222.11 |
| Other current assets | 1,869.93 | 1,869.93 | 1,658,858.01 | 1,658,858.01 |
| Construction in progress | | | 610,434.43 | 610,434.43 |
| Long-term deferred expenses | | | 2,862,363.35 | 2,862,363.35 |
| Account payable | 54,209.99 | 54,209.99 | 2,785,662.60 | 2,785,662.60 |
| Accounts received in advance | | | 22,247,507.49 | 2,088,251.77 |
| Payroll payable | 241,909.81 | 241,909.81 | 3,041,540.31 | 3,041,540.31 |
| Taxes payable | 17,687.92 | 17,687.92 | | |
| Other account payable | 19,720.09 | 19,720.09 | 25,262,848.56 | 25,262,848.56 |
| Net assets | 67,290,350.29 | 67,290,350.29 | 83,237,000.00 | 4,359,473.45 |
| Less: Minority interests | 13,458,070.06 | 13,458,070.06 | 28,300,580.00 | 1,482,220.97 |
| Net assets acquired | 53,832,280.23 | 53,832,280.23 | 54,936,420.00 | 2,877,252.48 |

(4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date

Whether it is a business combination realized by two or more transactions of exchange and a transaction of obtained control rights in the Period or not

Yes No

In RMB/CNY

| Acquiree | Book value of the original equity prior to purchasing date | Fair value of the original equity prior to purchasing date | Gains or losses of the original equity prior to purchasing date re-measured on fair value changes | Recognition method and assumptions for the fair value of the original equity prior to purchasing date | Amount of other comprehensive income transfer to investment income with original equity concerned prior to purchasing date |
|------------------------|--|--|---|---|--|
| Weifu Electronic Drive | 53,832,280.23 | 53,832,280.23 | | See other explanation | |

Other explanation:

In September 2018, the Company acquired 80% equity of Weifu Electronic Drive through cash contribution. According to the Articles of Association under the name of Weifu Electronic Drive, the company could not control Weifu Electric Drive, and its investment was accounted as a joint venture using the equity method.

On May 5, 2019, the BOD of Weifu Electric Drive reviewed and approved the proposal to amend the *Articles of Association* of Weifu Electric Drive. After the revision of the *Articles of Association* of Weifu Electric Drive, the

company was able to control Weifu Electric Drive, so the company incorporated it into the scope of consolidation on May 5, 2019.

Weifu Electronic Drive has not entered the actual operation from 27 September 2018 (the date initially acquired 80% equity of Weifu Electronic Drive) to 5 May 2019 (the date when obtained the controlling rights of Weifu Electronic Drive), and the time is not more than one year. The Company determined that the fair value of the Equity held has no major difference with its book value, therefor, on 5 May 2019, fair value of the Equity will consider as the original book value of the Equity.

2. Enterprise combine under the same control

Nil

3. Reverse purchase

Nil

4. Disposal of subsidiaries

Nil

5. Other reasons for consolidation range changed

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

The Company established a wholly-owned enterprise SPV in Denmark in 2019 for purpose of acquiring the controlling right of IRD.

IX. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

| Subsidiary | Main operation place | Registered place | Business nature | Share-holding ratio | | Acquired way |
|---------------|----------------------|------------------|---|---------------------|------------|---|
| | | | | Directly | Indirectly | |
| Weifu Jinning | Nanjing | Nanjing | Spare parts of internal-combustion engine | 80.00% | | Enterprise combine under the same control |
| Weifu Leader | Wuxi | Wuxi | Automobile exhaust purifier, muffler | 94.81% | | Enterprise combine under the same control |
| Weifu Mashan | Wuxi | Wuxi | Spare parts of internal-combustion engine | 100.00% | | Investment |

| | | | | | | |
|---------------------------|-----------|-----------|---|---------|---------|---|
| Weifu Chang'an | Wuxi | Wuxi | Spare parts of internal-combustion engine | 100.00% | | Investment |
| Weifu International Trade | Wuxi | Wuxi | Trading | 100.00% | | Enterprise combine under the same control |
| Weifu ITM | Wuxi | Wuxi | Spare parts of internal-combustion engine | 100.00% | | Enterprise combine not under the same control |
| Weifu Schmidt | Wuxi | Wuxi | Spare parts of internal-combustion engine | 66.00% | | Investment |
| Weifu Tianli | Ningbo | Ningbo | Spare parts of internal-combustion engine | 98.83% | 1.17% | Enterprise combine not under the same control |
| Weifu Autocam | Wuxi | Wuxi | Spare parts of internal-combustion engine | 51.00% | | Enterprise combine not under the same control |
| Weifu Leader (Wuhan) | Wuhan | Wuhan | Automobile exhaust purifier, muffler | | 60.00% | Investment |
| Weifu Leader (Chongqing) | Chongqing | Chongqing | Automobile exhaust purifier, muffler | | 100.00% | Investment |
| Weifu Leader (Nanchang) | Nanchang | Nanchang | Automobile exhaust purifier, muffler | | 100.00% | Investment |
| Weifu Electronic Drive | Wuxi | Wuxi | Hub motor | 80.00% | | Enterprise combine not under the same control |
| SPV | Denmark | Denmark | Investment | 100.00% | | Investment |
| IRD | Denmark | Denmark | Fuel cell components | | 66.00% | Enterprise combine not under the same control |
| IRD America | America | America | Fuel cell components | | 66.00% | Enterprise combine not under the same control |

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

(2) Important non-wholly-owned subsidiary

In RMB/CNY

| Subsidiary | Share-holding ratio of minority | Gains/losses attributable to minority in the Period | Dividend announced to distribute for minority in the Period | Ending equity of minority |
|---------------|---------------------------------|---|---|---------------------------|
| Weifu Jinning | 20.00% | 24,979,027.98 | 26,271,705.11 | 193,062,653.68 |
| Weifu Schmidt | 34.00% | 1,731,719.34 | | 11,213,498.78 |
| Weifu Leader | 5.19% | 1,904,584.13 | | 86,708,156.16 |
| Weifu Autocam | 49.00% | 11,522,922.31 | | 155,149,261.93 |
| Total | | 40,138,253.76 | 26,271,705.11 | 446,133,570.55 |

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

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

In RMB/CNY

| Subsidiary | Ending balance | | | | | |
|---------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Weifu Jinning | 999,097,495.08 | 334,721,775.17 | 1,333,819,270.25 | 318,915,621.86 | 47,104,930.82 | 366,020,552.68 |
| Weifu Schmidt | 141,991,506.20 | 49,208,881.93 | 191,200,388.13 | 157,822,785.29 | | 157,822,785.29 |
| Weifu Leader | 3,931,739,116.15 | 1,095,110,196.65 | 5,026,849,312.80 | 3,341,853,614.37 | 22,204,377.06 | 3,364,057,991.43 |
| Weifu Autocam | 245,057,798.53 | 323,114,477.06 | 568,172,275.59 | 254,234,583.00 | | 254,234,583.00 |
| Total | 5,317,885,915.96 | 1,802,155,330.81 | 7,120,041,246.77 | 4,072,826,604.52 | 69,309,307.88 | 4,142,135,912.40 |

| Subsidiary | Opening balance | | | | | |
|---------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Weifu Jinning | 994,953,012.95 | 342,560,339.76 | 1,337,513,352.71 | 313,356,459.40 | 50,547,767.70 | 363,904,227.10 |
| Weifu Schmidt | 92,342,474.64 | 48,855,179.90 | 141,197,654.54 | 112,913,283.31 | | 112,913,283.31 |
| Weifu Leader | 1,958,116,370.10 | 1,038,234,646.34 | 2,996,351,016.44 | 1,343,115,779.10 | 23,850,612.52 | 1,366,966,391.62 |
| Weifu Autocam | 242,022,679.84 | 310,989,080.94 | 553,011,760.78 | 262,647,739.06 | | 262,647,739.06 |
| Total | 3,287,434,537.53 | 1,740,639,246.94 | 5,028,073,784.47 | 2,032,033,260.87 | 74,398,380.22 | 2,106,431,641.09 |

In RMB/CNY

| Subsidiary | Current period | | | |
|---------------|------------------|----------------|----------------------------|-----------------------------------|
| | Operation Income | Net profit | Total comprehensive income | Cash flow from operation activity |
| Weifu Jinning | 591,679,134.25 | 124,990,228.55 | 124,990,228.55 | 73,403,344.49 |
| Weifu Schmidt | 221,352,114.68 | 5,093,231.61 | 5,093,231.61 | 19,622,886.37 |
| Weifu Leader | 3,020,424,650.65 | 33,406,696.55 | 33,406,696.55 | 112,342,744.56 |
| Weifu Autocam | 417,638,897.85 | 23,573,670.87 | 23,573,670.87 | 125,547,456.63 |
| Total | 4,251,094,797.43 | 187,063,827.58 | 187,063,827.58 | 330,916,432.05 |

| Subsidiary | Last Period | | | |
|------------|------------------|------------|----------------------------|-----------------------------------|
| | Operation Income | Net profit | Total comprehensive income | Cash flow from operation activity |

| | | | | |
|---------------|------------------|----------------|----------------|----------------|
| Weifu Jinning | 613,545,903.22 | 208,505,596.11 | 208,505,596.11 | 39,369,830.31 |
| Weifu Schmidt | 178,431,433.45 | -354,936.30 | -354,936.30 | 18,242,932.77 |
| Weifu Leader | 2,800,874,733.81 | 74,556,894.40 | 74,556,894.40 | -6,864,502.47 |
| Weifu Autocam | 466,437,403.21 | 32,356,669.68 | 32,356,669.68 | 57,006,160.96 |
| Total | 4,059,289,473.69 | 315,064,223.89 | 315,064,223.89 | 107,754,421.57 |

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

Nil

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

Nil

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

(1) Owners equity shares changed in subsidiary

In August 2019, the minority shareholders' equity of Weifu Tianli were acquired by the Company and its wholly-owned subsidiary Weifu International Trade with 132,522,000 yuan in cash. After transaction, voting rights of Weifu Tianli held by the Company up to 100% instead of 54.2295%.

(2) Impact on minority's interest and owners' equity attributable to parent company

In RMB/CNY

| | Weifu Tianli |
|---|----------------|
| Cost of acquisition --Cash | 132,522,000.00 |
| Less: Net assets share of the subsidiary calculated according to the equity ratio obtained/disposed | 108,027,011.19 |
| Balance | 24,494,988.81 |
| Including: Capital reserve adjustment | 24,494,988.81 |

3. Equity in joint venture and associated enterprise

(1) Important joint venture and associated enterprise

| Joint venture or associated enterprise | Main operation place | Registered place | Business nature | Share-holding ratio | | Accounting treatment on investment for joint venture and associated enterprise |
|--|----------------------|------------------|-----------------|---------------------|------------|--|
| | | | | Directly | Indirectly | |

| | | | | | | |
|---|----------|----------|--|--------|--------|---------------|
| I. Joint venture | | | | | | |
| Wuxi Weifu Environment Catalyst Co., Ltd. | Wuxi | Wuxi | Catalyst | | 49.00% | Equity method |
| II. Associated enterprise | | | | | | |
| Bosch Automobile Diesel System Co., Ltd. | Wuxi | Wuxi | Internal-combustion engine accessories | 32.50% | 1.50% | Equity method |
| Zhonglian Automobile Electronic Co., Ltd. | Shanghai | Shanghai | Internal-combustion engine accessories | 20.00% | | Equity method |
| Weifu Precision Machinery Manufacturing Co., Ltd. | Wuxi | Wuxi | Internal-combustion engine accessories | 20.00% | | Equity method |
| Shinwell Automobile Tech. (Wuxi) Co., Ltd. | Wuxi | Wuxi | Automobile components | | 45.00% | Equity method |

Holding shares ratio different from the voting right ratio:

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

(2) Main financial information of the important joint venture

In RMB/CNY

| | Ending balance/Current period | Opening balance/Last Period |
|--|-------------------------------|-----------------------------|
| | Weifu Environment | Weifu Environment |
| Current assets | 3,285,078,665.28 | 2,524,886,121.93 |
| Including: cash and cash equivalents | 52,542,261.45 | 62,820,292.38 |
| Non-current assets | 323,188,749.54 | 312,633,597.82 |
| Total assets | 3,608,267,414.82 | 2,837,519,719.75 |
| Current liabilities | 2,401,381,614.27 | 1,658,404,950.50 |
| Non-current liabilities | 26,545,326.53 | 24,735,000.00 |
| Total liabilities | 2,427,926,940.80 | 1,683,139,950.50 |
| Shareholders' equity attributable to parent company | 1,180,340,474.02 | 1,154,379,769.25 |
| Share of net assets calculated by shareholding ratio | 578,366,832.27 | 565,646,086.93 |
| Book value of equity investment in joint ventures | 578,366,832.27 | 565,646,086.93 |
| Operation income | 3,729,583,492.29 | 3,353,480,152.95 |
| Financial expenses | 105,866,567.08 | 106,283,984.35 |
| Income tax expense | -21,899,596.61 | -9,245,702.92 |
| Net profit | 26,414,017.30 | 91,456,868.91 |
| Total comprehensive income | 26,414,017.30 | 91,456,868.91 |

(3) Main financial information of the important associated enterprise

In RMB/CNY

| | Ending balance/Current period | | | Opening balance/Last Period | | |
|--|-------------------------------|----------------------|---------------------------|-----------------------------|----------------------|---------------------------|
| | Bosch Diesel System | Zhonglian Automobile | Weifu Precision Machinery | Bosch Diesel System | Zhonglian Automobile | Weifu Precision Machinery |
| Current assets | 10,878,760,988.82 | 175,292,101.34 | 321,631,869.85 | 10,042,409,061.04 | 153,125,575.56 | 281,266,308.21 |
| Non-current assets | 3,059,116,036.23 | 6,129,564,645.28 | 151,133,767.52 | 2,756,104,679.18 | 5,277,976,705.66 | 133,470,007.84 |
| Total assets | 13,937,877,025.05 | 6,304,856,746.62 | 472,765,637.37 | 12,798,513,740.22 | 5,431,102,281.22 | 414,736,316.05 |
| Current liabilities | 4,613,514,567.69 | 3,030,820.85 | 162,393,934.95 | 4,100,048,133.30 | 2,999,283.95 | 135,365,421.92 |
| Non-current liabilities | | 2,699,079.03 | | | 2,759,548.45 | |
| Total liabilities | 4,613,514,567.69 | 5,729,899.88 | 162,393,934.95 | 4,100,048,133.30 | 5,758,832.40 | 135,365,421.92 |
| Attributable to parent company shareholders' equity | 9,324,362,457.36 | 6,299,126,846.74 | 310,371,702.42 | 8,698,465,606.92 | 5,425,343,448.82 | 279,370,894.13 |
| Share of net assets calculated by shareholding ratio | 3,170,283,235.50 | 1,259,825,369.35 | 62,074,340.48 | 2,957,478,306.35 | 1,085,068,689.76 | 55,874,178.83 |
| --Goodwill | 267,788,761.35 | 1,407,265.96 | | 267,788,761.35 | 1,407,265.96 | |
| --Unrealized profit of internal trading | -20,979,859.92 | | -8,703.61 | -18,144,174.02 | | -34,986.88 |
| --Other | -0.28 | | -529,034.05 | -0.28 | | -529,034.05 |
| Book value of equity investment in associated enterprise | 3,417,092,136.65 | 1,261,232,635.30 | 61,536,602.82 | 3,207,122,893.40 | 1,086,475,955.72 | 55,310,157.90 |
| Operation income | 14,224,084,504.12 | 23,049,985.98 | 300,184,326.44 | 15,539,892,004.67 | 23,186,214.38 | 310,813,025.45 |
| Net profit | 3,152,063,841.44 | 1,399,783,397.92 | 49,000,808.29 | 3,545,497,532.33 | 1,834,198,811.78 | 47,839,499.47 |
| Total comprehensive income | 3,152,063,841.44 | 1,399,783,397.92 | 49,000,808.29 | 3,545,497,532.33 | 1,834,198,811.78 | 47,839,499.47 |

| | | | | | | |
|---|----------------|----------------|--------------|----------------|----------------|--------------|
| Dividends received from associated enterprise in the year | 858,896,776.94 | 105,200,000.00 | 2,530,000.00 | 607,769,081.48 | 239,400,000.00 | 3,600,000.00 |
|---|----------------|----------------|--------------|----------------|----------------|--------------|

Other explanation

- ① Adjustment item for other “-0.28”: the differential tail;
 ② The dividend of 2.53 million Yuan distributed from Weifu Precision Machinery are collected by bank acceptance in the year; the note still in balance of note receivable on 31st December 2019

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

In RMB/CNY

| | Ending balance/Current period | Opening balance/Last Period |
|-------------------------------------|-------------------------------|-----------------------------|
| Joint venture: | -- | -- |
| Total book value of investment | | 54,742,375.02 |
| Amount based on share-holding ratio | -- | -- |
| --Net profit | -910,094.79 | -438,424.98 |
| --Total comprehensive income | -910,094.79 | -438,424.98 |
| Associated enterprise: | -- | -- |
| Total book value of investment | 4,177,746.31 | 7,476,477.77 |
| Amount based on share-holding ratio | -- | -- |
| --Net profit | -3,298,731.46 | -1,523,522.23 |
| --Total comprehensive income | -3,298,731.46 | -1,523,522.23 |

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

Nil

(6) Excess loss occurred in joint venture or associated enterprise

Nil

(7) Unconfirmed commitment with joint venture investment concerned

Nil

(8) Intangible liability with joint venture or associated enterprise investment concerned

Nil

4. Major conduct joint operation

Nil

5. Structured body excluding in consolidate financial statement

Nil

X. Risk related with financial instrument

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

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

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

1. Credit Risk

Credit risk refers to the risk that one party of a financial instrument fails to perform its obligations, and resulting in the financial loss of other party. The company's credit risk mainly comes from monetary funds, structured deposits, note receivable, account receivable, other account receivables. The management has established an appropriate credit policy and continuously monitors the exposure to these credit risks.

The monetary funds and structured deposits held by the Company are mainly deposited in financial institutions such as commercial banks, the management believes that these commercial banks have higher credit and asset status, and have lower credit risks. The Company adopts quota policies to avoid credit risks to any financial institutions.

For accounts receivable, other receivables and bills receivable, the Company sets relevant policies to control the credit risk exposure. To prevent the risks, the company has formulated a new customer credit evaluation system and an existing customer credit sales balance analysis system. The new customer credit evaluation system aims at new customers, the company will investigate a customer's background according to the established process to

determine whether to give the customer a credit line and the credit line size and credit period. Accordingly, the company has set a credit limit and a credit period for each customer, which is the maximum amount that does not require additional approval. The analysis system for credit sales balance of existing customers means that after receiving a purchase order from an existing customer, the company will check the order amount and the balance of the accounts owed by the customer so far, if the total of the two exceeds the credit limit of the customer, the company can only sell to the customer on the premise of additional approval, otherwise the customer must be required to pay the corresponding amount in advance. In addition, for the credit sales that have occurred, the company analyzes and audits the monthly statements for risk warning of accounts receivable to ensure that the company's overall credit risk is within a controllable range.

The maximum credit risk exposure of the Company is the carrying amount of each financial asset on the balance sheet.

2. Market risk

Market risk of the financial instrument refers to the fair value of financial instrument or future cash flow due to fluctuations in the market price changes and produce, mainly includes the IRR, FX risk and other price risk.

(1) Interest rate risk (IRR)

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

(2) Foreign exchange (FX) risk

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

End as 31st December 2019, except for the follow assets or liabilities listed with foreign currency, assets and liabilities of the Company are carried with RMB

① Foreign currency assets of the Company till end of 31st December 2019

| Cash on hand | Ending foreign currency balance | Convert rate | Ending RMB balance converted | Ratio in assets (%) |
|---------------------------|---------------------------------|--------------|------------------------------|---------------------|
| Monetary funds | | | | |
| Including: USD | 25,112,511.47 | 6.9762 | 175,189,902.50 | 0.73 |
| EUR | 676,627.06 | 7.8155 | 5,288,178.79 | 0.02 |
| JPY | 1,438,039.04 | 0.064086 | 92,158.17 | 0.00 |
| HKD | 13,879,743.72 | 0.89578 | 12,433,196.83 | 0.05 |
| DKK | 30,062,947.57 | 1.0459 | 31,442,836.86 | 0.13 |
| Account receivable | | | | |
| Including: USD | 1,728,936.45 | 6.9762 | 12,061,406.47 | 0.05 |
| EUR | 805,122.42 | 7.8155 | 6,292,434.27 | 0.03 |
| JPY | 11,944,870.00 | 0.064086 | 765,498.94 | 0.00 |
| DKK | 8,223,496.63 | 1.0459 | 8,600,955.13 | 0.04 |
| Other account receivables | | | | |
| Including: USD | 1,527,205.77 | 6.9762 | 10,654,092.89 | 0.04 |
| Total ratio in assets | | | | 1.09 |

② Foreign currency liability of the Company till end of 31st December 2019:

| Cash on hand | Ending foreign currency balance | Convert rate | Ending RMB balance converted | Ratio in assets(%) |
|----------------------------|---------------------------------|--------------|------------------------------|--------------------|
| Short-term borrowings | | | | |
| Including: EUR | 3,561,165.80 | 7.8155 | 27,835,808.28 | 0.43 |
| Account payable | | | | |
| Including: USD | 392,583.69 | 6.9762 | 2,738,742.35 | 0.04 |
| EUR | 2,805,555.32 | 7.8155 | 21,926,817.61 | 0.34 |
| JPY | 30,690,556.00 | 0.064086 | 1,966,834.98 | 0.03 |
| CHF | 38,190.00 | 7.2028 | 275,074.93 | 0.00 |
| DKK | 6,579,913.90 | 1.0459 | 6,881,931.95 | 0.11 |
| Other account payable | | | | |
| DKK | 2,222,338.73 | 1.0459 | 2,324,344.08 | 0.04 |
| Total ratio in liabilities | | | | 0.99 |

③ Other pricing risk

The equity instrument investment held by the Company with classification as transaction financial asset and other non-current financial assets are measured on fair value of the balance sheet date. The fluctuation of expected price for these investment will affect the gains/losses of fair value changes for the Company.

Furthermore, on the premise of deliberated and approved in 10th session of 8th BOD, the Company exercise entrust financing with the self-owned idle capital; therefore, the Company has the risks of collecting no principal due to entrust financial products default. Aims at such risk, the Company formulated a “Management Mechanism of

Capital Financing”, and well-defined the authority approval, investment decision-making, calculation management and risk controls for the entrust financing in order to guarantee a security funds and prevent investment risk efficiently. In order to lower the adverse impact from unpredictable factors, the Company choose short-term and medium period for investment and investment product’s term is up to 3 years in principle; in variety of investment, the Company did not invested for the stocks, derivative products, security investment fund and the entrust financial products aims at security investment as well as other investment with securities concerned.

3. Liquidity risk

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

XI. Disclosure of fair value

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

In RMB/CNY

| Item | Ending fair value | | | |
|---|-------------------|--------------|------------------|------------------|
| | First-order | Second-order | Third-order | Total |
| I. Sustaining measured by fair value | -- | -- | -- | -- |
| (I) Transaction financial asset | 127,853,832.00 | | 4,856,621,829.75 | 4,984,475,661.75 |
| 1. Financial assets measured at fair value and whose changes are included in current profit or loss | 127,853,832.00 | | 4,856,621,829.75 | 4,984,475,661.75 |
| (1) Debt instrument investment | | | 4,813,278,545.75 | 4,813,278,545.75 |
| (2) Equity instrument investment | 127,853,832.00 | | 43,343,284.00 | 171,197,116.00 |
| (III) Other equity instrument investment | | | 285,048,000.00 | 285,048,000.00 |
| Total liability sustaining measured by fair value | 127,853,832.00 | | 5,141,669,829.75 | 5,269,523,661.75 |
| II. Non-persistent measure | -- | -- | -- | -- |

2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order

According to relevant requirement of accounting standards, the Company continues to measure the financial assets available for sale-equity instrument investment by fair value on balance sheet date. On 31 December 2018, the financial assets available for sale-equity instrument investment held by the Company refers to the SDEC (stock code: 600841) and Miracle Automation (Stock code: 002009), determining basis of the market price at period-end refers to the closing price of 31 December 2019.

3. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on second-order

4. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on third-order

(1) Fair value of wealth management products

The fair value of wealth management products is determined by the Company using discounted cash flow valuation techniques. Among them, the important unobservable input values are mainly the expected annualized rate of return and the risk factor of wealth management products.

(2) Fair value of equity instrument investment and other equity instrument investment

Due to the lack of market liquidity for this part of financial assets, the Company uses the replacement cost method to determine its fair value. Among them, the important unobservable input values mainly include the financial data of the invested company, etc.

XII. Related party and related party transactions

1. Parent company of the enterprise

| Parent company | Registration place | Business nature | Registered capital | Share-holding ratio on the enterprise for parent company | Voting right ratio on the enterprise |
|---------------------|--------------------|---------------------------------|------------------------|--|--------------------------------------|
| Wuxi Industry Group | Wuxi | Operation of state-owned assets | 4720.6710 million Yuan | 20.22% | 20.22% |

Explanation on parent company of the enterprise

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

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

2. Subsidiary of the Enterprise

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

3. Joint venture and associated enterprise

Found more in Note IX.3. “Equity in joint venture and associated enterprise”

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

4. Other Related party

| Other Related party | Relationship with the Enterprise |
|----------------------|--|
| Robert Bosch Company | Second largest shareholder of the Company |
| Key executive | Director, supervisor and senior executive of the Company |

5. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB/CNY

| Related party | Content of related transaction | Current period | Approved transaction limit | Whether more than the transaction limit (Y/N) | Last Period |
|--|--------------------------------|------------------|----------------------------|---|------------------|
| Weifu Precision Machinery | Goods and labor | 37,649,400.25 | 40,000,000.00 | N | 44,657,225.89 |
| Bosch Diesel System | Goods and labor | 42,492,806.04 | 60,000,000.00 | N | 68,485,584.07 |
| Weifu Environment | Goods | 1,663,362,526.18 | 2,000,000,000.00 | N | 1,515,266,186.15 |
| Robert Bosch Company | Goods and labor | 173,854,905.98 | 130,000,000.00 | Y | 179,841,237.03 |
| Shinwell Automobile Tech. (Wuxi) Co., Ltd. | Goods | 11,195,174.16 | | Y | |

Goods sold/labor service providing

In RMB/CNY

| Related party | Content of related transaction | Current period | Last Period |
|--|--------------------------------|------------------|------------------|
| Weifu Precision Machinery | Goods and labor | 1,428,332.05 | 3,785,205.72 |
| Bosch Diesel System | Goods and labor | 2,670,139,591.68 | 2,722,919,316.33 |
| Weifu Environment | Goods and labor | 29,810,340.60 | 50,181,907.20 |
| Robert Bosch Company | Goods and labor | 730,599,270.85 | 720,709,408.92 |
| Shinwell Automobile Tech. (Wuxi) Co., Ltd. | Goods | 1,241,682.55 | |

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

Nil

(3) Related lease

As a lessor for the Company:

In RMB/CNY

| Lessee | Assets type | Lease income recognized in the Period | Lease income recognized at last Period |
|-------------------|-------------|---------------------------------------|--|
| Weifu Environment | Workshop | 2,508,057.00 | 2,508,057.00 |

As a tenant for the Company:

Explanation on related lease

Weifu Leader entered into the house leasing contract with Weifu Environment, as for the plant locates at No.9 Linjiang Road, Wuxi new district, owed by Weifu Leader, rent-out to Weifu Environment, agreements are made as: Rental from 1 January 2019 to 31 December 2019 was 2,508,057.00 Yuan

(4) Related guarantee

Nil

(5) Related party's borrowed/lending funds

In the year, Weifu Leader return the 5.47 million Yuan loaned last year, to Wuxi Industry Group

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

Nil

(7) Remuneration of key manager

In RMB/CNY

| Item | Current period | Last Period |
|-----------------------------|----------------|--------------|
| Remuneration of key manager | 5,370,000.00 | 5,180,000.00 |

(8) Other related transactions

| Related party | Name | Current period | Last Period |
|----------------------|--------------------------------|----------------|---------------|
| Bosch Diesel System | Payable for technical services | 337,369.76 | 1,355,480.71 |
| Bosch Diesel System | Purchase of fixed assets | 5,720,900.23 | 19,629,922.97 |
| Robert Bosch Company | Technology royalties paid etc. | 3,489,339.19 | 3,484,849.96 |
| Robert Bosch Company | Payable for technical services | 702,303.80 | -- |

| | | | |
|----------------------|--------------------------|--------------|--------------|
| Robert Bosch Company | Purchase of fixed assets | 6,150,100.00 | 3,576,000.00 |
| Weifu Environment | House rental fee payable | 214,285.71 | -- |
| Weifu Environment | Purchase of fixed assets | 148,668.39 | 9,858.69 |
| Weifu Environment | Sales of fixed assets | -- | 187,779.24 |
| Wuxi Industry Group | Interest paying | 89,564.40 | 214,362.52 |

6. Receivable/payable items of related parties

(1) Receivable item

In RMB/CNY

| Item | Related party | Ending balance | | Opening balance | |
|---------------------------|---------------------------|----------------|------------------|-----------------|------------------|
| | | Book balance | Bad debt reserve | Book balance | Bad debt reserve |
| Account receivable | Weifu Precision Machinery | 243,544.57 | | 77,477.41 | |
| Other account receivables | Weifu Precision Machinery | 1,070,000.00 | | | |
| Account receivable | Bosch Diesel System | 478,258,447.23 | | 420,746,170.76 | |
| Account receivable | Robert Bosch Company | 155,195,576.42 | 135,534.13 | 132,830,976.56 | |
| Other account receivables | Robert Bosch Company | 7,600,000.00 | 1,520,000.00 | 12,285,081.81 | |
| Account receivable | Weifu Environment | 3,925,564.95 | | 1,233,580.22 | |
| Other non-current assets | Weifu Precision Machinery | 53,788.00 | | | |
| Account paid in advance | Bosch Diesel System | | | 1,057,272.58 | |
| Other non-current assets | Bosch Diesel System | 183,842.03 | | | |
| Account paid in advance | Robert Bosch Company | 5,954,823.56 | | | |
| Other non-current assets | Robert Bosch Company | 6,600,000.00 | | | |

(2) Payable item

In RMB/CNY

| Item | Related party | Ending book balance | Opening book balance |
|-----------------------|---------------------------|---------------------|----------------------|
| Account payable | Weifu Precision Machinery | 10,556,782.28 | 7,941,418.36 |
| Other account payable | Weifu Precision Machinery | 29,000.00 | |
| Account payable | Weifu Environment | 553,049,630.17 | 337,307,634.70 |
| Account payable | Bosch Diesel System | 5,664,266.10 | 24,743,403.24 |
| Account payable | Robert Bosch Company | 12,297,410.48 | 5,170,470.70 |

| | | | |
|------------------------------|---|--------------|--------------|
| Account payable | Shinwell Automobile Tech. (Wuxi) Co., Ltd. | 2,212,768.26 | |
| Other account payable | Wuxi Industry Group | | 5,476,678.00 |
| Accounts received in advance | Robert Bosch Company | 965,203.64 | 754,552.15 |
| Accounts received in advance | Weifu Environment | 6,568,149.70 | |

7. Undertakings of related party

Nil

8. Other

Nil

XIII. Share-based payment

Nil

XIV. Undertakings or contingency

1. Important undertakings

Important undertakings on balance sheet date

Nil

2. Contingency

(1) Contingency on balance sheet date

Nil

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

The Company has no important contingency that need to disclosed

3. Other

Nil

XV. Events after balance sheet date

1. Important non adjustment matters

Nil

2. Profit distribution

In RMB/CNY

| | |
|--|------------------|
| Profit or dividend plans to distributed | 1,109,845,627.00 |
| Profit or dividend declare to distributed which have been approved | 1,109,845,627.00 |

3. Sales return

Nil

4. Other events after balance sheet date

(1) The 11th session of the 9th board of directors of the company held on February 13, 2020 reviewed and approved the Proposal on the Repurchase of Part of the Company's A Shares by Concentrated Bidding. The company shall repurchase the company's A shares through centralized bidding transactions, the total amount of repurchase funds this time does not exceed 600 million Yuan (inclusive) and not less than 300 million Yuan (inclusive); the price of the repurchased shares (A shares) does not exceed 24 yuan / share (inclusive), the repurchase period shall not exceed twelve months from the date on which the company's board of directors considers and approves the share repurchase program. The specific repurchase amount is based on the actual number of shares repurchased when the repurchase period expires.

(2) According to the resolution of the 12th session of the 9th board of directors of the company held on April 17, 2020, the company plans to use its own idle funds for entrusted financial management in 2020, with the total investment amount not exceeding 5 billion Yuan, and the above amount can be rolled and used for investment in low-risk wealth management products.

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

Nil

2. Debt restructuring

Nil

3. Assets replacement

Nil

4. Pension plan

The *Enterprise Annuity Plan under the name of WFHT* has deliberated and approved by 8th session of 7th BOD: in order to mobilize the initiative and creativity of the employees, established a talent long-term incentive mechanism, enhance the cohesive force and competitiveness in enterprise, the Company carried out the above mentioned annuity plan since the date of reply of plans reporting received from labor security administration department. Annuity plans are: the annuity fund are paid by the enterprise and employees together. The amount paid by enterprise shall not over 8 percent of the total salary of last year, the amount paid by individual and enterprise shall not over the 12 percent of the total salary of last year. In accordance with the State's annuity policy, the Company will adjusted the economic benefits in due time, in principle of responding to the economic strength of the enterprise, the amount paid by the enterprise at current period shall be controlled in the 8 percent of the total salary of last year. The upper limit of employee's annual distribution amount shall not exceed 5 times of the average employee's distribution amount, and the excess shall not be included in the distribution amount. The amount paid by the employee individual shall be controlled in the 1 percent of his or her total salary of last year. Specific paying ratio later shall be adjust correspondingly in line with the operation condition of the Company.

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

6. Segment

(1) Recognition basis and accounting policy for reportable segment

(1) Recognition basis and accounting policy for reportable segment:

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

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

The Company mainly engaged in the manufacture of fuel system of internal combustion engine products, auto components, muffler and purifier etc., based on the product segment, the Company determine three reporting segments as auto fuel injection system, air management system and automotive post processing system. Accounting policy for the three reporting segments are shares the same policy state in Note V

Segment assets exclude transaction financial asset, other account receivables-dividend receivable, other non-current financial assets, other equity instrument investment, long term equity investment and other undistributed assets, since these assets are not related to products operation.

(2) Financial information for reportable segment

In RMB/CNY

| Item | Product segment of automobile fuel injection system | Product segment of automotive post processing system | Product segment of air management system | Add: investment/income measured by equity, income of financial products or possession and disposal income, the retained assets or gains/losses as the financial assets available for sale or possession and disposal income | Offset of segment | Total |
|-------------------|---|--|--|---|-------------------|-------------------|
| Operating revenue | 5,444,280,586.74 | 3,020,424,650.65 | 479,379,186.28 | | 159,727,463.37 | 8,784,356,960.30 |
| Operating cost | 3,889,774,097.76 | 2,589,046,140.98 | 352,305,334.98 | | 160,771,193.18 | 6,670,354,380.54 |
| Total Profit | 793,952,285.14 | 2,744,551.28 | 11,027,464.68 | 1,641,774,540.26 | -1,043,729.81 | 2,450,542,571.17 |
| Net profit | 675,434,686.39 | 11,525,695.48 | 12,821,960.29 | 1,602,173,738.93 | -780,680.02 | 2,302,736,761.11 |
| Total assets | 9,182,321,511.82 | 4,373,228,102.86 | 823,339,961.23 | 10,595,477,225.55 | 1,016,018,615.68 | 23,958,348,185.78 |
| Total liabilities | 2,780,774,980.62 | 3,364,057,991.43 | 477,415,294.93 | 2,734,776.35 | 151,288,168.22 | 6,473,694,875.11 |

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

Nil

XVII. Principle notes of financial statements of parent company

1. Account receivable

(1) Classification of account receivable

In RMB/CNY

| Category | Ending balance | | | | | Opening balance | | | | |
|--|----------------|---------|------------------|---------------|----------------|-----------------|---------|------------------|---------------|----------------|
| | Book balance | | Bad debt reserve | | Book value | Book balance | | Bad debt reserve | | Book value |
| | Amount | Ratio | Amount | Accrual ratio | | Amount | Ratio | Amount | Accrual ratio | |
| Account receivable with bad debt provision accrual on a single basis | 9,107,123.51 | 1.17% | 9,107,123.51 | 100.00% | | 7,000,000.00 | 0.93% | 7,000,000.00 | 100.00% | |
| Including: | | | | | | | | | | |
| Account receivable with bad debt provision accrual on portfolio | 772,217,499.80 | 98.83% | 3,716,569.87 | 0.48% | 768,500,929.93 | 745,766,010.32 | 99.07% | 3,519,019.33 | 0.47% | 742,246,990.99 |
| Including: | | | | | | | | | | |
| Including: receivables from customers | 635,983,711.14 | 81.40% | 3,716,569.87 | 0.58% | 632,267,141.27 | 575,890,771.39 | 76.50% | 3,519,019.33 | 0.61% | 572,371,752.06 |
| Receivables from internal related parties | 136,233,788.66 | 17.43% | | | 136,233,788.66 | 169,875,238.93 | 22.57% | | | 169,875,238.93 |
| Total | 781,324,623.31 | 100.00% | 12,823,693.38 | 1.64% | 768,500,929.93 | 752,766,010.32 | 100.00% | 10,519,019.33 | 1.40% | 742,246,990.99 |

Bad debt provision accrual on single basis: RMB 9,107,123.51

In RMB/CNY

| Name | Ending balance | | | |
|--|----------------|------------------|---------------|-------------------------------|
| | Book balance | Bad debt reserve | Accrual ratio | Accrual causes |
| BD bills | 5,300,000.00 | 5,300,000.00 | 100.00% | Have difficulty in collection |
| Changchun FAW Sihuan Engine Manufacturing Co., Ltd | 1,475,731.65 | 1,475,731.65 | 100.00% | Have difficulty in collection |
| Wuxi Kipor Machinery Co., Ltd | 1,220,384.74 | 1,220,384.74 | 100.00% | Have difficulty in collection |

| | | | | |
|---|--------------|--------------|---------|-------------------------------|
| Fujian Zhao'an Country Minyue Bianjie Agricultural Machinery Auto Parts Co., Ltd. | 1,111,007.12 | 1,111,007.12 | 100.00% | Have difficulty in collection |
| Total | 9,107,123.51 | 9,107,123.51 | -- | -- |

Bad debt provision accrual on portfolio: RMB 3,716,569.87

In RMB/CNY

| Name | Ending balance | | |
|----------------------|----------------|------------------|---------------|
| | Book balance | Bad debt reserve | Accrual ratio |
| Within 6 months | 614,999,652.66 | | |
| 6 months to one year | 17,294,862.25 | 1,729,486.23 | 10.00% |
| 1-2 years | 1,629,995.56 | 325,999.11 | 20.00% |
| 2-3 years | 663,526.90 | 265,410.76 | 40.00% |
| Over 3 years | 1,395,673.77 | 1,395,673.77 | 100.00% |
| Total | 635,983,711.14 | 3,716,569.87 | -- |

By account age

In RMB/CNY

| Account age | Book balance |
|-------------------------------------|----------------|
| Within one year (One year included) | 722,204,054.00 |
| Including: within 6 months | 704,424,907.00 |
| 6 months to one year | 17,779,147.00 |
| 1-2 years | 25,952,899.88 |
| 2-3 years | 12,331,188.39 |
| Over 3 years | 20,836,481.04 |
| 3-4 years | 20,836,481.04 |
| Total | 781,324,623.31 |

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual in the period:

In RMB/CNY

| Category | Opening balance | Amount changed in the period | | | | Ending balance |
|--------------------|-----------------|------------------------------|-----------------------|-------------|-------|----------------|
| | | Accrual | Collected or reversal | Written-off | Other | |
| Bad debt provision | 10,519,019.33 | 4,335,104.33 | 1,700,000.00 | 330,430.28 | | 12,823,693.38 |
| Total | 10,519,019.33 | 4,335,104.33 | 1,700,000.00 | 330,430.28 | | 12,823,693.38 |

Important bad debt provision collected or switch back: nil

| Item | Amount collected | Collection way |
|----------|------------------|----------------|
| BD bills | 1,700,000.00 | Cash |
| Total | 1,700,000.00 | |

(3) Account receivable actual charge off in the Period

In RMB/CNY

| Item | Amount charge off |
|------------------------|-------------------|
| Fujian Lijia Co., Ltd. | 322,865.28 |

Major charge-off for the major receivable: nil

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

In RMB/CNY

| Name | Ending balance of account receivable | Ratio in total ending balance of account receivables | Ending balance of bad debt reserve |
|---------------------------|--------------------------------------|--|------------------------------------|
| Bosch Diesel System | 478,258,447.23 | 61.21% | |
| Weifu ITM | 48,702,354.96 | 6.23% | |
| Weifu Leader | 36,765,998.06 | 4.71% | |
| Custom 4 | 32,616,340.04 | 4.17% | |
| Weifu International Trade | 30,863,280.79 | 3.95% | |
| Total | 627,206,421.08 | 80.27% | |

(5) Account receivable derecognition due to financial assets transfer

Nil

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

Nil

2. Other account receivables

In RMB/CNY

| Item | Ending balance | Opening balance |
|---------------------------|----------------|-----------------|
| Interest receivable | 804,929.68 | 188,682.78 |
| Dividend receivable | 1,070,000.00 | |
| Other account receivables | 248,140,027.06 | 196,660,409.35 |

| | | |
|-------|----------------|----------------|
| Total | 250,014,956.74 | 196,849,092.13 |
|-------|----------------|----------------|

(1) Interest receivable**1) Category of interest receivable**

In RMB/CNY

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| Interest receivable of unified-borrowing & unified-lending | 149,876.70 | 188,682.78 |
| Interest of fund occupation | 655,052.98 | |
| Total | 804,929.68 | 188,682.78 |

2) Significant overdue interest

Nil

3) Accrual of bad debt provision
 Applicable Not applicable
(2) Dividend receivable**1) Category of dividend receivable**

In RMB/CNY

| Item (or invested enterprise) | Ending balance | Opening balance |
|-------------------------------|----------------|-----------------|
| Weifu Precision Machinery | 1,070,000.00 | |
| Total | 1,070,000.00 | |

2) Important dividend receivable with account age over one year

Nil

3) Accrual of bad debt provision

Nil

(3) Other account receivables**1) Other account receivables classification by nature**

In RMB/CNY

| Nature | Ending book balance | Opening book balance |
|---|-----------------------|-----------------------|
| Staff loans and petty cash | 462,664.16 | 605,473.63 |
| Balance of related party in the consolidate scope | 216,403,060.04 | 196,047,735.72 |
| Intercourse funds of unit | 24,000,000.00 | |
| Protean Holdings Corp. equity disposal fund | 10,654,092.89 | |
| Other | 117,939.00 | 7,200.00 |
| Total | 251,637,756.09 | 196,660,409.35 |

2) Accrual of bad debt provision

In RMB/CNY

| Bad debt reserve | Phase I | Phase II | Phase III | Total |
|---------------------------------------|--|---|--|--------------|
| | Expected credit losses over next 12 months | Expected credit losses for the entire duration (without credit impairment occurred) | Expected credit losses for the entire duration (with credit impairment occurred) | |
| Balance of Jan. 1, 2019 in the period | — | — | — | — |
| Current accrual | 3,497,729.03 | | | 3,497,729.03 |
| Balance on Dec. 31, 2019 | 3,497,729.03 | | | 3,497,729.03 |

Change of book balance of loss provision with amount has major changes in the period

 Applicable Not applicable

By account age

In RMB/CNY

| Account age | Book balance |
|-------------------------------------|-----------------------|
| Within one year (One year included) | 240,435,621.66 |
| Within 6 months | 128,276,648.77 |
| 6 months to one year | 112,158,972.89 |
| 1-2 years | 11,194,934.43 |
| 2-3 years | 7,200.00 |
| Total | 251,637,756.09 |

3) Bad debt provision accrual, collected or switch back

Bad debt provision accrual in the period:

In RMB/CNY

| Category | Opening balance | Amount changed in the period | | | | Ending balance |
|--------------------|-----------------|------------------------------|-----------------------|-------------|-------|----------------|
| | | Accrual | Collected or reversal | Written-off | Other | |
| Bad debt provision | | 3,497,729.03 | | | | 3,497,729.03 |
| Total | | 3,497,729.03 | | | | 3,497,729.03 |

Including the important bad debt provision switch back or collected in the period: nil

4) Other receivables actually written-off during the reporting period

Nil

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

In RMB/CNY

| Enterprise | Nature | Ending balance | Account age | Ratio in total ending balance of other receivables | Ending balance of bad debt reserve |
|---|---|----------------|--------------------|--|------------------------------------|
| Weifu Autocam | Balance of related party in the consolidate scope | 60,000,000.00 | Within 6 months | 23.84% | |
| Weifu Tianli | Balance of related party in the consolidate scope | 56,000,000.00 | Within 6 months | 22.26% | |
| Weifu Chang'an | Balance of related party in the consolidate scope | 41,850,444.32 | Within 1 year | 16.63% | |
| Weifu Mashan | Balance of related party in the consolidate scope | 34,552,615.72 | Within 2 years | 13.73% | |
| Weifu Schmidt | Balance of related party in the consolidate scope | 24,000,000.00 | Within 1 year | 9.54% | |
| Troowin Power System Technology Co., Ltd. | Intercourse funds of unit | 24,000,000.00 | 6 months to 1 year | 9.54% | 2,400,000.00 |
| Total | -- | 240,403,060.04 | -- | 95.54% | 2,400,000.00 |

6) Other account receivables related to government grants

Nil

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

Nil

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

Nil

3. Long-term equity investments

In RMB/CNY

| Item | Ending balance | | | Opening balance | | |
|---|------------------|-----------------------|------------------|------------------|-----------------------|------------------|
| | Book balance | Depreciation reserves | Book value | Book balance | Depreciation reserves | Book value |
| Investment for subsidiary | 1,731,814,008.11 | | 1,731,814,008.11 | 1,466,611,689.17 | | 1,466,611,689.17 |
| Investment for associates and joint venture | 4,599,549,621.93 | | 4,599,549,621.93 | 4,272,498,737.38 | | 4,272,498,737.38 |
| Total | 6,331,363,630.04 | | 6,331,363,630.04 | 5,739,110,426.55 | | 5,739,110,426.55 |

(1) Investment for subsidiary

In RMB/CNY

| The invested entity | Opening balance (book value) | Changes in Current Period | | | | Ending balance (book value) | Ending balance of depreciation reserves |
|---------------------------|------------------------------|---------------------------|---------------------|-------------------------------|-------|-----------------------------|---|
| | | Additional Investment | Negative Investment | Provision for impairment loss | Other | | |
| Weifu Jinning | 178,639,593.52 | | | | | 178,639,593.52 | |
| Weifu Leader | 460,113,855.00 | | | | | 460,113,855.00 | |
| Weifu Mashan | 168,693,380.51 | | | | | 168,693,380.51 | |
| Weifu Chang'an | 220,902,037.30 | | | | | 220,902,037.30 | |
| Weifu International Trade | 32,849,254.85 | | | | | 32,849,254.85 | |
| Weifu ITM | 167,000,000.00 | | | | | 167,000,000.00 | |
| Weifu Schmidt | 50,160,000.00 | | | | | 50,160,000.00 | |
| Weifu Tianli | 105,799,100.00 | 129,142,000.00 | | | | 234,941,100.00 | |
| Weifu Autocam | 82,454,467.99 | | | | | 82,454,467.99 | |
| Weifu Electronic Drive | | 53,832,280.23 | | | | 53,832,280.23 | |

| | | | | | | | |
|-------|------------------|----------------|--|--|--|------------------|--|
| SPV | | 82,228,038.71 | | | | 82,228,038.71 | |
| Total | 1,466,611,689.17 | 265,202,318.94 | | | | 1,731,814,008.11 | |

(2) Investment for associates and joint venture

In RMB/CNY

| Enterprise | Opening balance (book value) | Current changes (+, -) | | | | | | | Ending balance (book value) | Ending balance of depreciation reserves | |
|----------------------------------|------------------------------|-------------------------|---------------------|--|---|-----------------------|---|----------------------|-----------------------------|---|-------|
| | | Addit ional invest ment | Capit al reduc tion | Investment gain/loss recognized under equity | Other compre hensive income adjustm ent | Othe r equity chan ge | Cash dividend or profit announced to issued | Impair ment accrua l | | | Other |
| I. Joint venture | | | | | | | | | | | |
| Weifu Electronic Drive | 54,742,375.02 | | | -910,094.79 | | | | | -53,832,280.23 | 0.00 | |
| Subtotal | 54,742,375.02 | | | -910,094.79 | | | | | -53,832,280.23 | 0.00 | |
| II. Associated enterprise | | | | | | | | | | | |
| Bosch Diesel System | 3,076,037,410.12 | | | 1,021,820,848.31 | | | | | -821,004,272.08 | 3,276,853,986.35 | |
| Zhonglian Automobile | 1,086,475,955.72 | | | 279,956,679.58 | | | | | -105,200,000.00 | 1,261,232,635.30 | |
| Weifu Precision Machinery | 55,242,996.52 | | | 9,820,003.76 | | | | | -3,600,000.00 | 61,463,000.28 | |
| Subtotal | 4,217,756,362.36 | | | 1,311,597,531.65 | | | | | -929,804,272.08 | 4,599,549,621.93 | |
| Total | 4,272,498,737.38 | | | 1,310,687,436.86 | | | | | -929,804,272.08 | 4,599,549,621.93 | |

4. Operating income and cost

In RMB/CNY

| Item | Current period | | Last Period | |
|----------------|------------------|------------------|------------------|------------------|
| | Income | Cost | Income | Cost |
| Main business | 3,470,103,915.90 | 2,330,022,370.30 | 3,638,414,291.52 | 2,552,209,818.43 |
| Other business | 362,821,444.52 | 311,590,544.97 | 359,776,899.68 | 326,627,631.69 |
| Total | 3,832,925,360.42 | 2,641,612,915.27 | 3,998,191,191.20 | 2,878,837,450.12 |

Whether implemented the new revenue standards

Yes No**5. Investment income**

In RMB/CNY

| Item | Current period | Last Period |
|--|------------------|------------------|
| Investment income from holding transaction financial asset | 1,383,668.59 | |
| Dividend income from holding other equity instrument investment | 900,000.00 | |
| Investment income from holding available-for-sale financial assets | | 3,274,260.41 |
| Investment income obtained from disposal of financial assets available for sales | | 17,370,816.75 |
| Investment income in subsidiaries | 105,086,820.44 | 82,818,400.00 |
| Investment income in joint ventures and associated enterprises | 1,310,687,436.86 | 1,529,792,676.71 |
| Investment income of financial products | 228,151,138.50 | 303,054,961.79 |
| Total | 1,646,209,064.39 | 1,936,311,115.66 |

6. Other

XVIII. Supplementary Information

1. Current non-recurring gains/losses

Applicable Not applicable

In RMB/CNY

| Item | Amount | Note |
|--|----------------|------|
| Gains/losses from the disposal of non-current asset | 28,992,604.71 | |
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business) | 91,170,663.57 | |
| Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses | 1,608,477.64 | |
| Profit and loss of assets delegation on others' investment or management | 236,832,172.54 | |
| Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company | 24,394,637.95 | |
| Switch back of provision for depreciation of account receivable which was singly taken depreciation test | 1,700,000.00 | |
| Other non-operating income and expenditure except for the aforementioned items | 2,183,276.39 | |
| Less: Impact on income tax | 57,345,714.82 | |
| Impact on minority shareholders' equity | 8,918,644.88 | |
| Total | 320,617,473.10 | -- |

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

Applicable Not applicable

2. ROE and earnings per share

| Profits during report period | Weighted average ROE | Earnings per share | |
|--|----------------------|--------------------------------------|--|
| | | Basic earnings per share (RMB/Share) | Diluted earnings per share (RMB/Share) |
| Net profits belong to common stock stockholders of the Company | 13.77% | 2.25 | 2.25 |
| Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses | 11.83% | 1.93 | 1.93 |

3. Difference of the accounting data under accounting rules in and out of China

(1) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

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

Applicable Not applicable

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

4. Other

Nil

Section XIII. Documents available for reference

- I. Financial statement carrying the signatures and seals of person in charge of the company, principal of the accounting works and person in charge of accounting organ (accounting Supervisor);
- II. Original audit report seal with accounting firms and signature and seal with CPA;
- III. Original documents of the Company and manuscripts of public notices that disclosed in the website Juchao (<http://www.cninfo.com.cn>) designated by CSRC in the report period;
- IV. Annual report published on *China Securities Journal*, *Securities Times* and *Hong Kong Commercial Daily* during the Period.

BOD of Weifu High-Technology Group Co., Ltd.

Chairman: _____

Chen Xuejun

21 April 2020