



公证天业会计师事务所(特殊普通合伙)

Gongzheng Tianye Certified Public Accountants, SGP

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Auditor's Report

Su Gong W[2021]No. 443

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 2020 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 2020 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 25. Revenue in Note III and 42. Operation revenue and operation cost in Note V carried in the financial statement, WFHT achieved an operation revenue of 12,883,826,300 Yuan for year of 2020, 46.67% increase over 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 accounting standards for business enterprise; 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, signing-off sheet 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 2020 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 Enterprises 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)

Chinese CPA: Bai Lingjing
(engagement partner)

Wuxi China

Chinese CPA: Zhang Qianqian

16 April 2021

Financial Statement

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated Balance Sheet

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

December 31, 2020

In RMB

Item	December 31, 2020	December 31, 2019
Current assets:		
Monetary funds	1,963,289,832.33	1,596,893,711.87
Settlement provisions		
Capital lent		
Transaction financial assets	3,518,432,939.10	3,940,885,674.32
Derivative financial assets		
Note receivable	1,657,315,723.56	1,812,141,371.94
Account receivable	2,824,780,352.41	2,310,666,475.89
Receivable financing	1,005,524,477.88	23,873,317.86
Accounts paid in advance	151,873,357.76	139,241,917.78
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	54,209,580.88	43,730,023.31
Including: Interest receivable		655,052.98
Dividend receivable	49,000,000.00	1,070,000.00
Buying back the sale of financial assets		
Inventories	2,877,182,174.64	2,418,744,835.82
Contractual assets		
Assets held for sale		
Non-current asset due within one year		
Other current assets	2,137,921,113.61	1,012,055,605.74
Total current assets	16,190,529,552.17	13,298,232,934.53
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Other debt investment		
Long-term account receivable		
Long-term equity investment	4,801,488,290.97	5,322,405,953.35
Investment in other equity instrument	285,048,000.00	285,048,000.00
Other non-current financial assets	1,805,788,421.00	1,043,589,987.43
Investment real estate	20,886,681.62	22,410,511.87

Fixed assets	2,882,230,191.08	2,845,176,078.20
Construction in progress	243,795,493.04	247,857,777.25
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	454,412,947.69	430,594,372.12
Expense on Research and Development		
Goodwill	257,800,696.32	1,784,086.79
Long-term expenses to be apportioned	15,062,171.09	18,536,000.25
Deferred income tax asset	198,393,501.50	212,476,501.54
Other non-current asset	195,259,441.73	230,235,982.45
Total non-current asset	11,160,165,836.04	10,660,115,251.25
Total assets	27,350,695,388.21	23,958,348,185.78
Current liabilities:		
Short-term loans	302,238,600.05	312,153,969.81
Loan from central bank		
Capital borrowed		
Trading financial liability		
Derivative financial liability		
Note payable	2,462,592,372.82	1,745,218,439.52
Account payable	4,100,984,240.39	3,312,254,229.84
Accounts received in advance	4,071,236.87	113,737,432.61
Contractual liability	81,717,387.25	
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	332,421,811.82	314,343,737.66
Taxes payable	67,493,690.29	129,538,411.86
Other account payable	361,556,257.42	65,266,262.39
Including: Interest payable	4,862.22	
Dividend payable		
Commission charge and commission payable		
Reinsurance payable		
Liability held for sale		
Non-current liabilities due within one year	36,914,242.02	
Other current liabilities	222,871,087.33	
Total current liabilities	7,972,860,926.26	5,992,512,483.69
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	3,050,640.97	
Bonds payable		
Including: Preferred stock		

Perpetual capital securities		
Lease liability		
Long-term account payable	39,479,218.17	35,108,263.11
Long-term wages payable	181,980,293.94	58,392,053.61
Accrual liability		
Deferred income	328,204,476.73	365,116,022.98
Deferred income tax liabilities	30,653,933.12	22,566,051.72
Other non-current liabilities		
Total non-current liabilities	583,368,562.93	481,182,391.42
Total liabilities	8,556,229,489.19	6,473,694,875.11
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	3,294,242,368.28	3,391,527,806.33
Less: Inventory shares	303,627,977.74	
Other comprehensive income	13,916,619.47	134,871.67
Reasonable reserve	2,333,490.03	3,247,757.06
Surplus public reserve	510,100,496.00	510,100,496.00
Provision of general risk		
Retained profit	13,756,102,424.62	12,076,443,635.56
Total owner's equity attributable to parent company	18,282,017,990.66	16,990,405,136.62
Minority interests	512,447,908.36	494,248,174.05
Total owner's equity	18,794,465,899.02	17,484,653,310.67
Total liabilities and owner's equity	27,350,695,388.21	23,958,348,185.78

Legal Representative: Wang Xiaodong

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	December 31, 2020	December 31, 2019
Current assets:		
Monetary funds	1,157,684,053.05	965,770,877.82
Trading financial assets	3,452,348,980.19	3,758,789,072.68
Derivative financial assets		
Note receivable	422,246,979.39	202,403,993.13
Account receivable	982,782,279.22	768,500,929.93
Receivable financing		

Accounts paid in advance	75,650,090.49	89,116,730.45
Other account receivable	197,335,714.63	250,014,956.74
Including: Interest receivable	897,777.78	804,929.68
Dividend receivable		1,070,000.00
Inventories	725,276,241.43	565,144,234.49
Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	2,057,772,839.50	938,616,881.51
Total current assets	9,071,097,177.90	7,538,357,676.75
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	5,978,128,303.88	6,331,363,630.04
Investment in other equity instrument	209,108,000.00	209,108,000.00
Other non-current financial assets	1,805,788,421.00	1,043,589,987.43
Investment real estate		
Fixed assets	1,758,198,856.53	1,646,333,216.50
Construction in progress	154,741,266.85	136,573,912.28
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	208,112,706.57	203,663,423.60
Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	76,508,392.85	105,137,877.84
Other non-current assets	117,013,906.01	172,646,721.05
Total non-current assets	10,307,599,853.69	9,848,416,768.74
Total assets	19,378,697,031.59	17,386,774,445.49
Current liabilities		
Short-term borrowings	102,088,888.89	116,126,459.33
Trading financial liability		
Derivative financial liability		
Notes payable	448,901,718.36	284,054,137.00
Account payable	1,265,845,068.26	930,273,146.35
Accounts received in advance		12,010,730.30
Contractual liability	6,209,575.73	
Wage payable	216,870,819.60	213,626,754.45
Taxes payable	32,974,322.59	56,540,307.59
Other accounts payable	339,096,991.12	11,976,576.21
Including: Interest payable		

Dividend payable		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities	182,611,991.54	
Total current liabilities	2,594,599,376.09	1,624,608,111.23
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	176,245,345.03	50,058,386.76
Accrued liabilities		
Deferred income	285,714,239.98	322,971,778.82
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	461,959,585.01	373,030,165.58
Total liabilities	3,056,558,961.10	1,997,638,276.81
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	3,407,732,016.61	3,488,221,286.39
Less: Inventory shares	303,627,977.74	
Other comprehensive income		
Special reserve		
Surplus reserve	510,100,496.00	510,100,496.00
Retained profit	11,698,982,965.62	10,381,863,816.29
Total owner's equity	16,322,138,070.49	15,389,136,168.68
Total liabilities and owner's equity	19,378,697,031.59	17,386,774,445.49

3. Consolidated Profit Statement

In RMB

Item	2020	2019
I. Total operating income	12,883,826,306.60	8,784,356,960.30
Including: Operating income	12,883,826,306.60	8,784,356,960.30
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	12,193,088,999.51	7,870,700,853.45

Including: Operating cost	10,429,284,441.97	6,670,354,380.54
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	65,323,781.87	66,634,636.66
Sales expense	406,353,445.10	259,650,752.33
Administrative expense	782,824,422.63	514,028,451.76
R&D expense	532,581,209.78	417,924,908.28
Financial expense	-23,278,301.84	-57,892,276.12
Including: Interest expenses	11,466,886.33	21,770,516.39
Interest income	51,622,216.58	79,299,239.77
Add: other income	80,342,497.11	91,170,663.57
Investment income (Loss is listed with “-”)	1,964,805,688.57	1,614,540,714.83
Including: Investment income on affiliated company and joint venture	1,659,752,704.14	1,378,264,061.18
The termination of income recognition for financial assets measured by amortized cost(Loss is listed with “-”)	-946,468.33	-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 “-”)	383,325,765.19	25,019,666.32
Loss of credit impairment (Loss is listed with “-”)	-11,184,647.60	-52,825,875.25
Losses of devaluation of asset (Loss is listed with “-”)	-178,837,472.85	-169,460,299.73
Income from assets disposal (Loss is listed with “-”)	11,454,408.60	32,154,460.21
III. Operating profit (Loss is listed with “-”)	2,940,643,546.11	2,454,255,436.80
Add: Non-operating income	66,467,021.62	2,413,561.54
Less: Non-operating expense	4,158,888.17	6,126,427.17
IV. Total profit (Loss is listed with “-”)	3,002,951,679.56	2,450,542,571.17
Less: Income tax expense	180,215,749.00	147,805,810.06
V. Net profit (Net loss is listed with “-”)	2,822,735,930.56	2,302,736,761.11
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	2,822,735,930.56	2,302,736,761.11
2.termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	2,772,769,377.96	2,268,026,432.78
2.Minority shareholders’ gains and losses	49,966,552.60	34,710,328.33
VI. Net after-tax of other comprehensive income	13,839,596.07	203,603.86
Net after-tax of other comprehensive income attributable to owners of parent company	13,781,747.80	134,871.67
(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	13,781,747.80	134,871.67
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements	13,781,747.80	134,871.67
7.Other		
Net after-tax of other comprehensive income attributable to minority shareholders	57,848.27	68,732.19
VII. Total comprehensive income	2,836,575,526.63	2,302,940,364.97
Total comprehensive income attributable to owners of parent Company	2,786,551,125.76	2,268,161,304.45
Total comprehensive income attributable to minority shareholders	50,024,400.87	34,779,060.52
VIII. Earnings per share:		
(i) Basic earnings per share	2.79	2.25
(ii) Diluted earnings per share	2.79	2.25

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: Wang Xiaodong

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	2020	2019
I. Operating income	4,536,417,803.79	3,832,925,360.42
Less: Operating cost	3,236,311,612.73	2,641,612,915.27
Taxes and surcharge	38,086,034.27	31,863,942.28
Sales expenses	126,442,956.05	52,567,986.14

Administration expenses	533,649,297.97	292,983,915.45
R&D expenses	205,001,982.50	197,574,348.21
Financial expenses	-34,275,071.44	-71,470,479.91
Including: interest expenses	4,163,923.00	6,984,512.71
Interest income	40,948,820.72	74,450,739.86
Add: other income	58,782,085.85	67,874,015.41
Investment income (Loss is listed with “-”)	1,816,759,403.42	1,646,209,064.39
Including: Investment income on affiliated Company and joint venture	1,457,471,604.06	1,310,687,436.86
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 “-”)	383,241,806.28	22,923,064.68
Loss of credit impairment (Loss is listed with “-”)	2,076,529.99	-6,132,833.36
Losses of devaluation of asset (Loss is listed with “-”)	-82,232,381.43	-43,916,712.41
Income on disposal of assets (Loss is listed with “-”)	-520,470.69	1,887,302.76
II. Operating profit (Loss is listed with “-”)	2,609,307,965.13	2,376,636,634.45
Add: Non-operating income	30,937,706.44	562,276.63
Less: Non-operating expense	3,493,103.39	3,810,717.52
III. Total Profit (Loss is listed with “-”)	2,636,752,568.18	2,373,388,193.56
Less: Income tax	162,713,161.17	143,606,161.28
IV. Net profit (Net loss is listed with “-”)	2,474,039,407.01	2,229,782,032.28
(i)continuous operating net profit (net loss listed with “-”)	2,474,039,407.01	2,229,782,032.28
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive income		
(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		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency		

financial statements		
7.Other		
VI. Total comprehensive income	2,474,039,407.01	2,229,782,032.28
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

5. Consolidated Cash Flow Statement

In RMB

Item	2020	2019
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	11,908,396,653.71	8,145,939,987.84
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	32,138,413.08	51,722,970.47
Other cash received concerning operating activities	102,573,818.52	143,912,897.80
Subtotal of cash inflow arising from operating activities	12,043,108,885.31	8,341,575,856.11
Cash paid for purchasing commodities and receiving labor service	8,277,296,527.38	5,020,827,379.58
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	1,295,921,487.63	1,222,358,828.87
Taxes paid	788,150,479.38	501,167,008.38
Other cash paid concerning operating activities	899,929,156.91	548,552,586.05
Subtotal of cash outflow arising from operating activities	11,261,297,651.30	7,292,905,802.88
Net cash flows arising from operating activities	781,811,234.01	1,048,670,053.23
II. Cash flows arising from investing activities:		
Cash received from recovering investment	8,051,178,224.52	11,384,917,612.00
Cash received from investment income	2,462,910,424.30	1,230,657,039.85
Net cash received from disposal of fixed, intangible and other long-term assets	42,851,678.36	147,609,697.19

Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	65,102,250.70	70,025,432.83
Subtotal of cash inflow from investing activities	10,622,042,577.88	12,833,209,781.87
Cash paid for purchasing fixed, intangible and other long-term assets	492,683,539.12	589,522,818.28
Cash paid for investment	9,246,030,000.00	13,384,156,157.81
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained	297,302,758.31	49,930,740.75
Other cash paid concerning investing activities	14,579,308.94	25,115,357.50
Subtotal of cash outflow from investing activities	10,050,595,606.37	14,048,725,074.34
Net cash flows arising from investing activities	571,446,971.51	-1,215,515,292.47
III. Cash flows arising from financing activities		
Cash received from absorbing investment	312,640,853.85	14,022,428.73
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	10,161,653.85	14,022,428.73
Cash received from loans	395,691,406.43	809,517,778.36
Other cash received concerning financing activities	5,730,135.13	845,291.11
Subtotal of cash inflow from financing activities	714,062,395.41	824,385,498.20
Cash paid for settling debts	371,154,665.80	841,746,769.02
Cash paid for dividend and profit distributing or interest paying	1,120,464,009.41	1,258,933,561.00
Including: Dividend and profit of minority shareholder paid by subsidiaries	15,748,768.80	26,271,705.11
Other cash paid concerning financing activities	449,251,421.46	146,064,936.00
Subtotal of cash outflow from financing activities	1,940,870,096.67	2,246,745,266.02
Net cash flows arising from financing activities	-1,226,807,701.26	-1,422,359,767.82
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-2,003,139.41	5,029,521.42
V. Net increase of cash and cash equivalents	124,447,364.85	-1,584,175,485.64
Add: Balance of cash and cash equivalents at the period -begin	820,498,653.85	2,404,674,139.49
VI. Balance of cash and cash equivalents at the period -end	944,946,018.70	820,498,653.85

6. Cash Flow Statement of Parent Company

In RMB

Item	2020	2019
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	4,470,039,778.75	3,928,802,469.74
Write-back of tax received		
Other cash received concerning operating activities	61,033,856.80	77,926,941.80
Subtotal of cash inflow arising from operating activities	4,531,073,635.55	4,006,729,411.54
Cash paid for purchasing commodities and receiving labor service	2,312,159,843.14	2,163,992,101.67
Cash paid to/for staff and workers	730,528,257.00	645,107,564.57
Taxes paid	562,371,147.42	320,098,914.24
Other cash paid concerning operating activities	341,484,021.47	180,660,925.40
Subtotal of cash outflow arising from operating activities	3,946,543,269.03	3,309,859,505.88

Net cash flows arising from operating activities	584,530,366.52	696,869,905.66
II. Cash flows arising from investing activities:		
Cash received from recovering investment	7,324,178,224.52	10,054,917,612.00
Cash received from investment income	2,434,385,770.96	1,289,170,321.39
Net cash received from disposal of fixed, intangible and other long-term assets	810,004.53	42,777,932.53
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	214,831,510.69	171,801,850.24
Subtotal of cash inflow from investing activities	9,974,205,510.70	11,558,667,716.16
Cash paid for purchasing fixed, intangible and other long-term assets	262,442,259.33	360,473,332.45
Cash paid for investment	8,853,827,446.85	11,870,526,196.52
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	112,342,336.68	204,000,000.00
Subtotal of cash outflow from investing activities	9,228,612,042.86	12,434,999,528.97
Net cash flows arising from investing activities	745,593,467.84	-876,331,812.81
III. Cash flows arising from financing activities		
Cash received from absorbing investment	302,479,200.00	
Cash received from loans	102,000,000.00	231,500,000.00
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	404,479,200.00	231,500,000.00
Cash paid for settling debts	116,000,000.00	227,500,000.00
Cash paid for dividend and profit distributing or interest paying	1,097,442,763.44	1,217,748,704.04
Other cash paid concerning financing activities	400,017,180.33	
Subtotal of cash outflow from financing activities	1,613,459,943.77	1,445,248,704.04
Net cash flows arising from financing activities	-1,208,980,743.77	-1,213,748,704.04
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-2,070,408.32	5,250,115.02
V. Net increase of cash and cash equivalents	119,072,682.27	-1,387,960,496.17
Add: Balance of cash and cash equivalents at the period -begin	532,115,862.26	1,920,076,358.43
VI. Balance of cash and cash equivalents at the period -end	651,188,544.53	532,115,862.26

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			3,391,527,806.33		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
III. Increase/Decrease in this year (Decrease is listed with “-”)				-97,285,438.05	303,627,977.74	13,781,747.80	-914,267.03			1,679,658,789.06	1,291,612,854.04	18,199,734.31	1,309,812,588.35
(i) Total comprehensive income						13,781,747.80				2,772,769,377.96	2,786,551,125.76	50,024,400.87	2,836,575,526.63
(ii) Owners’ devoted and decreased capital				-97,285,438.05	303,627,977.74						-400,913,415.79	-16,046,487.85	-416,959,903.64
1. Common shares				-96,389,202.59	302,479,200.00						-398,868,402.59	25,079,496.04	-373,788,906.55

owners' equity														
1. Capital reserves converted to capital (share capital)														
2. Surplus reserves converted to capital (share capital)														
3. Remedying loss with surplus reserve														
4 . Carry-over retained earnings from the defined benefit plans														
5 . Carry-over retained earnings from other comprehensive income														
6. Other														
(V)							-914,267.03					-914,267.03	-29,409.91	-943,676.94

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					-24,494,988.81			567,732.83					-23,927,255.98	-52,813,665.23	-76,740,921.21

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	510,100,496.0 0		12,076,443,635.56		16,990,405,136.62	494,248,174.05	17,484,653,310.67

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

Current Period

In RMB

Item	2020											
	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				510,100,496.00	10,381,863,816.29		15,389,136,168.68
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				510,100,496.00	10,381,863,816.29		15,389,136,168.68
III. Increase/Decrease in this year (Decrease is listed with "-")					-80,489,269.78	303,627,977.74				1,317,119,149.33		933,001,901.81
(i) Total comprehensive income										2,474,039,407.01		2,474,039,407.01
(ii) Owners' devoted and					-80,489,269.78	303,627,977.74						-384,117,247.52

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								-1,177,442.02				-1,177,442.02
1. Withdrawal in the report period								5,849,756.55				5,849,756.55
2. Usage in the report period								7,027,198.57				7,027,198.57
(VI)Others								1,177,442.02		-63,678,987.68		-62,501,545.66
IV. Balance at the end of the report period	1,008,950,570.00				3,407,732,016.61	303,627,977.74			510,100,496.00	11,698,982,965.62		16,322,138,070.49

5 . Carry-over retained earnings from other comprehensive income												
6. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period								5,898,191.19				5,898,191.19
2. Usage in the report period								5,898,191.19				5,898,191.19
(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

Notes to Financial Statement

I. 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 RMB 112,858,000, and the registered capital after change was RMB 680,133,995. 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 RMB 1,020,200,992 up to 31 December 2013.

Deliberated and approved by the company's first extraordinary general meeting in 2015, the company has repurchased 11,250,422 shares of A shares from August 26, 2015 to September 8, 2015, and has finished the cancellation procedures for above repurchase shares in China Securities Depository and Clearing Corporation Limited Shenzhen Branch on September 16, 2015; after the cancellation of repurchase shares, the company's paid-up capital (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, Strategy & new business Department, market development 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., Nanjing Weifu Jinning Co., Ltd., IRD Fuel Cells A/S and Borit NV etc.

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. Research and test development of engineering and technical; R&D of the energy recovery system; manufacture of auto components 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, purifiers and fuel cell components etc.

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 16 April 2021.

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 Converter Co., Ltd.	Weifu Leader	94.81	--	94.81	50,259.63	Purifier and muffler	Y
Weifu Mashan Pump Glib Co., Ltd.	Weifu Mashan	100.00	--	100.00	16,500	Internal-combustion engine 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 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 Purifier (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 Autosmart Seating System Co., Ltd.	Autosmart Seating	--	66.00	66.00	10,000	Smart car device	Y
Wuxi Weifu Electric Drive Technology Co., Ltd.	Weifu Electric Drive	80.00	--	80.00	USD2,000	Wheel motor	Y
Weifu Holding ApS	SPV	100.00	--	100.00	DKK38	Investment	Y
IRD Fuel Cells A/S	IRD	--	100.00	100.00	DKK8,560	Fuel cell components	Y
IRD FUEL CELLS LLC	IRD America	--	100.00	100.00	USD300	Fuel cell components	Y
Borit NV	Borit	--	100.00	100.00	EURO316.09	Fuel cell components	Y

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				
Borit Inc.	Borit Inc.	--	100.00	100.00	USD0.1	Fuel cell components	Y

Compared with the previous period, the scope of consolidated financial statement have increase the follow enterprises including Autosmart Seating, Borit and Borit Inc. Of which, the Autosmart Seating was the subsidiary jointly established by the Company and Qiqiong Automobile Technology (Shanghai) Co., Ltd. Found more in the description of 5. Other reasons of change of consolidation scope carried in Note VI; Borit is the subsidiary acquired in the Period through SPV, found more in the description of 1. Enterprise combine not under the same control carried in Note VI; and Borit Inc. is the wholly-owned subsidiary of Borit established in the U.S.A.

On 1 January 2020, the former wholly-owned subsidiary - Wuxi Weifu ITM Supercharging Technique Co., Ltd was merger by absorption.

II. 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.

III. 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, purifiers and fuel cell components 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 III- 31.Critical accounting judgments and estimates

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 2020, such as financial status, operation achievements and cash flow for the year of 2020.

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

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.

The recognition of a financial assets shall be terminated if it meets one of the following conditions:

- ① the contractual right to receive the cash flow of the financial assets terminates; and
- ② the financial assets is transferred and the company transfers substantially all the risks and rewards of ownership of the financial asset to the transferring party;
- ③the financial asset was transferred and control, although the company has neither transferred nor retained almost all the risks and rewards of the ownership of a financial asset, it relinquishes 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 terminated for

recognition, 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 terminated for recognition, 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 etc. measured at fair value and whose changes are included in other comprehensive income and recognize the provisions for loss.

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- Receivable financing

Receivable financing 1: bank acceptance

Receivable financing 2: trade acceptance

D - 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, receivable financing 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.

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. 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.

② Assessment 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.

11.Receivables financing

The note receivable and account receivable which are measured at fair value and whose changes are included in other comprehensive income are classified as receivables financing within one year(including one year) from the date of acquisition. Relevant accounting policy found more in 10. Financial Instrument in Note V.

12. Inventory

(1) Classification of inventories

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

(2) Pricing for delivered inventories

The cost of inventory at the time of acquisition and delivery is calculated according to the standard cost method, and the difference in cost that it should bear is carried forward at the end of the period, and 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.

13. Assets held for sale

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

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

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

Assets held for sale are measured at the lower of their carrying value and fair value less selling expense. If the

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

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

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

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

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

14. Long-term equity investment

Long-term equity investments refer to long-term equity investments in which the Company has control, joint control or significant influence over the invested party. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured by fair value and with variation reckoned into current gains/losses. As for other accounting policies found more in “10. Financial instrument” in Note III.

(1) Determination of initial investment cost

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

acquisition:

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 treated as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for available-for-sale financial assets will not be accounted for.

② For the long-term equity investment obtained by business combination not under the same control, the fair value of the assets involved, the equity instruments issued and the liabilities incurred or assumed on the transaction date, plus the combined cost directly related to the acquisition is used as the initial investment cost of the long-term equity investment. The identifiable assets of the combined party and the liabilities (including contingent liabilities) assumed by the combined party on the combining date are all measured at fair value, regardless of the amount of minority shareholders' equity. The amount of the combined cost exceeding the fair value of the identifiable net assets of the combined party obtained by the Company is recorded as goodwill, and the amount below the fair value of the identifiable net assets of the combining party is directly recognized in the consolidated income statement. (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 treated as “transactions in a basket”. If they belong to “transactions in a basket”, these transactions will be accounted for as a transaction in obtaining control. If they do not belong to “transactions in a basket”, the initial investment cost of the long-term equity investment accounted for using the cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquirer and the additional investment cost. For previously held equity accounted for using the equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.)

③ Long-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

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

③ Acquisition of minority interest

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

④ Disposal of long-term equity investments

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

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

In respect of long-term equity investment accounted for using equity method with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners' equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by 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 III-21."impairment of long-term assets"

(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.

15. Investment real estate

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 III-“21.Impairment of long-term assets”

16. 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	Years of depreciation (years)	Scrap value rate(%)	Yearly depreciation rate(%)
House and Building	20~35	5	2.71~4.75
Machinery equipment	10	5	9.50
Transportation equipment	4~5	5	19.00~23.75
Electronic and other	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 III-"21.Impairment of long-term assets".

17. 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 III-"21.Impairment of long-term assets"

18. Contract assets and contract liabilities

Applicable from 1 Jan. 2020.

The Company presents the contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligation and the customer's payment.

(1) Contract assets

Confirmation method and standard of contract assets: contract assets refer to the right of a company to receive consideration after transferring goods or providing services to customers, and this right depends on other factors besides the passage of time. The company's unconditional (that is, only depending on the passage of time) right to collect consideration from customers are separately listed as receivables.

Method for determining expected credit losses of contract assets: the method for determining expected credit losses of contract assets is consistent with the method for determining expected credit losses of accounts receivable.

Accounting treatment method of expected credit losses of contract assets: if the contract assets are impaired, the company shall debit the "asset impairment loss" subject and credit the "contract asset impairment provision" subject according to the amount that should be written down. When reversing the provision for asset impairment that has already been withdrawn, make opposite accounting entries.

(2) Contract liabilities

The Company lists the obligation to transfer goods or provide labor services to customers for the consideration received or receivable from customers as contract liabilities, such as the amount that the company has received before the transfer of the promissory goods.

19. 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.

20. 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 by straight-line method 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 III-“21. 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.

21. 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.

22. 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.

23. 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.

24. Share-based payment

The Company's share-based payment is a transaction that grants equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services provided by employees or other parties. The Company's share-based payment is classified as equity-settled share-based payment and cash-settled share-based payment.

(1) Equity-settled share-based payment and equity instruments

Equity-settled share-based payment in exchange for services provided by employees shall be measured at the fair value of the equity instruments granted to employees. If the Company uses restricted stocks for share-based payment, employees contribute capital to subscribe for stocks, and the stocks shall not be listed for circulation or transfer until the unlocking conditions are met and unlocked; if the unlocking conditions specified in the final equity incentive plan are not met, the Company shall repurchase the stocks at the pre-agreed price. When the Company obtains the payment for the employees to subscribe for restricted stocks, it shall confirm the share capital and capital reserve (share capital premium) according to the obtained subscription money, and at the same time recognize a liability in full for the repurchase obligation and recognize treasury shares. On each balance sheet date during the waiting period, the Company makes the best estimate of the number of vesting equity instruments based on the changes in the latest obtained number of vested employees, whether they meet the specified performance conditions, and other follow-up information. On this basis, the services obtained in the current period are included in related costs or expenses based on the fair value on the grant date, and the capital reserve shall be increased accordingly.

For share-based payments that cannot be vested in the end, costs or expenses shall not be recognized, unless the vesting conditions are market conditions or non-vesting conditions. At this time, regardless of whether the market conditions or the non-vesting conditions are met, as long as all non-market conditions in the vesting conditions are met, it is deemed as vesting.

If the terms of equity-settled share-based payment are modified, at least the services obtained should be confirmed in accordance with the unmodified terms. In addition, any modification that increases the fair value of the equity instruments granted, or a change that is beneficial to employees on the modification date, is recognized as an increase in services received.

If the equity-settled share payment is cancelled, it will be treated as an accelerated vesting on the cancellation day, and the unconfirmed amount will be confirmed immediately. If an employee or other party can choose to meet the non-vesting conditions but fails to meet within the waiting period, it shall be treated as cancellation of equity-settled share-based payment. However, if a new equity instrument is granted and it is determined on the date of grant of the new equity instrument that the new equity instrument granted is used to replace the cancelled equity instrument, the granted substitute equity instruments shall be treated in the same way as the modification of the original equity instrument terms and conditions.

(2) Cash-settled share-based payment and equity instruments

Cash-settled share-based payments are measured at the fair value of the liabilities calculated and determined on the basis of shares or other equity instruments undertaken by the Company. If it's vested immediately after the grant, the fair value of the liabilities assumed on the date of the grant is included in the cost or expense, and the liability is increased accordingly. If the service within the waiting period is completed or the specified performance conditions are met, the service obtained in the current period shall be included in the relevant costs or expenses based on the best estimate of the vesting situation within the waiting period and the fair value of the liabilities assumed to increase the corresponding liabilities. On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities is remeasured, and the changes are included in the current profit and loss.

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

Accounting policies applicable as of 1 January 2020:

(1) Accounting policies used in revenue recognition and measurement

1) Revenue recognition principle

On the starting date of the contract, the company evaluates the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain point in time.

When one of the following conditions is met, it belongs to the performance obligation within a certain period of time, otherwise, it belongs to the performance obligation at a certain point in time: ① The customer obtains and consumes the economic benefits brought by the company's performance while the company performs the contract; ② The customer can control the goods or services under construction during the company's performance; ③ The goods or services produced during the company's performance have irreplaceable uses, and the company has the right to collect payment for the performance part that has been completed so far during the entire contract period.

For performance obligations performed within a certain period of time, the company recognizes revenue in accordance with the performance progress during that period. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue shall be recognized according to the amount of the cost incurred until the performance progress can be reasonably determined. For performance obligations performed at a certain point in time, revenue is recognized at the point when the customer obtains control of the relevant goods or services. When judging whether the customer has obtained control of the goods, the company considers the following signs:① The company has the current right to receive payment for the goods, that is, the customer has the current payment obligation for the goods; ②The company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods; ③The company has transferred the goods to the customer in kind, that is, the customer has physically taken possession of the goods; ④ The company has transferred the main risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the goods; ⑤ The customer has accepted the goods; ⑥Other signs that the customer has obtained control of the goods.

2)Revenue measurement principle

①The company measures revenue based on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the company expects to be entitled to receive due to the transfer of goods or services to customers, and does not include payments collected on behalf of third parties and payments expected to be returned to customers.

②If there is variable consideration in the contract, the company shall determine the best estimate of the variable consideration according to the expected value or the most likely amount, but the transaction price including the variable consideration shall not exceed the amount of cumulatively recognized revenue that is unlikely to be significantly turned back when the relevant uncertainty is eliminated.

③ If there is a significant financing component in the contract, the company shall determine the transaction price based on the amount payable that the customer is assumed to pay in cash when obtaining the control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. On the starting date of the contract, if the company expects that the customer pays the price within one year after obtaining control of the goods or services, the significant financing components in the contract shall not be considered.

④If the contract contains two or more performance obligations, the company will allocate the transaction price to each individual performance obligation based on the relative proportion of the stand-alone selling price of the goods promised by each individual performance obligation on the starting date of the contract.

(2) The Company's standard for the revenue recognition of the sales of goods and the specific judgment standard for the confirmation time:

The time when the Company's domestic sales revenue is confirmed: The company delivers the goods according to the order. On the reconciliation date agreed with the buyer, check the goods received and inspected by the buyer during the period from the last reconciliation date to this reconciliation date with the buyer, and the risks and rewards are transferred to the buyer after checking, the Company issues an invoice to

the buyer according to the type, quantity and amount confirmed in the reconciliation, and confirms the realization of sales revenue on the reconciliation day.

The time when the Company's foreign sales revenue is confirmed: After the customs review is completed, the Company will confirm the realization of the sales revenue according to the export date specified on the customs declaration.

Accounting policies applicable for year of 2019:

(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:

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

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 treatment 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.Changes of important accounting policy and estimation

(1)Changes of important accounting policies

Implementation of new revenue standard:

The Ministry of Finance revised the Accounting Standards for Business Enterprise No.14- Revenue in 2017, which go into effect on 1 January 2020. The revised standard requires that the cumulative impact of the first implementation of the standard be adjusted by the amount of opening retained earnings and other related items in the financial statement for the period of first-time implementation for comparable periods.

Main impact on the financial statement of the Company on 1 Jan. 2020 while implementing the new revenue standard:

Consolidated financial statement:

In RMB/CNY

Item	2019-12-31	Reclassify	Remeasurement	2020-1-1
Account receivable	2,310,666,475.89	115,015,466.40	--	2,425,681,942.29
Other current liability	--	115,015,466.40	--	115,015,466.40
			--	
Account received in advance	113,737,432.61	-110,874,750.61	--	2,862,682.00
Contract liability	--	98,565,613.54	--	98,565,613.54
Other current liability	--	12,309,137.07	--	12,309,137.07

Financial statement of parent company:

In RMB/CNY

Item	2019-12-31	Reclassify	Remeasurement	2020-1-1
Account receivable	768,500,929.93	79,739,079.11	--	848,240,009.04
Other current liability	--	79,739,079.11	--	79,739,079.11
Account received in advance	12,010,730.30	-12,010,730.30	--	--
Contract liability	--	10,628,964.87	--	10,628,964.87

Other current liability	--	1,381,765.43	--	1,381,765.43
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(2) Changes of important accounting estimate

Nil

(3) Adjustment the financial statements at the beginning of the first year of implementation of new financial instrument standards since 2020:

Consolidate balance sheet

In RMB/CNY

Item	2019-12-31	2020-1-1	Adjustments
Current assets:			
Monetary funds	1,596,893,711.87	1,596,893,711.87	
Financial assets measured at fair value and whose changes are included in current profit or loss			
Transaction financial asset	3,940,885,674.32	3,940,885,674.32	
Derivative financial assets			
Note receivable	1,812,141,371.94	1,812,141,371.94	
Account receivable	2,310,666,475.89	2,425,681,942.29	115,015,466.40
Receivables financing	23,873,317.86	23,873,317.86	
Account paid in advance	139,241,917.78	139,241,917.78	
Other account receivables	43,730,023.31	43,730,023.31	
Inventory	2,418,744,835.82	2,418,744,835.82	
Contract assets			
Assets held for sale			
Non-current asset due within one year			
Other current assets	1,012,055,605.74	1,012,055,605.74	
Total current assets	13,298,232,934.53	13,413,248,400.93	115,015,466.40
Non-current assets:			
Creditors' investment			
Other creditors' investment			
Long-term account receivables			
Long-term equity investment	5,322,405,953.35	5,322,405,953.35	
Other equity instrument investment	285,048,000.00	285,048,000.00	
Other non-current financial assets	1,043,589,987.43	1,043,589,987.43	
Investment real estate	22,410,511.87	22,410,511.87	
Fixed assets	2,845,176,078.20	2,845,176,078.20	
Construction in progress	247,857,777.25	247,857,777.25	
Productive biological assets			
Oil and gas assets			

Item	2019-12-31	2020-1-1	Adjustments
Intangible assets	430,594,372.12	430,594,372.12	
Development expenses			
Goodwill	1,784,086.79	1,784,086.79	
Long-term deferred expenses	18,536,000.25	18,536,000.25	
Deferred income tax assets	212,476,501.54	212,476,501.54	
Other non-current assets	230,235,982.45	230,235,982.45	
Total non-current assets	10,660,115,251.25	10,660,115,251.25	
Total assets	23,958,348,185.78	24,073,363,652.18	115,015,466.40
Current liabilities:			
Short-term borrowings	312,153,969.81	312,153,969.81	
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Transaction financial liability			
Derivative financial liability			
Note payable	1,745,218,439.52	1,745,218,439.52	
Account payable	3,312,254,229.84	3,312,254,229.84	
Account received in advance	113,737,432.61	2,862,682.00	-110,874,750.61
Contract liability		98,565,613.54	98,565,613.54
Employee compensation payable	314,343,737.66	314,343,737.66	
Taxes payable	129,538,411.86	129,538,411.86	
Other account payable	65,266,262.39	65,266,262.39	
Liability held for sale			
Non-current liabilities due within one year			
Other current liability		127,324,603.47	127,324,603.47
Total current liabilities	5,992,512,483.69	6,107,527,950.09	115,015,466.40
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Long-term account payable	35,108,263.11	35,108,263.11	
Long-term employee compensation payable	58,392,053.61	58,392,053.61	
Accrual liabilities			
Deferred income	365,116,022.98	365,116,022.98	
Deferred income tax liabilities	22,566,051.72	22,566,051.72	
Other non-current liabilities			
Total non-current liabilities	481,182,391.42	481,182,391.42	
Total liabilities	6,473,694,875.11	6,588,710,341.51	115,015,466.40

Item	2019-12-31	2020-1-1	Adjustments
Owners' equity:			
Paid-in capital (or share capital)	1,008,950,570.00	1,008,950,570.00	
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital reserve	3,391,527,806.33	3,391,527,806.33	
Less: Inventory shares			
Other comprehensive income	134,871.67	134,871.67	
Reasonable reserve	3,247,757.06	3,247,757.06	
Surplus reserve	510,100,496.00	510,100,496.00	
Retained profit	12,076,443,635.56	12,076,443,635.56	
Total owners' equity attributable to parent company	16,990,405,136.62	16,990,405,136.62	
Minority interests	494,248,174.05	494,248,174.05	
Total owners' equity	17,484,653,310.67	17,484,653,310.67	
Total liabilities and owner's equity	23,958,348,185.78	24,073,363,652.18	115,015,466.40

Balance sheet of parent company

In RMB/CNY

Item	2019-12-31	2020-1-1	Adjustments
Current assets:			
Monetary funds	965,770,877.82	965,770,877.82	
Financial assets measured at fair value and whose changes are included in current profit or loss			
Transaction financial asset	3,758,789,072.68	3,758,789,072.68	
Derivative financial assets			
Note receivable	202,403,993.13	202,403,993.13	
Account receivable	768,500,929.93	848,240,009.04	79,739,079.11
Receivables financing			
Account paid in advance	89,116,730.45	89,116,730.45	
Other account receivables	250,014,956.74	250,014,956.74	
Inventory	565,144,234.49	565,144,234.49	
Contract assets			
Assets held for sale			
Non-current asset due within one year			
Other current assets	938,616,881.51	938,616,881.51	
Total current assets	7,538,357,676.75	7,618,096,755.86	79,739,079.11
Non-current assets:			
Creditors' investment			
Other creditors' investment			
Long-term account receivables			

Item	2019-12-31	2020-1-1	Adjustments
Long-term equity investment	6,331,363,630.04	6,331,363,630.04	
Other equity instrument investment	209,108,000.00	209,108,000.00	
Other non-current financial assets	1,043,589,987.43	1,043,589,987.43	
Investment real estate			
Fixed assets	1,646,333,216.50	1,646,333,216.50	
Construction in progress	136,573,912.28	136,573,912.28	
Productive biological assets			
Oil and gas assets			
Intangible assets	203,663,423.60	203,663,423.60	
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	105,137,877.84	105,137,877.84	
Other non-current assets	172,646,721.05	172,646,721.05	
Total non-current assets	9,848,416,768.74	9,848,416,768.74	
Total assets	17,386,774,445.49	17,466,513,524.60	79,739,079.11
Current liabilities:			
Short-term borrowings	116,126,459.33	116,126,459.33	
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Transaction financial liability			
Derivative financial liability			
Note payable	284,054,137.00	284,054,137.00	
Account payable	930,273,146.35	930,273,146.35	
Account received in advance	12,010,730.30		-12,010,730.30
Contract liability		10,628,964.87	10,628,964.87
Employee compensation payable	213,626,754.45	213,626,754.45	
Taxes payable	56,540,307.59	56,540,307.59	
Other account payable	11,976,576.21	11,976,576.21	
Liability held for sale			
Non-current liabilities due within one year			
Other current liability		81,120,844.54	81,120,844.54
Total current liabilities	1,624,608,111.23	1,704,347,190.34	79,739,079.11
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Long-term account payable			
Long-term employee compensation payable	50,058,386.76	50,058,386.76	
Accrual liabilities			

Item	2019-12-31	2020-1-1	Adjustments
Deferred income	322,971,778.82	322,971,778.82	
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	373,030,165.58	373,030,165.58	
Total liabilities	1,997,638,276.81	2,077,377,355.92	79,739,079.11
Owners' equity:			
Paid-in capital (or 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			
Reasonable reserve			
Surplus reserve	510,100,496.00	510,100,496.00	
Retained profit	10,381,863,816.29	10,381,863,816.29	
Total owners' equity	15,389,136,168.68	15,389,136,168.68	
Total liabilities and owner's equity	17,386,774,445.49	17,466,513,524.60	79,739,079.11

31. Critical accounting judgments and estimates

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. 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.

IV. Taxation

1. Major taxes and tax rates

Tax	Basis	Tax rate
VAT	General taxpayers of the company and domestic subsidiaries calculate output tax at the tax rates of 13%, 9%, 6%, and 5% of taxable income, and calculate and pay value-added tax based on the difference after deducting the input VAT that is allowed to be deducted in the current period.	13%, 9% , 6%, Collection rate 5%
City maintaining & construction tax	Turnover tax payable	7%
Educational surtax	Turnover tax payable	5% .4.5%
Corporation income tax	Taxable income	Except for overseas subsidiaries which calculate and pay the taxes according to the statutory tax rate of the country or region where they are located, the corporate income tax of domestic companies is calculated and paid at 15%、20% or 25% of the taxable income.

2. Preferential taxation

The Company, Weifu Jinning, Weifu Leader and Weifu Tianli are accredited as a high-tech enterprise in 2020, and enjoy a preferential income tax rate of 15% from 1 January 2020 to 31 December 2022.

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 2020, Weifu Leader (Chongqing) paid its corporate income tax at the tax rate of 15%.

According to the provision of the State Administration of Taxation on the Announced the Cancellation of 22 Tax Non-administrative Review (No. 58 documents in 2015) dated 18 August 2015, the enterprise that benefit from the 15% tax incentive for western development do not need to approve only to file, and Weifu Leader (Chongqing) has passed the tax filing audit in 2020.

In 2020, Weifu Leader (Wuhan) met the standards of small and low-profit enterprises, and the part of taxable income that did not exceed 1 million yuan was included in the taxable income at a reduced rate of 25%, and the corporate income tax was paid at the tax rate of 20%; while the part of the taxable income exceeding 1 million yuan but not exceeding 3 million yuan was included in the taxable income at a reduced rate of 50%, and the corporate income tax was paid at the tax rate of 20%.

V. Notes to major items in consolidated financial statements

(Monetary unit refers to RMB/CNY below unless otherwise specified. The end of the period refers to December 31, 2020, the beginning of the period refers to January 1, 2020, the current period refers to 2020, and the last period refers to 2019.)

1. Monetary funds

Item	Ending balance	Opening balance
Cash on hand	507.66	93,165.33
Cash in bank	1,905,945,511.04	1,531,405,488.52
Other Monetary funds	57,343,813.63	65,395,058.02
Total	1,963,289,832.33	1,596,893,711.87
Including: Total amount saving aboard	33,723,245.25	31,442,836.86
Total amount with restriction on use for mortgage, pledge or freeze	57,343,813.63	34,946,900.21

Other explanation:

The ending balance of other monetary funds includes bank acceptance bill deposit 51,045,344.11 yuan, Mastercard deposit 215,720.00 yuan, in-transit foreign exchange funds 2,656,627.59 yuan, letter of credit guarantee deposit 587,241.00 yuan, and frozen dividends 2,838,880.93 yuan. The in-transit foreign exchange fund of 2,656,627.59 yuan is the final payment of the investment in Protean Holding Corp; as of December 31, 2020, the amount is still in the foreign exchange supervision account. The frozen dividend of 2,838,880.93 Yuan represents the part of dividends distributed by SDEC (stock code: 600841) and Miracle Automation (stock code: 002009) from 2017 to 2020 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

Item	Ending balance	Opening balance
Financial assets measured by fair value and with variation reckoned into current gains/losses	3,518,432,939.10	3,940,885,674.32
Including: SDEC share	140,395,956.00	91,822,332.00
Miracle Automation share	47,712,300.00	36,031,500.00
Financial products	3,330,324,683.10	3,813,031,842.32
Other	--	--
Total	3,518,432,939.10	3,940,885,674.32

3. Note receivable

(1) Classification of notes receivable:

Item	Ending balance	Opening balance
Bank acceptance bill	1,312,571,695.46	1,755,135,175.42
Trade acceptance bill	344,744,028.10	57,006,196.52
Total	1,657,315,723.56	1,812,141,371.94

Category	Ending balance				Book value
	Book balance		Bad debt reserve		
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Note receivable with bad debt provision accrual on portfolio	1,657,315,723.56	100.00	--	--	1,657,315,723.56
Portfolio 1: bank acceptance bill	1,312,571,695.46	79.20	--	--	1,312,571,695.46
Portfolio 2: trade acceptance bill	344,744,028.10	20.80	--	--	344,744,028.10
Total	1,657,315,723.56	100.00	--	--	1,657,315,723.56

On December 31, 2020, 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:

Item	Amount pledge at period-end
Bank acceptance bill	677,962,881.14
Trade acceptance bill	203,951,495.81
Total	881,914,376.95

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

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance bill	883,989,936.32	--
Trade acceptance bill	33,750,000.00	--
Total	917,739,936.32	--

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

Item	Amount transfer to account receivable at period-end
Trade acceptance bill	7,300,000.00

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 in 2019, this year, an increase of 2 million yuan was added.

4. Account receivable

(1) Classification of account receivable:

Category	Ending balance				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with bad debt provision accrual on a single basis	80,362,095.35	2.74	80,362,095.35	100.00	--
Account receivable with bad debt provision accrual on portfolio	2,847,529,398.11	97.26	22,749,045.70	0.80	2,824,780,352.41
Total	2,927,891,493.46	100.00	103,111,141.05	3.52	2,824,780,352.41

Category	Opening balance				
	Book balance		Bad debt reserve		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
with bad debt provision accrual on a single basis	64,818,802.14	2.58	64,818,802.14	100	--
with bad debt provision accrual on portfolio	2,448,486,812.37	97.42	22,804,870.08	0.93	2,425,681,942.29
Total	2,513,305,614.51	100.00	87,623,672.22	3.49	2,425,681,942.29

① Bad debt provision accrual on single basis:

Account receivable (by unit)	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.	8,910,778.54	8,910,778.54	100.00	Have difficulty in collection
BD bills	7,300,000.00	7,300,000.00	100.00	Have difficulty in collection
Jiangxi Dorcen Automobile Industry Co., Ltd.	7,287,632.16	7,287,632.16	100.00	Have difficulty in collection
Linyi Zotye Automobile components	6,193,466.77	6,193,466.77	100.00	Have difficulty in collection

Account receivable(by unit)	Ending balance			
	Book balance	Bad debt reserve	Accrual ratio (%)	Accrual causes
Manufacturing Co., Ltd.				
Changchun FAW Sihuan Engine Manufacturing Co., Ltd	5,852,415.65	5,852,415.65	100.00	Have difficulty in collection
Tongling Ruineng Purchasing Co., Ltd.	4,320,454.34	4,320,454.34	100.00	Have difficulty in collection
Brilliance Automotive Group Holdings Co., Ltd.	3,469,091.33	3,469,091.33	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
Jiangxi Dorcen Automobile Co., Ltd.	2,518,959.01	2,518,959.01	100.00	Have difficulty in collection
Dongfeng Chaoyang Diesel Co., Ltd.	1,953,054.31	1,953,054.31	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	1,820,798.21	1,820,798.21	100.00	Have difficulty in collection
Fujian Zhao'an Country Minyue Bianjie Agricultural Machinery Automobile components Co., Ltd.	1,111,007.12	1,111,007.12	100.00	Have difficulty in collection
Jiangsu Jintan Automobile Industry Co., Ltd.	1,059,798.43	1,059,798.43	100.00	Have difficulty in collection
Other custom	3,274,730.50	3,274,730.50	100.00	Have difficulty in collection
Total	80,362,095.35	80,362,095.35	100.00	

②Bad debt provision accrual on portfolio:

Account age	Ending balance		
	Book balance	Bad debt reserve	Accrual ratio (%)
Within 6 months	2,708,236,852.25	--	--
6 months to one year	112,424,780.47	11,242,478.05	10.00
1-2 years	16,733,198.33	3,346,639.68	20.00
2-3 years	3,291,064.86	1,316,425.77	40.00
Over 3 years	6,843,502.20	6,843,502.20	100.00
Total	2,847,529,398.11	22,749,045.70	0.80

③In the portfolio, there is no account receivable bad debt reserves are accrued by other methods

④By account age (Including single provision and portfolio provision):

Account age	Ending Book balance
Within one year	2,822,428,153.44
Including: within 6 months	2,708,470,485.40
6 months to one year	113,957,668.04
1-2 years	54,617,379.30
2-3 years	35,820,608.24
Over 3 years	15,025,352.48
Total	2,927,891,493.46

(2) Bad debt provision accrual collected or switch back:

Category	Opening balance	Amount changed in the period					Ending balance
		Accrual	Collected or reversal	Written-off	Conversion of foreign currency financial statement	Increase in business combination	
Bad debt reserve	87,623,672.22	17,176,890.53	931,854.92	988,058.21	23,670.92	206,820.51	103,111,141.05

Important bad debt provision collected or switch back: nil

(3) Account receivable actual charge off in the Period

Item	Amount charge off	Resulted by related transaction (Y/N)
Anhui Quanchai Power Co., Ltd.	143,750.00	N
Zhejiang Gonow Automobile Co., Ltd.	138,571.90	N
Chongqing Tuopu Diesel Engine Factory	134,197.30	N
Fuzhou Haominxing Automobile components Co., Ltd.	129,739.47	N
Shanghai Yangma Generator Co., Ltd.	104,496.00	N
Retail enterprise	337,303.54	N
Total	988,058.21	

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

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.	549,543,387.12	18.77	--
Robert Bosch Company	205,738,695.62	7.03	84,473.87
Custom 3	220,253,622.18	7.52	7,236.15
Custom 4	183,940,277.82	6.28	85,495.24
Custom 5	171,736,086.39	5.87	8,253,890.59
Total	1,331,212,069.13	45.47	8,431,095.85

(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

(1) Classification of receivables financing:

Item	Ending balance	Opening balance
Note receivable	1,005,524,477.88	23,873,317.86
Including: bank acceptance bill	1,005,524,477.88	23,873,317.86
Trade acceptance bill	--	--
Total	1,005,524,477.88	23,873,317.86

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.

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

Item	Amount pledge at period-end
Bank acceptance bill	646,892,501.28
Trade acceptance bill	--
Total	646,892,501.28

6. Account paid in advance

(1) Account age of account paid in advance

Account age	Ending balance		Opening balance	
	Amount	Ratio (%)	Amount	Ratio (%)
Within one year	146,877,271.37	96.71	118,030,952.47	84.77
1-2 years	2,799,827.49	1.84	19,644,713.49	14.11
2-3 years	1,254,109.33	0.83	683,098.16	0.49
Over 3 years	942,149.57	0.62	883,153.66	0.63
Total	151,873,357.76	100.00	139,241,917.78	100.00

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

Nil

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

Total year-end balance of top five advance payment by prepayment object amounted to 61,951,950.89 Yuan, takes 40.79 percent of the total advance payment at year-end.

7. Other account receivables

Item	Ending balance	Opening balance
Interest receivable	--	655,052.98
Dividend receivable	49,000,000.00	1,070,000.00
Other account receivables	5,209,580.88	42,004,970.33
Total	54,209,580.88	43,730,023.31

(1) Interest receivable

1) Category of interest receivable

Item	Ending balance	Opening balance
Time deposit	--	--
Interest of fund occupation	--	655,052.98
Total	--	655,052.98

2) Significant overdue interest

Nil

(2) Dividend receivable

1) Category of dividend receivable

Invested enterprise	Ending balance	Opening balance
Wuxi Weifu Environment Catalyst Co., Ltd.	49,000,000.00	--
Weifu Precision Machinery Manufacturing Co.,	--	1,070,000.00

Invested enterprise	Ending balance	Opening balance
Ltd.		
Total	49,000,000.00	1,070,000.00

2) Important dividend receivable with account age over one year

Nil

(3) Other account receivables

1) Other account receivables classification by nature

Nature	Ending balance	Opening balance
Intercourse funds from units	--	35,441,483.88
Protean Holdings Corp. equity disposal fund	--	10,654,092.89
Cash deposit	5,650,143.62	3,625,917.96
Staff loans and petty cash	766,301.05	1,346,241.81
Other	1,651,737.93	300,206.93
Total	8,068,182.60	51,367,943.47

2) Accrual of bad debt provision

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, 2020	7,848,301.94	--	1,514,671.20	9,362,973.14
Balance of Jan. 1, 2020 in the period	--	--	--	--
--transfer-in phase I	--	--	--	--
--transfer-in phase II	--	--	--	--
-- switch back phase II	--	--	--	--
-- switch back phase I	--	--	--	--
Current accrual	33,302.78	--	31,823.40	65,126.18
Current reversal	5,056,807.33	--	68,706.86	5,125,514.19
Current written-off	--	--	1,445,964.34	1,445,964.34
Other change	1,980.93	--	--	1,980.93
Balance on Dec. 31, 2020	2,826,778.32	--	31,823.40	2,858,601.72

By account age (Including single provision and portfolio provision)

Account age	Ending Book balance
Within one year	5,306,591.79
Including: Within 6 months	4,338,058.39
6 months to one year	968,533.40
1-2 years	80.00
2-3 years	47,365.81
Over 3 years	2,714,145.00
Total	8,068,182.60

3) Bad debt provision accrual, collected or switch back

Category	Opening balance	Amount changed in the period					Ending balance
		Accrual	Collected or reversal	Written-off	Conversion of foreign currency financial statement	Increase in business combination	
Bad debt reserve	9,362,973.14	65,126.18	5,125,514.19	1,445,964.34	1,980.93	--	2,858,601.72

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

Item	Amount charge off
American HESS Company	1,445,964.34

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

Name	Nature	Ending balance	Account age	Ratio (%)	Ending balance of bad debt reserve
Ningbo Jiangbei High-Tech Industry Park Development Construction Co., Ltd.	Deposit margin	1,767,000.00	Over 3 years	21.90	1,767,000.00
Wuxi China Resources Gas Co., Ltd.	Deposit margin	1,026,000.00	Within 6 months	12.73	--
Zhenkunxing Industrial Supermarket (Shanghai) Co., Ltd.	Deposit margin	1,000,000.00	Within 6 months	12.39	--
Chongqing Airport Group Co., Ltd.	Deposit margin	636,710.00	6 months to one year	7.89	63,671.00
Nanjing Chimbusco City Gas Development Co., Ltd.	Deposit margin	575,640.00	Over 3 years	7.13	575,640.00
Total		5,005,350.00		62.04	2,406,311.00

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

8. Inventory

(1) Category of inventory

Item	Ending balance			Opening balance		
	Book balance	Depreciation	Book value	Book balance	Depreciation	Book value
Raw materials	584,188,987.86	73,833,368.32	510,355,619.54	495,927,678.66	81,069,128.03	414,858,550.63
Goods in process	415,445,852.86	14,589,096.65	400,856,756.21	243,525,007.82	13,963,866.92	229,561,140.90
Finished goods	2,124,817,656.18	158,847,857.29	1,965,969,798.89	1,937,368,868.87	163,043,724.58	1,774,325,144.29
Total	3,124,452,496.90	247,270,322.26	2,877,182,174.64	2,676,821,555.35	258,076,719.53	2,418,744,835.82

(2) Inventory depreciation reserve

Inventory category	Opening balance	Current increased				Ending balance
		Increase in	Accrual	Resell	Conversion of	
Raw materials	81,069,128.03	192,731.93	32,396,791.38	39,951,549.94	126,266.92	73,833,368.32
Goods in	13,963,866.92	--	8,567,123.76	7,941,894.03	--	14,589,096.65
Finished goods	163,043,724.58	--	101,436,883.33	105,666,604.29	33,853.67	158,847,857.29
Total	258,076,719.53	192,731.93	142,400,798.47	153,560,048.26	160,120.59	247,270,322.26

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

② Accrual basis for inventory depreciation reserve:

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

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

Item	Reasons of write-off
Raw materials	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

9. Other current assets

Item	Ending balance	Opening balance
Structured deposits	1,925,000,000.00	965,000,000.00
Receivable export tax rebates	5,286,965.71	5,383,485.34
VAT refund receivable	--	1,648,669.86
Prepaid taxes and VAT retained	200,524,304.70	36,067,254.77
Input tax to be deducted and certification	178,073.42	764,895.21
Other	6,931,769.78	3,191,300.56
Total	2,137,921,113.61	1,012,055,605.74

10. Long-term equity investments

The invested entity	Opening balance	Current changes (+, -)								Ending balance	Ending balance of depreciation reserves
		Additional investment	Capital reduction	Investment gain/loss recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Provision for impairment	Other		
Associated enterprise											
Wuxi Weifu Environment Catalyst Co., Ltd.	578,366,832.27	--	--	147,950,344.01	--	--	49,000,000.00	--	--	677,317,176.28	--
Bosch Automobile Diesel System Co., Ltd.	3,417,092,136.65	--	--	1,185,178,731.75	--	--	1,801,681,159.00	--	--	2,800,589,709.40	--
Zhonglian Automobile Electronic Co., Ltd.	1,261,232,635.30	--	--	307,716,221.01	--	--	331,400,000.00	--	--	1,237,548,856.31	--
Weifu Precision Machinery Manufacturing Co., Ltd.	61,536,602.82	--	--	16,917,467.83	--	--	3,600,000.00	--	--	74,854,070.65	--
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	4,177,746.31	--	--	-3,194,996.20	--	--	--	--	--	982,750.11	--
Changchun Xuyang Weifu Auto Parts Technology Co., Ltd.	--	10,200,000.00	--	-4,271.78	--	--	--	--	--	10,195,728.22	--
Total	5,322,405,953.35	10,200,000.00	--	1,654,563,496.62	--	--	2,185,681,159.00	--	--	4,801,488,290.97	--

11. Other equity instrument investment

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	4,108,000.00
Wuxi Xichang Microchip Semi-Conductor	200,000,000.00	200,000,000.00
Total	285,048,000.00	285,048,000.00

12. Other non-current financial assets

Item	Ending balance	Opening balance
Tradable financial assets holding for over one year	1,467,000,000.00	1,000,246,703.43
Equity instrument investment	338,788,421.00	43,343,284.00
Total	1,805,788,421.00	1,043,589,987.43

13. Investment real estate

(1) Investment real estate measured by cost

Item	House and Building	Land use right	Construction in progress	Total
I. original book value				
1. Opening balance	65,524,052.61	--	--	65,524,052.61
2. Current increased	--	--	--	--
(1) outsourcing	--	--	--	--
(2) Inventory\fixed assets\construction in process transfer-in	--	--	--	--
(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	43,113,540.74	--	--	43,113,540.74
2. Current increased	1,523,830.25	--	--	1,523,830.25
(1) accrual or amortization	1,523,830.25	--	--	1,523,830.25
(2) Inventory\fixed assets\construction in process transfer-in	--	--	--	--
3. Current decreased	--	--	--	--
(1) disposal	--	--	--	--
(2) other transfer-out	--	--	--	--
4. Ending balance	44,637,370.99	--	--	44,637,370.99
III. Depreciation reserves				

Item	House and Building	Land use right	Construction in progress	Total
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	20,886,681.62	--	--	20,886,681.62
2. Opening Book value	22,410,511.87	--	--	22,410,511.87

(2) Investment real estate measured at fair value

Nil

14. Fixed assets

(1) Fixed assets

Item	House and Building	Machinery equipment	Transportation equipment	Electronic and other equipment	Total
I. original book value					
1. Opening balance	1,577,727,234.03	2,892,177,324.22	33,031,605.81	518,844,612.28	5,021,780,776.34
2. Current increased	7,563,975.38	498,442,904.87	1,083,968.58	44,140,463.89	551,231,312.72
(1) Purchase	--	5,768,487.05	--	5,779,483.65	11,547,970.70
(2) Construction in progress transfer-in	7,563,975.38	406,156,147.42	1,083,968.58	26,833,999.90	441,638,091.28
(3) increased by combination	--	86,518,270.40	--	11,526,980.34	98,045,250.74
3. Current decreased	696,619.88	32,375,566.33	3,834,292.89	31,182,407.69	68,088,886.79
(1) disposal or scrapping	696,619.88	32,375,566.33	3,834,292.89	31,182,407.69	68,088,886.79
(2) Other	--	--	--	--	--
4. Conversion of foreign currency financial statement	--	1,445,729.23	--	209,033.22	1,654,762.45
5. Ending balance	1,584,594,589.53	3,359,690,391.99	30,281,281.50	532,011,701.70	5,506,577,964.72
II. Accumulated depreciation					
1. Opening balance	373,468,771.98	1,466,289,636.27	24,572,383.79	259,549,999.99	2,123,880,792.03
2. Current increased	47,226,786.07	341,600,542.42	1,505,443.82	50,929,896.22	441,262,668.53
(1) accrual	47,226,786.07	295,932,176.04	1,505,443.82	44,560,750.98	389,225,156.91
(2) Increase in business combination	--	45,668,366.38	--	6,369,145.24	52,037,511.62
3. Current decreased	552,514.41	7,100,470.77	3,475,517.46	19,546,483.92	30,674,986.56
(1) disposal or scrapping	552,514.41	7,100,470.77	3,475,517.46	19,546,483.92	30,674,986.56
(2) Other	--	--	--	--	--

Item	House and Building	Machinery equipment	Transportation equipment	Electronic and other equipment	Total
4. Conversion of foreign currency financial statement	--	833,283.96	--	135,316.83	968,600.79
5. Ending balance	420,143,043.64	1,801,622,991.88	22,602,310.15	291,068,729.12	2,535,437,074.79
III. Depreciation reserves					
1. Opening balance	--	45,370,341.62	73,319.90	7,280,244.59	52,723,906.11
2. Current increased	--	36,436,674.38	--	--	36,436,674.38
(1) accrual	--	36,436,674.38	--	--	36,436,674.38
(2) Other	--	--	--	--	--
3. Current decreased	--	35,943.60	--	213,938.04	249,881.64
(1) disposal or scrapping	--	35,943.60	--	213,938.04	249,881.64
(2) Other	--	--	--	--	--
4. Conversion of foreign currency financial statement	--	--	--	--	--
5. Ending balance	--	81,771,072.40	73,319.90	7,066,306.55	88,910,698.85
IV. Book value					
1. Ending Book value	1,164,451,545.89	1,476,296,327.71	7,605,651.45	233,876,666.03	2,882,230,191.08
2. Opening 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) Temporarily idle fixed assets: nil

(3) Fixed assets acquired by financing lease:

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Mechanical equipment	28,328,331.83	16,449,611.12	--	11,878,720.71

(4) Fixed assets acquired by operating lease: nil

(5) Fixed assets without property certification held

Item	Book value	Reasons for without the property certification
Plant and office building of Weifu Chang'an	34,117,284.65	Still in process of relevant property procedures

15. Construction in progress

Item	Ending balance	Opening balance
Construction in progress	243,795,493.04	247,857,777.25
Engineering materials	--	--
Total	243,795,493.04	247,857,777.25

(1) Construction in progress

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Technical transformation of parent company	123,249,079.40	--	123,249,079.40	98,032,515.22	--	98,032,515.22
Technical transformation of Weifu Autocam	20,720,304.97	--	20,720,304.97	44,412,832.62	--	44,412,832.62

Technical transformation of Weifu Leader	27,031,547.25	--	27,031,547.25	25,051,156.03	--	25,051,156.03
Other Item	72,794,561.42	--	72,794,561.42	80,361,273.38	--	80,361,273.38
Total	243,795,493.04	--	243,795,493.04	247,857,777.25	--	247,857,777.25

(2) Changes of major projects under construction

Item	Opening balance	Current increased	Fixed assets transfer-in in the Period	Other decreased in the Period	Ending balance
Technical transformation of parent company	98,032,515.22	258,248,011.11	233,031,446.93	--	123,249,079.40
Technical transformation of Weifu Autocam	44,412,832.62	59,344,058.68	83,036,586.33	--	20,720,304.97
Technical transformation of Weifu Leader	25,051,156.03	49,714,021.24	47,733,630.02	--	27,031,547.25
Total	167,496,503.87	367,306,091.03	363,801,663.28	--	171,000,931.62

Cont.:

Item	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	--	--	--	--	--	Accumulated funds of the company
Technical transformation of Weifu Autocam	--	--	--	--	--	Accumulated funds of the company
Technical transformation of Weifu Leader	--	--	--	--	--	Accumulated funds of the company
Total	--	--	--	--	--	

(3) The provision for impairment of construction projects

Nil

16. Intangible assets

(1) Intangible assets

Item	Land use right	Computer software	Trademark and trademark license	Patent and non-patent technology	Total
I. original book value					
1. Opening balance	380,986,757.11	81,823,603.48	41,597,126.47	105,086,673.46	609,494,160.52
2. Current increased	25,763.33	15,790,128.41	--	75,384,836.56	91,200,728.30
(1) Purchase	--	15,019,691.80	--	2,842,372.92	17,862,064.72
(2) internal R&D	--	--	--	--	--
(3) Increase in business combination	--	770,436.61	--	72,542,463.64	73,312,900.25
(4) Other	25,763.33	--	--	--	25,763.33
3. Current decreased	--	--	--	--	--

Item	Land use right	Computer software	Trademark and trademark license	Patent and non-patent technology	Total
(1) Disposal or scrap	--	--	--	--	--
(2)Other	--	--	--	--	--
4.Conversion of foreign currency financial statement	--	71,130.87	--	4,607,818.10	4,678,948.97
5.Ending balance	381,012,520.44	97,684,862.76	41,597,126.47	185,079,328.12	705,373,837.79
II. accumulated amortization					
1.Opening balance	88,200,675.16	54,519,248.03	9,709,000.00	9,823,965.21	162,252,888.40
2.Current increased	7,052,263.90	19,718,966.93	--	44,226,916.11	70,998,146.94
(1) accrual	7,052,263.90	19,034,067.57	--	11,059,695.32	37,146,026.79
(2)Increase in business combination	--	684,899.36	--	33,167,220.79	33,852,120.15
3.Current decreased	--	--	--	--	--
(1) Disposal or scrap	--	--	--	--	--
(2)Other	--	--	--	--	--
4.Conversion of foreign currency financial statement	--	35,743.41	--	1,027,211.35	1,062,954.76
5.Ending balance	95,252,939.06	74,273,958.37	9,709,000.00	55,078,092.67	234,313,990.10
III. Depreciation reserves					
1.Opening balance	--	--	16,646,900.00	--	16,646,900.00
2.Current increased	--	--	--	--	--
(1) accrual	--	--	--	--	--
(2)Increase in business combination	--	--	--	--	--
3.Current decreased	--	--	--	--	--
(1) Disposal or scrap	--	--	--	--	--
(2)Other	--	--	--	--	--
4.Conversion of foreign currency financial statement	--	--	--	--	--
5.Ending balance	--	--	16,646,900.00	--	16,646,900.00
IV. Book value					
1.Ending Book value	285,759,581.38	23,410,904.39	15,241,226.47	130,001,235.45	454,412,947.69
2.Opening Book value	292,786,081.95	27,304,355.45	15,241,226.47	95,262,708.25	430,594,372.12

(2) Land use right without property certification held: nil

17. Goodwill

Item	Opening balance	Increase in this period		Ending balance
		Increase in business combination under different control	Conversion of foreign currency financial statement	

Merged with Weifu Tianli	1,784,086.79	--	--	1,784,086.79
Merged with Borit	--	247,766,648.21	8,249,961.32	256,016,609.53
Total	1,784,086.79	247,766,648.21	8,249,961.32	257,800,696.32

Other explanation:

(1) Goodwill formed by the merger of Weifu Tianli:

In 2010, 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 15.05% , 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 20%~24% of gross profit margin and 4%~14% 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.

(2) Goodwill formed by the merger of Borit:

In this period, the company acquired 100.00% equity of Borit in the form of cash purchase, the goodwill was the part that the cost of the merger was greater than the fair value share of the identifiable net assets of Borit. According to the "Assets Appraisal Report" (Wanlong PBZi (2021) No. 40016) issued by Wanlong (Shanghai) Assets Appraisal Co., Ltd, appointed by the Company, the recoverable value of the assets group where the goodwill of the merged with Borit is 391,332,500 yuan, higher than the carrying value of 339,171,600 yuan, and there is no impairment loss of goodwill.

18. Long-term deferred expenses

Item	Opening balance	Increase in business	Current increased	Amortized in the Period	Conversion of foreign	Ending balance
Remodeling costs etc.	18,536,000.25	--	9,099,137.73	12,637,958.88	64,991.99	15,062,171.09

19. Deferred income tax assets/Deferred income tax liabilities

(1) Deferred income tax assets that are not offset

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt reserve	104,259,030.38	15,779,756.63	94,527,571.76	14,302,572.39
Inventory depreciation reserve	225,684,043.14	35,799,261.60	237,900,564.04	38,773,864.59
Depreciation reserves of fixed assets	55,397,599.68	8,523,566.97	19,197,534.00	3,095,824.19
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	10,000,000.00	1,500,000.00
Change of fair value of transaction financial asset	--	--	16,517,403.00	2,477,610.45
Deferred income	323,924,836.18	48,935,725.44	362,993,022.12	54,664,953.32

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Internal un-realized profit	19,551,845.38	3,457,610.51	22,481,656.04	4,568,190.39
Payable salary, accrued expenses etc.	981,477,549.10	151,813,641.23	622,348,855.94	96,720,511.00
Depreciation assets, amortization difference	89,867,140.23	14,608,530.41	49,220,776.87	7,779,059.56
Deductible loss of subsidiary	9,703,095.17	2,425,773.79	21,714,524.19	4,101,171.83
Equity incentive	6,330,515.63	987,908.92	--	--
Total	1,842,842,554.89	286,328,810.50	1,473,548,807.96	230,480,792.72

(2) Deferred income tax liabilities that are not offset

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
The difference between the fair value and taxation basis of Weifeu Tianli assets in a merger not under the same control	11,271,189.48	1,690,678.40	12,011,409.46	1,801,711.40
The difference between the fair value and taxation basis of IRD assets in a merger not under the same control	86,905,585.08	19,119,228.72	94,383,365.10	20,764,340.32
The difference between the fair value and taxation basis of Borit assets in a merger not under the same control	39,376,104.10	9,844,026.00	--	--
Change of fair value of available-for-sale financial asset	366,808,362.19	55,023,506.38	18,231,842.32	2,734,776.35
Accelerated depreciation of fixed assets	211,571,729.76	32,911,802.62	98,019,924.32	15,269,514.83
Total	715,932,970.61	118,589,242.12	222,646,541.20	40,570,342.90

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

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	-87,935,309.00	198,393,501.50	-18,004,291.18	212,476,501.54
Deferred income tax liabilities	-87,935,309.00	30,653,933.12	-18,004,291.18	22,566,051.72

(4) Details of unrecognized deferred income tax assets

Item	Ending balance	Opening balance	Note
Bad debt reserve	1,710,712.39	2,459,073.60	There were uncertainties in the potential of generating enough taxable income.
Inventory depreciation reserve	21,586,279.12	20,176,155.49	There were uncertainties in the potential of generating enough taxable income.
Loss from subsidiary	193,713,240.35	103,734,801.82	There were uncertainties in the potential of generating enough taxable income.
Depreciation reserves of fixed assets	33,513,099.17	33,526,372.11	There were uncertainties in the potential of generating enough taxable income.

Item	Ending balance	Opening balance	Note
Other equity instrument investment	46,600,000.00	48,633,106.95	Uncertainty in obtaining evidence required by tax authorities
Equity incentive	154,321.87	--	There were uncertainties in the potential of generating enough taxable income.
Total	297,277,652.90	208,529,509.97	

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

Maturity year	Ending balance	Opening balance	Note
2020	--	23,567,088.89	Subsidiaries have operating losses
2021	12,343,844.69	43,218,245.04	Subsidiaries have operating losses
2022	3,781,066.93	9,901,777.74	Subsidiaries have operating losses
2023	1,171,973.53	7,882,026.39	Subsidiaries have operating losses
2024	18,520,699.71	19,165,663.76	Subsidiaries have operating losses
2025	12,151,503.80	--	Subsidiaries have operating losses
No expiration period	145,744,151.69	--	Oversea subsidiaries have operating losses
Total	193,713,240.35	103,734,801.82	

20. Other non-current assets

Item	Ending balance	Opening balance
Engineering equipment paid in advance	195,259,441.73	230,235,982.45

21. Short-term borrowings

(1) Category of short-term borrowings

Item	Ending balance	Opening balance
Credit loan	301,958,184.49	305,835,808.28
Bill financing	--	5,976,347.95
Interest payable	280,415.56	341,813.58
Total	302,238,600.05	312,153,969.81

(2) Overdue short-term loans without payment

Overdue short-term loans without payment 0 yuan at period-end

22. Note payable

(1) Note payable

Type	Ending balance	Opening balance
Bank acceptance bill	2,462,592,372.82	1,745,218,439.52

Other explanation:

Margin saving 51,045,344.11 Yuan was provided for the bank acceptance bill, 1,528,806,878.23 Yuan was pledge for not receivable.

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

23. Account payable

Item	Ending balance	Opening balance
Within one year	3,986,993,867.21	3,214,392,402.81
1-2 years	87,605,077.14	74,021,217.00

Item	Ending balance	Opening balance
2-3 years	13,824,720.43	5,854,811.50
Over 3 years	12,560,575.61	17,985,798.53
Total	4,100,984,240.39	3,312,254,229.84

24. Accounts received in advance

(1) Accounts received in advance

Item	Ending balance	Opening balance
Within one year	4,071,236.87	2,862,682.00
Total	4,071,236.87	2,862,682.00

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

Nil

25. Contract liabilities

(1) List of contract liabilities:

Item	Ending balance	Opening balance
Within one year	77,554,320.04	96,736,917.15
1-2 years	2,763,605.96	654,710.65
2-3 years	255,602.59	243,585.27
Over 3 years	1,143,858.66	930,400.47
Total	81,717,387.25	98,565,613.54

(2) Important contract liabilities with account age over 1 year:

Nil

26. Wage payable

(1) Wage payable

Item	Opening balance	Increase in business combination	Withdraw increase	Add: reclassification of long-term staff remuneration payable	Payment in the Period	Conversion of foreign currency financial statement	Ending balance
I. Short-term compensation	161,202,257.62	2,723,108.82	1,327,754,754.46	-223,910,852.76	1,083,683,592.15	140,646.32	184,226,322.31
II. Post-employment welfare- defined contribution plans	27,587,740.03	81,963.88	103,295,134.68	16,441,504.89	97,479,526.53	4,280.47	49,931,097.42
III. Dismissed welfare	2,249,529.82	--	1,061,967.00	2,598,717.94	4,264,943.44	--	1,645,271.32
IV. Other welfare due within one year	106,180,000.00	--	--	81,282,389.60	103,312,389.60	--	84,150,000.00
V. Other short-term welfare-Housing subsidies, employee	17,124,210.19	--	2,525,946.49	--	7,181,035.91	--	12,469,120.77

Item	Opening balance	Increase in business combination	Withdraw increase	Add: reclassification of long-term staff remuneration payable	Payment in the Period	Conversion of foreign currency financial statement	Ending balance
benefits and welfare funds							
Total	314,343,737.66	2,805,072.70	1,434,637,802.63	-123,588,240.33	1,295,921,487.63	144,926.79	332,421,811.82

Reclassification of long-term staff remuneration payable:

①An amount of RMB 223,910,852.76 in short-term remuneration is reclassified into long-term staff remuneration payable, which represents the incentive fund of RMB 223,910,852.76 provided for in this period.

②An amount of RMB 97,723,894.49 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 101,270,000.00 expected to be paid in 2021 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.

(2) Short-term compensation

Item	Opening balance	Increase in business combination	Withdraw increase in the Period	Reclassification of long-term staff remuneration payable	Payment in the Period	Conversion of foreign currency financial statement	Ending balance
1. Wages, bonuses, allowances and subsidies	141,247,196.85	2,048,841.14	1,106,219,433.65	-223,910,852.76	870,419,048.20	137,619.94	155,323,190.62
2. Welfare for workers and staff	--	658,404.45	75,696,847.48	--	76,356,937.24	1,797.66	112.35
3. Social insurance	8,701,447.13	--	58,977,657.61	--	50,181,099.40	80.34	17,498,085.68
Including: Medical insurance	7,575,173.65	--	49,025,390.01	--	42,349,121.51	--	14,251,442.15
Work injury insurance	541,230.02	--	3,737,026.16	--	2,616,665.94	80.34	1,661,670.58
Maternity insurance	585,043.46	--	6,215,241.44	--	5,215,311.95	--	1,584,972.95
4. Housing accumulation fund	679,677.00	--	70,474,436.00	--	70,137,926.00	--	1,016,187.00

5. Labor union expenditure and personnel education expense	10,573,936.64	--	15,609,816.31	--	15,817,413.27	749.88	10,367,089.56
6. Short-term paid absences	--	15,863.23	776,563.41	--	771,168.04	398.50	21,657.10
Total	161,202,257.62	2,723,108.82	1,327,754,754.46	-223,910,852.76	1,083,683,592.15	140,646.32	184,226,322.31

(3) Post-employment welfare- Defined contribution plans

Item	Opening balance	Increase in business combination	Withdraw increase in the Period	Increase in reclassification of long-term staff remuneration payable	Payment in the Period	Conversion of foreign currency financial statement	Ending balance
1. Basic endowment insurance	9,782,749.83	65,608.24	73,924,898.32	--	53,932,701.22	4,280.47	29,844,835.64
2. Unemployment insurance	412,974.22	--	2,215,497.53	--	1,715,942.59	--	912,529.16
3. Enterprise annuity	17,392,015.98	16,355.64	27,154,738.83	16,441,504.89	41,830,882.72	--	19,173,732.62
Total	27,587,740.03	81,963.88	103,295,134.68	16,441,504.89	97,479,526.53	4,280.47	49,931,097.42

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 2,598,717.94 yuan re-classified into the wage payable from long-term wages payable.

27. Taxes payable

Item	Ending balance	Opening balance
Value-added tax	28,744,351.90	61,749,095.75
Corporation income tax	21,458,320.79	50,686,013.43
City maintaining & construction tax	1,983,996.80	4,348,399.47
Educational surtax	1,417,140.56	3,105,999.62
Individual income tax	7,184,934.79	2,689,642.51
Other (including stamp tax and local	6,704,945.45	6,959,261.08
Total	67,493,690.29	129,538,411.86

28. Other account payable

Item	Ending balance	Opening balance
Interest payable	4,862.22	--
Dividend payable	--	--

Other account payable	361,551,395.20	65,266,262.39
Total	361,556,257.42	65,266,262.39

(1) Interest payable

Item	Ending balance	Opening balance
Other	4,862.22	--
Total	4,862.22	--

(2) Other account payable

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

Item	Ending balance	Opening balance
Deposit and margin	12,759,592.29	14,458,865.71
Social insurance and reserves funds that withholding	8,853,543.93	8,434,584.35
Intercourse funds from units	30,982,145.98	37,055,997.50
Restricted stock repurchase obligations	302,479,200.00	--
Other	6,476,913.00	5,316,814.83
Total	361,551,395.20	65,266,262.39

2) Significant other payable with over one year age

Item	Ending balance	Note
Nanjing Jidian Industrial Group Co., Ltd.	4,500,000.00	Intercourse funds

29. Non-current liabilities due within one year

Item	Ending balance	Opening balance
Long-term loans due within one year	33,271,589.84	--
Finance lease payments due within one year	3,615,985.51	--
Interest payable	26,666.67	--
Total	36,914,242.02	--

30. Other current liabilities

Item	Ending balance	Opening balance
Rebate payable	213,477,951.00	115,015,466.40
Pending sales tax	9,393,136.33	12,309,137.07
Total	222,871,087.33	127,324,603.47

31. Long-term borrowings

Item	Ending balance	Opening balance
Credit loan	3,050,640.97	--
Total	3,050,640.97	--

32. Long-term account payable

Item	Ending balance	Opening balance
Long-term account payable	15,339,090.00	16,818,181.00
Interest payable of long-term account payable	12,793.00	25,000.00
Special accounts payable	18,265,082.11	18,265,082.11
Finance lease payments	5,862,253.06	--

Total	39,479,218.17	35,108,263.11
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(1) Long-term account payable listed by nature

Item	Item	Ending balance	Opening balance
Hi-tech Branch of Nanjing Finance Bureau (note ①)	Financial support funds (2005)	--	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)		339,090.00	678,181.00
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		15,339,090.00	16,818,181.00

Long-term payable 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. This support fund has expired fifteen years in the current period, so it is transferred to other income.

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 1.87 million Yuan of special funds from budget of the central government, and 1.73 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

Item	Ending balance	Opening balance
Removal compensation of subsidiary Weifu Jinning	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, 19.7067 million yuan in total are compensate, including operation losses from lessee 1.4416 million yuan 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 2020.

33. Long-term wages payable

Item	Ending balance	Opening balance
I. Post-employment welfare-defined contribution plans net indebtedness	--	--
II. Dismiss welfare	5,734,948.91	8,333,666.85
III. Other long-term welfare - incentive fund	277,515,345.03	171,888,386.76
Less: incentive fund paid within one year	101,270,000.00	121,830,000.00
Other long-term benefits - incentive fund balances	176,245,345.03	50,058,386.76
Total	181,980,293.94	58,392,053.61

34. Deferred income

Item	Opening balance	Increase in this period	Increase in business combination	Decrease in this period	Conversion of foreign currency financial statement	Ending balance
Government grand	365,116,022.98	22,969,181.27	1,197,109.35	61,127,665.71	49,828.84	328,204,476.73

Item with government grants involved:

Item	Opening balance	New-added government subsidy amount in the period	Increase in business combination	Amount reckoned in other income	Conversion of foreign currency financial statement	Ending balance	Assets related/Income related
Industrialization project for injection VE pump system with electronically controlled high	2,163,000.86	--	--	721,000.30	--	1,442,000.56	Assets related/Income related

Item	Opening balance	New-added government subsidy amount in the period	Increase in business combination	Amount reckoned in other income	Conversion of foreign currency financial statement	Ending balance	Assets related/Income related
pressure for less-emission diesel used							
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)	26,657,526.17	--	--	26,015,356.44	--	642,169.73	Income related
Fund of industry upgrade (2013)	60,520,000.00	--	--	--	--	60,520,000.00	Income related
Appropriation on central basic construction investment	1,428,571.45	--	--	714,285.72	--	714,285.73	Assets related
R&D and industrialization of the high-pressure variable pump of the common rail system of diesel engine for automobile	6,870,714.16	--	--	1,543,095.28	--	5,327,618.88	Assets related
Research institute of motor vehicle exhaust after-treatment technology	1,836,712.58	--	--	622,985.37	--	1,213,727.21	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	124,849,393.92	--	--	20,764,119.52	--	104,085,274.40	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	8,147,430.27	--	--	1,552,110.44	--	6,595,319.83	Assets related
Implementation of the variable cross-section turbocharger for diesel engine	8,972,771.42	--	--	1,609,982.67	--	7,362,788.75	Assets related

Item	Opening balance	New-added government subsidy amount in the period	Increase in business combination	Amount reckoned in other income	Conversion of foreign currency financial statement	Ending balance	Assets related/In come related
Demonstration project for intelligent manufacturing	1,148,441.34	--	--	299,341.74	--	849,099.60	Assets related
The 2 nd batch of provincial special funds for industry transformation of industrial and information in 2019	--	5,000,000.00	--	--	--	5,000,000.00	Assets related
Municipal technological reform fund allocation in 2020	--	4,770,000.00	--	--	--	4,770,000.00	Assets related
Strategic cooperation agreement funding for key enterprise of smart manufacturing in high-tech zone	--	4,060,000.00	--	--	--	4,060,000.00	Assets related
Other	38,590,460.81	9,139,181.27	1,197,109.35	7,285,388.23	49,828.84	41,691,192.04	Assets related/In come related
Total	365,116,022.98	22,969,181.27	1,197,109.35	61,127,665.71	49,828.84	328,204,476.73	

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: 26,015,356.44 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 622,985.37 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 20,764,119.52 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 1,552,110.44 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 the period), 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 1,609,982.67 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 299,341.74 Yuan.

(14) The 2nd batch of provincial special funds for industry transformation of industrial and information in 2019: according to XCGM [2019] No. 121, the Company received a special fund of 5 million yuan in 2020, this subsidy was related to the "Weifu High-Technology New Factory Internet Construction" projects, and belonged to government subsidies related to assets.

(15) Municipal technological reform fund allocation in 2020: according to XGXZH [2020] No. 16, the Company received 4.77 million yuan of municipal technological transformation fund project allocation in 2020, which was related to key technological transformation projects and belonged to government subsidies related to assets.

(16) Strategic cooperation agreement funding for key enterprise of smart manufacturing in high-tech zone: according to XXGXF [2020] No. 61, the Company received a related grant of 4.06 million yuan in 2020, this subsidy was related to the intelligent transformation project and belonged to the government subsidies related to assets.

35. Share capital

Item	Opening balance	Change during the year(+,-)					Ending balance
		New shares issued	Bonus share	Shares transferred from capital reserve	Other -repurchase	Subtotal	
Total shares	1,008,950,570	--	--	--	--	--	1,008,950,570

36. Capital reserve

Item	Opening balance	Increase in this period	Decrease in this period	Ending balance
Share capital premium	3,346,333,817.41	--	103,565,899.63	3,242,767,917.78
Other Capital reserve	45,193,988.92	6,280,461.58	--	51,474,450.50
Total	3,391,527,806.33	6,280,461.58	103,565,899.63	3,294,242,368.28

Other explanation:

(1) Share capital premium has 103,565,899.63 yuan declined in the Period, mainly due to the following:

① the difference between the long-term equity investment newly acquired by the company to purchase minority of IRD and the net assets that the company should enjoy continuously calculated from the date of purchase based on the newly increased shareholding ratio is 7,176,697.04 yuan;

② the difference between the repurchase cost of 398,868,402.59 yuan (19,540,000 shares repurchased for use in the restricted share incentive plan) and the amount of subscription money 302,479,200.00 yuan is 96,389,202.59 yuan.

(2) Other Capital reserve increase 6,280,461.58 yuan in the period, mainly resulted by the share payment settled by equity 6,484,837.50 yuan deducted 204,375.92 yuan attributable to minority's shareholder.

37. Treasury stocks

Item	Opening balance	Increase in this period	Decrease in this period	Ending balance
Stock repurchases	--	400,017,180.33	398,868,402.59	1,148,777.74
Repurchase obligation of restricted stock incentive plan	--	302,479,200.00	--	302,479,200.00
Total	--	702,496,380.33	398,868,402.59	303,627,977.74

Other explanation:

(1) Stock repurchase: increased 400,017,180.33 yuan in the Period, mainly refers to the repurchase of 19,596,277.00 shares by way of centralized competitive bidding for the implementation of restricted stock incentive plan; decreased 398,868,402.59 yuan in the Period, mainly refers to the 19,540,000.00 shares awarded to incentive object for the implementation of restricted stock incentive plan.

(2) Repurchase obligation of restricted stock incentive plan: increased 302,479,200.00 yuan in the Period, mainly refers to the repurchase obligation recognized in accordance with the subscription paid by the incentive object for the implementation of restricted stock incentive plan.

38. Other comprehensive income

Item	Opening balance	Current period				Ending balance
		Account before income tax in the year	Less: income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
Other comprehensive income items which will be reclassified subsequently to profit or loss	134,871.67	13,839,596.07	--	13,781,747.80	57,848.27	13,916,619.47
Including: Conversion difference of foreign currency financial statement	134,871.67	13,839,596.07	--	13,781,747.80	57,848.27	13,916,619.47

Total	134,871.67	13,839,596.07	--	13,781,747.80	57,848.27	13,916,619.47
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39. Reasonable reserve

Item	Opening balance	Accrual in the period	Used in the period	Ending balance
Safety production costs	3,247,757.06	21,673,368.09	22,587,635.12	2,333,490.03

Other explanation:

(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.

40. Surplus reserve

Item	Opening balance	Increase in this period	Decrease in this period	Ending balance
Statutory surplus reserves	510,100,496.00	--	--	510,100,496.00

Withdrawal of the statutory surplus reserves: Pursuit to the Company Law and Articles 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.

41. Retained profit

Item	Current period	Last period	Ratio for withdrawal or distribution
Retained profits at the end of last year before adjustment	12,076,443,635.56	10,996,945,870.13	--
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	12,076,443,635.56	10,998,530,426.50	--
Add: The net profits belong to owners of patent company of this period	2,772,769,377.96	2,268,026,432.78	--
Less: Withdraw legal surplus reserves	--	--	--
Less: Withdraw employee motivation and welfare fund	2,525,946.49	--	--
Cash dividend payable	1,093,241,270.00	1,210,740,684.00	11 Yuan / 10-shares in the Year; 12 Yuan / 10-shares in last Year
Common dividend transfer as share capital	--	--	--
Add: Net effect of disposal other equity instrument investment	2,656,627.59	20,627,460.28	
Retained profit at period-end	13,756,102,424.62	12,076,443,635.56	

42. Operating income and cost

Item	Current period		Last Period	
	Income	Cost	Income	Cost
Main operating	12,430,431,489.90	10,124,574,480.95	8,354,743,964.67	6,322,810,707.67
Other business	453,394,816.70	304,709,961.02	429,612,995.63	347,543,672.87
Total	12,883,826,306.60	10,429,284,441.97	8,784,356,960.30	6,670,354,380.54

43. Taxes and surcharges

Item	Current period	Last Period
City maintaining & construction tax	22,768,800.74	24,124,239.92
Educational surtax	16,259,673.98	17,320,175.67
Property tax	16,993,056.48	16,236,869.24
Land use tax	4,516,628.41	5,991,933.84
Vehicle use tax	29,923.52	31,410.44
Stamp duty	4,508,905.03	2,720,462.05
Other taxes	246,793.71	209,545.50
Total	65,323,781.87	66,634,636.66

44. Sales expenses

Item	Current period	Last Period
Salary and fringe benefit	58,727,035.03	53,193,376.14
Consumption of office materials and business travel	9,260,423.14	12,114,381.29
Transportation charge	--	36,110,291.16
Warehouse charge	24,982,242.41	13,540,499.34
Three guarantees and quality cost	272,364,223.21	102,034,286.75
Business entertainment fee	25,842,735.05	26,297,874.14
Other	15,176,786.26	16,360,043.51
Total	406,353,445.10	259,650,752.33

45. Administration expenses

Item	Current period	Last Period
Salary and fringe benefit	295,394,722.09	261,541,676.32
Depreciation charger and long-term assets amortization	65,638,800.42	55,145,177.10
Consumption of office materials and business travel	16,772,265.23	19,603,194.54
Incentive fund	187,658,444.76	71,880,000.00
Share-based payment	3,878,656.31	--
Other	213,481,533.82	105,858,403.80
Total	782,824,422.63	514,028,451.76

46. R&D expenses

Item	Current period	Last Period
Technological development expenses	532,581,209.78	417,924,908.28
Total	532,581,209.78	417,924,908.28

47. Financial expenses

Item	Current period	Last Period
Interest expenses	11,466,886.33	21,770,516.39
Note discount interest expenses	8,075,178.10	1,205,789.22
Less: interest income	51,622,216.58	79,299,239.77
Gains/losses from exchange	5,138,503.01	-5,453,798.20
Handling charges	3,663,347.30	3,884,456.24
Total	-23,278,301.84	-57,892,276.12

48. Other income

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Government grants with routine operation activity concerned	80,342,497.11	91,170,663.57	80,342,497.11
Other	--	--	--
Total	80,342,497.11	91,170,663.57	80,342,497.11

Government grant reckoned into other income:

Government grant item	Current period	Last Period	Assets/Income related
Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used	721,000.30	721,000.30	Assets/Income related
Key laboratory (engineering center) of the pollution control from motor vehicle exhausting in Jiangsu province	170,000.00	170,000.00	Assets/Income related
Grants for key laboratory in Wuxi City	70,000.00	70,000.00	Assets/Income related
Supporting funds for technical improvement for annual output as 140,000 pieces of packaging line of catalytic reduction system for commercial vehicles (2014)	259,000.00	259,000.00	Assets related
Technical transformation for annual output as 300,000 sets of four-cylinder engine supercharger	129,710.11	179,357.35	Assets related
Annual output of 150000 gasoline engine superchargers	96,514.62	100,000.00	Assets related
Depreciation/amortization compensation for the assets newly established after parent company relocated	20,764,119.52	22,726,281.60	Assets related
Central capital investment allocation from Wuxi Finance Bureau (R&D center)	714,285.72	714,285.71	Assets related
Provincial special guiding funds for scientific and technological innovation and achievement conversion	328,571.44	328,571.43	Assets related
Technical reform of catalytic reduction system for 180,000 commercial vehicles annually	233,555.56	233,555.56	Assets related
Development and industrialization of high pressure variable pump for common rail system of vehicle diesel engine	1,543,095.28	1,543,095.28	Assets related
Business development funds support allocation from Finance bureau of the new district	200,000.00	200,000.00	Assets related
Demonstration of intelligent manufacturing	299,341.74	301,588.76	Assets related
Research institute of motor vehicle exhaust post-treatment	622,985.37	635,758.63	Assets related
Implementation scheme of the variable section turbocharger for diesel engine	1,609,982.67	1,935,949.61	Assets related
Special funds for technical transformation	83,794.37	91,041.11	Assets/Income related
Funds for technical reform of boiler wheel supercharger for annual output of 200,000 gasoline engines	275,572.17	420,568.53	Assets related
Annual output of 150,000 gasoline engine turbochargers	717,082.83	700,701.44	Assets related
Guiding capital for the technical reform from State Hi-Tech Technical Commission	1,552,110.44	1,592,569.73	Assets related
National high-quality development fund for manufacturing industry	--	4,850,000.00	Income related

Government grant item	Current period	Last Period	Assets/Income related
Industrial upgrading fund	26,015,356.44	33,742,473.83	Income related
Financing for mergers and acquisition of IRD project	--	1,370,000.00	Income related
Funds for R&D of Science & Technology in Wuxi for 2015	420,000.00	1,020,000.00	Assets/Income related
Intelligent transformation and technology transformation guiding fund	3,740,000.00	5,110,000.00	Income related
Special fund for policy guidance	--	1,000,000.00	Income related
Stable subsidy	4,125,376.68	2,291,128.53	Income related
Weifu Jinning Financial Support Fund	1,140,000.00	--	Income related
Generation subsidy for distributed PV projects	968,800.00	--	Income related
Wuxi City Intellectual Property Project Operation Service System Construction Fund	1,050,000.00	--	Income related
"Work for training" subsidy	1,269,900.00	--	Income related
Wuxi Mayor Quality Award	1,000,000.00	--	Income related
e-store	1,162,700.27	--	Income related
Training subsidy	1,005,934.35	317,400.00	Income related
Other	8,053,707.23	8,546,336.17	Assets/Income related
Total	80,342,497.11	91,170,663.57	

49. Investment income

Item	Current period	Last Period
Income of long-term equity investment calculated based on equity	1,659,752,704.14	1,378,264,061.18
Investment income of financial products	263,460,954.90	236,832,172.54
Investment income from holding financial assets available for sales	683,211.60	1,383,668.59
Dividend income from holding other equity instrument investment	--	900,000.00
Other	40,908,817.93	-2,839,187.48
Total	1,964,805,688.57	1,614,540,714.83

50. Income from change of fair value

Item	Current period	Last Period
Changes in the fair value of wealth management products	8,223,219.19	18,231,842.32
Changes in the fair value of the stocks of listed companies held-excluding the stocks of listed companies that are included in other equity instrument investments	375,102,546.00	6,787,824.00
Other	--	--

Total	383,325,765.19	25,019,666.32
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51. Credit impairment loss

Item	Current period	Last Period
Bad debt loss	-11,184,647.60	-52,825,875.25
Total	-11,184,647.60	-52,825,875.25

52. Assets impairment loss

Item	Current period	Last Period
Loss on inventory valuation	-142,400,798.47	-169,460,299.73
Impairment loss on fixed assets	-36,436,674.38	--
Total	-178,837,472.85	-169,460,299.73

53. Income from assets disposal

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Income from disposal of non-current assets	12,962,146.98	34,050,815.11	12,962,146.98
Losses from disposal of non-current assets	-1,507,738.38	-1,896,354.90	-1,507,738.38
Total	11,454,408.60	32,154,460.21	11,454,408.60

54. Non-operating income

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Periodic reduction or exemption of part of social insurance premiums	60,373,772.69	--	60,373,772.69
Periodic reduction of kinetic energy costs	5,759,525.46	--	5,759,525.46
Other	333,723.47	2,413,561.54	333,723.47
Total	66,467,021.62	2,413,561.54	66,467,021.62

55. Non-operating expense

Item	Current period	Last Period	Amount reckoned into current non-recurring gains/losses
Total non-current assets disposal losses	738,248.83	3,161,855.50	738,248.83
Including: fixed assets disposal losses	738,248.83	3,161,855.50	738,248.83
Intangible assets disposal losses	--	--	--
Donation	3,107,003.70	73,332.31	3,107,003.70
Local fund	--	2,734,286.52	--
Other	313,635.64	156,952.84	313,635.64
Total	4,158,888.17	6,126,427.17	4,158,888.17

56. Income tax expense

(1) Income tax expense

Item	Current period	Last Period
Payable tax in current period	170,925,337.68	147,179,544.24
Adjusted the previous income tax	-2,349,322.00	5,674,478.65
Increase/decrease of deferred income tax assets	-54,432,577.63	-12,918,338.05

Item	Current period	Last Period
Increase/decrease of deferred income tax liability	66,072,310.95	7,870,125.22
Income tax expense	180,215,749.00	147,805,810.06

(2) Adjustment on accounting profit and income tax expenses

Item	Current period
Total profit	3,002,951,679.56
Income tax measured by statutory/applicable tax rate	450,442,751.93
Impact by different tax rate applied by subsidies	4,347,476.78
Adjusted the previous income tax	-2,349,322.00
Impact by non-taxable revenue	-248,721,266.24
Impact on cost, expenses and losses that unable to deducted	37,323,520.03
Impact by the deductible losses of the un-recognized previous deferred income tax	-34,045,025.55
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	11,968,364.43
Impact on additional deduction	-41,288,278.77
Other	2,537,528.39
Total	181,266,656.28

57. Other comprehensive income

See Note V. 38 “Other comprehensive income”

58. Items of ash flow statement

(1) Refunds of taxes

Item	Current period	Last Period
VAT refund actually received for export commodities	28,006,851.01	40,712,905.08
Rebate of allowance for VAT	2,805,702.10	3,171,001.83
Rebate of income tax	1,325,859.97	7,839,063.56
Total	32,138,413.08	51,722,970.47

(2) Other cash received in relation to operation activities

Item	Current period	Last Period
Interest income	52,277,269.56	77,690,762.13
Government grants	41,044,012.67	30,510,895.39
Margin on operation bill	--	27,804,815.03
Other	9,252,536.29	7,906,425.25
Total	102,573,818.52	143,912,897.80

(3) Other cash paid in relation to operation activities

Item	Current period	Last Period
Cash cost	840,363,837.09	525,923,320.71
Other	59,565,319.82	22,629,265.34
Total	899,929,156.91	548,552,586.05

(4) Cash received from other investment activities

Item	Current period	Last Period
Received the disposal payment	10,654,092.89	--

Received investment funds in transit at the end of 2019	30,448,157.81	--
Import equipment letter of credit guarantee	--	1,450,000.00
Cash from Weifu Electronic Drive merger not under the same control	--	67,622,008.17
Intercourse funds from units	24,000,000.00	--
Other	--	953,424.66
Total	65,102,250.70	70,025,432.83

(5) Cash paid related with investment activities

Item	Current period	Last Period
Margin paid by L/C for purchase of equipment	587,241.00	--
Trading losses on forward foreign exchange and RMB options	--	1,115,357.50
Intercourse funds from units	13,992,067.94	24,000,000.00
Total	14,579,308.94	25,115,357.50

(6) Other cash received in relation to financing activities

Item	Current period	Last Period
Borrowings received by Weifu Leader	5,470,000.00	--
Borrowings received by IRD	260,135.13	845,291.11
Total	5,730,135.13	845,291.11

(7) Cash paid related with financing activities

Item	Current period	Last Period
Account paid for purchasing minority equity of Weifu Tianli	--	132,522,000.00
Account paid for purchasing minority equity of IRD	48,507,056.85	--
National debt paid transfer to loans	351,298.00	339,091.00
Borrowing return by Weifu Leader	--	5,470,000.00
Borrowing return by IRD	--	7,733,845.00
Payments from finance leases	375,886.28	--
Repurchase of A shares	400,017,180.33	--
Total	449,251,421.46	146,064,936.00

59. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

Item	Current period	Last Period
1. Net profit adjusted to cash flow of operation activities:		
Net profit	2,822,735,930.56	2,302,736,761.11
Add: Assets impairment provision	190,022,120.45	222,286,174.98
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	390,748,987.16	315,650,455.35
Amortization of intangible assets	37,146,026.79	24,276,364.81
Amortization of long-term deferred expenses	12,637,958.88	6,293,470.69
Loss from disposal of fixed assets, intangible assets and other long-term assets	-11,454,408.60	-32,154,460.21
Losses on scrapping of fixed assets	738,248.83	3,161,855.50
Gain/loss of fair value changes	-383,325,765.19	-25,019,666.32
Financial expenses	17,798,991.04	15,026,154.36

Item	Current period	Last Period
Investment loss	-1,957,024,490.66	-1,613,945,471.30
Decrease of deferred income tax asset	-54,432,577.63	-12,918,338.05
Increase of deferred income tax liability	66,072,310.95	7,870,125.22
Decrease of inventory	-591,321,045.44	-1,130,561,363.05
Decrease of operating receivable accounts	-1,326,286,166.68	-1,110,387,668.48
Increase of operating payable accounts	1,562,204,812.18	2,074,881,909.55
Other	5,550,301.37	1,473,749.07
Net cash flows arising from operating activities	781,811,234.01	1,048,670,053.23
2. Net change of cash and cash equivalents :		
Balance of cash at period end	944,946,018.70	820,498,653.85
Less: Balance of cash equivalent at year-begin	820,498,653.85	2,404,674,139.49
Add: Balance of cash equivalent at year-end	--	--
Less: Balance of cash equivalent at year-begin	--	--
Net increase of cash and cash equivalents	124,447,364.85	-1,584,175,485.64

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

Item	Amount
Cash and cash equivalent paid in the period for enterprise combination occurred in the period	318,708,001.47
Less: Cash and cash equivalent held by subsidiary on purchasing date	21,405,243.16
Add: Cash or cash equivalent paid in the period arising from enterprise combination occurred previous	--
Net cash paid for subsidiary obtained	297,302,758.31

(3) Constitution of cash and cash equivalent

Item	Ending balance	Opening balance
I. Cash	944,946,018.70	820,498,653.85
Including: Cash on hand	507.66	93,165.33
Bank deposit available for payment at any time	944,945,511.04	820,405,488.52
Other monetary fund available for payment at any time	--	--
II. Cash equivalent	--	--
Including: bond investment due within 3 months	--	--
III. Balance of cash and cash equivalents at the period-end	944,946,018.70	820,498,653.85
Including: Cash and cash equivalent with restricted in use for parent company or subsidiary of the Group	--	--

Other explanation:

The difference between bank deposits available for payment at any time and the bank deposits in Note V. 1 "Monetary Funds" is the company's fixed deposits in the bank.

60. Assets with ownership or use right restricted

Item	Ending Book value	Restriction reason
Monetary funds	587,241.00	Letter of Credit Margin
Monetary funds	51,045,344.11	Cash deposit paid for bank acceptance
Monetary funds	2,838,880.93	Court freeze
Monetary funds	215,720.00	Mastercard deposit
Note receivable	881,914,376.95	Notes pledge for bank acceptance

Item	Ending Book value	Restriction reason
Receivables financing	646,892,501.28	Notes pledge for bank acceptance
Transactional financial assets	174,611,992.62	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	1,758,106,056.89	

61. Item of foreign currency

(1) Item of foreign currency

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Monetary funds			
Including: USD	11,596,564.24	6.5249	75,666,419.10
EUR	3,694,505.41	8.025	29,648,405.15
HKD	11,548,347.98	0.84164	9,719,551.59
DKK	9,616,906.23	1.0786	10,372,795.06
Account receivable			
Including: USD	2,190,411.21	6.5249	14,292,214.10
EUR	1,290,945.42	8.025	10,359,837.00
JPY	12,179,808.00	0.063236	770,202.34
DKK	2,239,065.57	1.0786	2,415,056.12
Other account receivables			
Including: EUR	70,143.68	8.025	562,903.03
DKK	462,081.08	1.0786	498,400.65
Short-term borrowings			
Including: EUR	4,981,278.48	8.025	39,974,759.80
Account payable			
Including: USD	812,035.19	6.5249	5,298,448.41
EUR	1,031,866.82	8.025	8,280,731.24
JPY	15,780,699.00	0.063236	997,908.28
CHF	103,580.75	7.4006	766,559.70
DKK	2,865,734.26	1.0786	3,090,980.97
GBP	59,450.00	8.8903	528,528.34
Other account payable			
Including: EUR	255.00	8.025	2,046.38
DKK	402,113.23	1.0786	433,719.33

(2) Explanation on foreign operational entity:

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, and in October 2020, increasing the shareholding to 34.00% by cash purchase. After the increase in holdings, the company acquired 100.00% of the company's equity. Book-keeping currency of IRD was Danish krone, and IRD mainly engaged in the R&D, production and sales of fuel cell components.

Subsidiary Borit was established in Belgium in 2010. the Company acquired 100% equity of Borit by cash acquisition in November 2020. Borit is denominated in Euro and engaged in the R&D, production and sales of fuel cell components.

62. Government grants

(1) Government grants

Category	Amount	Item	Amount reckoned in current gain/loss
The second batch of provincial-level industrial and information industry transformation special funds in 2019	5,000,000.00	Deferred income	--
Municipal technological reform fund allocation in 2020 Appropriations for Municipal Technical Reform Fund Projects in 2020	4,770,000.00	Deferred income	--
Strategic cooperation agreement funding for key enterprise of smart manufacturing in high-tech zone Strategic cooperation agreement funds for key intelligent manufacturing enterprises in the high-tech zone	4,060,000.00	Deferred income	--
2020 Wuxi Science and Technology Development Fund 19th Batch of Science and Technology Development Plan Project Funds	1,000,000.00	Deferred income	--
Intelligent transformation of Automobile components manufacturing process	1,310,000.00	Deferred income	--
e-store	1,162,700.27	Deferred income, other income	1,162,700.27
Anione	1,410,199.51	Deferred income, other income	211,192.07
Annual output of 150,000 gasoline engine turbochargers	1,095,300.00	Deferred income, other income	717,082.83
Neptune	918,551.27	Deferred income	--
Development of variable nozzle turbocharger meeting the requirements of National VI B	800,000.00	Deferred income	--
Pegasus	528,530.85	Deferred income, other income	528,530.85
HighPem2 Gas	356,327.63	Deferred income, other income	356,327.63
Job stabilization subsidy	4,125,376.68	Other income	4,125,376.68
Intelligent transformation and technical transformation guidance funds	3,740,000.00	Other income	3,740,000.00
Wuxi City Intellectual Property Project Operation Service System Construction Fund	1,050,000.00	Other income	1,050,000.00

Category	Amount	Item	Amount reckoned in current gain/loss
"Work for training" subsidy	1,269,900.00	Other income	1,269,900.00
Training subsidy	1,005,934.35	Other income	926,294.35
2019 Wuxi Mayor Quality Award	1,000,000.00	Other income	1,000,000.00
Distributed photovoltaic project power generation subsidies	968,800.00	Other income	968,800.00
Service charge for three agencies	682,632.28	Other income	682,632.28
The second batch of supporting project funds (manufacturing taxation top 30)	350,000.00	Other income	350,000.00
2019 Quality Special Award	350,000.00	Other income	350,000.00
Huishan District Support Fund	340,000.00	Other income	340,000.00
Special subsidies for enterprise vocational education in Binhu District in the third quarter of 2019	324,300.00	Other income	324,300.00
Vocational Appraisal Guidance Center Collection	303,600.00	Other income	303,600.00
Technology plan subsidy	300,000.00	Other income	300,000.00
2020 Wuxi Smart Manufacturing Project Support Fund	300,000.00	Other income	300,000.00
Subsidies for manufacturing individual champion enterprises	200,000.00	Other income	200,000.00
Intellectual property reward	114,670.00	Other income	114,670.00
In 2019, the integration of industrialization and industrialization, and the provincial-level segmentation project reward for enterprise cloud	180,000.00	Other income	180,000.00
2019 Huishan District "Pioneer Talent Program" Talent Award	150,000.00	Other income	150,000.00
2019 corporate postdoctoral subsidy funds	120,000.00	Other income	120,000.00
2019 tax contribution incentives for key enterprises	100,000.00	Other income	100,000.00
Supporting funding for key talent programs above the provincial level	100,000.00	Other income	100,000.00
Other	1,557,189.83	Deferred income, other income	998,816.62
Total	41,044,012.67		

(2) Government grants rebate

Not applicable

VI. Changes of consolidation scope (unit: RMB)

1. Enterprise combine not under the same control

(1) Enterprise combine not under the same control occurred in the period

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
Borit	2020-11-30	318,708,001.47	100%	Cash purchase	2020-11-30	Obtained controlling rights	9,143,241.73	-5,166,510.61

(2) Combination cost and goodwill

Combination cost	Borit
--Cash	318,708,001.47
--Fair value of the equity prior to the purchasing date	--
Total combination cost	318,708,001.47
Less: shares of fair value of identifiable net assets acquired	70,941,353.26
Goodwill/merger cost is less than the shares of fair value of identifiable net assets acquired	247,766,648.21

(3) Identifiable assets and liability on purchasing date under the purchaser

Item	Borit	
	Fair value on purchasing date	Book value on purchasing date
Assets:		
Monetary funds	21,405,243.16	21,405,243.16
Account receivable	2,306,622.48	2,306,622.48
Account paid in advance	478,370.09	478,370.09
Other account receivables	748,859.12	748,859.12
Inventory	12,692,549.70	11,925,135.80
Fixed assets	46,007,739.12	28,314,172.77
Construction in progress	950,331.98	950,331.98
Intangible assets	39,460,780.10	13,349,057.73
Deferred tax assets	1,388,436.59	1,388,436.59
Liability:		
Account payable	7,894,432.49	7,894,432.49
Contract liabilities	3,067,697.93	3,067,697.93
Payroll payable	2,805,072.70	2,805,072.70
Taxes payable	273,570.08	273,570.08
Other account payable	13,935,900.17	13,935,900.17
Non-current liabilities due within one year	872,471.02	872,471.02

Item	Borit	
	Fair value on purchasing date	Book value on purchasing date
Long term loan	6,201,616.25	6,201,616.25
Long-term payables	7,106,533.43	7,106,533.43
Deferred income	1,197,109.35	1,197,109.35
Deferred income tax liabilities	11,143,175.66	--
Net assets	70,941,353.26	37,511,826.30
Less: Minority interests	--	--
Net assets acquired	70,941,353.26	37,511,826.30

(4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date

Not applicable.

2. Enterprise combine under the same control

Nil

3. Reverse purchase

Nil

4. Disposal of subsidiaries

Nil

5. Other reasons for consolidation range changed

In the reporting period, Weifu Leader- subsidiary of the company established the Autosmart Seating jointly with Qiqiong Automobile Technology (Shanghai) Co., Ltd. According to the Article of Association under the name of Autosmart Seating, Weifu Leader holds 66.00% equity of Autosmart Seating while 34.00% held by Qiqiong Automobile Technology (Shanghai) Co., Ltd.

VII. Equity in other entity (Unit: RMB)

1. Equity in subsidiary

(1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Directly Share-holding ratio (%)	Indirectly Share-holding ratio (%)	Proportion of voting rights (%)	Acquired way
Weifu Jinning	Nanjing	Nanjing	Spare parts of internal-combustion engine	80.00	--	80.00	Enterprise combines under the same control
Weifu Leader	Wuxi	Wuxi	Automobile exhaust purifier, muffler	94.81	--	94.81	Enterprise combines under the same control
Weifu Mashan	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00	--	100.00	Investment
Weifu Chang'an	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00	--	100.00	Investment

Subsidiary	Main operation place	Registered place	Business nature	Directly Share-holding ratio (%)	Indirectly Share-holding ratio (%)	Proportion of voting rights (%)	Acquired way
			engine				
Weifu International Trade	Wuxi	Wuxi	Trading	100.00	--	100.00	Enterprise combines under the same control
Weifu Schmidt	Wuxi	Wuxi	Spare parts of internal-combustion engine	66.00	--	66.00	Investment
Weifu Tianli	Ningbo	Ningbo	Spare parts of internal-combustion engine	98.83	1.17	100.00	Enterprise combines not under the same control
Weifu Autocam	Wuxi	Wuxi	Spare parts of internal-combustion engine	51.00	--	51.00	Enterprise combines not under the same control
Weifu Leader (Wuhan)	Wuhan	Wuhan	Automobile exhaust purifier, muffler	--	60.00	60.00	Investment
Weifu Leader (Chongqing)	Chongqing	Chongqing	Automobile exhaust purifier, muffler	--	100.00	100.00	Investment
Weifu Leader (Nanchang)	Nanchang	Nanchang	Automobile exhaust purifier, muffler	--	100.00	100.00	Investment
Autosmart Seating	Wuxi	Wuxi	Smart car equipment	--	66.00	66.00	Investment
Weifu Electric Drive	Wuxi	Wuxi	Hub Motor	80.00	--	80.00	Enterprise combines not under the same control
SPV	Denmark	Denmark	Investment	100.00	--	100.00	Investment
IRD	Denmark	Denmark	Fuel cell components	--	100.00	100.00	Enterprise combines not under the same control
IRD America	America	America	Fuel cell components	--	100.00	100.00	Enterprise combines not under the same control
Borit	Belgium	Belgium	Fuel cell components	--	100.00	100.00	Enterprise combines not

Subsidiary	Main operation place	Registered place	Business nature	Directly Share-holding ratio (%)	Indirectly Share-holding ratio (%)	Proportion of voting rights (%)	Acquired way
							under the same control
Borit Inc.	America	America	Fuel cell components	--	100.00	100.00	Enterprise combines not under the same control

(2) Important non-wholly-owned subsidiary

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	21,848,100.90	15,748,768.80	199,246,408.99
Weifu Schmidt	34.00	4,996,898.99	--	16,239,171.33
Weifu Leader	5.19	11,252,872.88	--	107,011,846.40
Weifu Autocam	49.00	22,118,036.30	--	177,267,298.23
Total		60,215,909.07	15,748,768.80	499,764,724.95

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

Subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Weifu Jinning	1,182,876,680.02	293,436,809.97	1,476,313,489.99	433,667,329.34	42,293,914.58	475,961,243.92
Weifu Schmidt	213,435,154.59	47,533,838.59	260,968,993.18	212,812,487.33	--	212,812,487.33
Weifu Leader	4,942,039,786.72	1,200,764,541.57	6,142,804,328.29	4,204,615,377.36	20,388,995.29	4,225,004,372.65
Weifu Autocam	323,378,083.30	360,083,668.37	683,461,751.67	321,531,075.82	--	321,531,075.82
Total	6,661,729,704.63	1,901,818,858.50	8,563,548,563.13	5,172,626,269.85	62,682,909.87	5,235,309,179.72

Subsidiary	Opening 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	3,941,739,116.15	1,095,110,196.65	5,036,849,312.80	3,351,853,614.37	22,204,377.06	3,374,057,991.43
Weifu Autocam	245,057,798.53	323,114,477.06	568,172,275.59	254,234,583.00	--	254,234,583.00
Total	5,327,885,915.96	1,802,155,330.81	7,130,041,246.77	4,082,826,604.52	69,309,307.88	4,152,135,912.40

Subsidiary	Current period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	685,608,389.43	110,875,256.44	110,875,256.44	42,395,588.51
Weifu Schmidt	252,434,907.65	14,694,274.89	14,694,274.89	-2,270,586.10
Weifu Leader	6,427,844,701.00	245,276,849.88	245,276,849.88	41,415,937.03

Subsidiary	Current period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Autocam	485,081,038.09	50,518,929.75	50,518,929.75	86,836,060.40
Total	7,850,969,036.17	421,365,310.96	421,365,310.96	168,376,999.84

Subsidiary	Last 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

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

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

(1) Owners equity shares changed in subsidiary

In October 2020, the company purchased the equity held by minority shareholders of IRD with 48,507,056.85 yuan in cash. After this transaction, the company's shareholding in IRD was changed from 66.00% to 100.00%.

(2) Impact on minority's interest and owners' equity attributable to parent company

Item	IRD
Cost of acquisition—Cash	48,507,056.85
Less: Net assets share of the subsidiary calculated according to the equity ratio obtained	41,330,359.81
Balance	7,176,697.04
Including: Capital reserve adjustment	7,176,697.04

3. Equity in joint venture and associated enterprise

(1) Associated enterprise:

Associated enterprise	Enterprise abbreviation	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Accounting treatment on investment for joint venture and associated enterprise
					Directly	Indirectly	
Wuxi Weifu Environment Catalyst Co., Ltd.	Weifu Environment	Wuxi	Wuxi	Catalyst	--	49.00	Equity method
Bosch Automobile Diesel System Co., Ltd.	Bosch Diesel System	Wuxi	Wuxi	Internal-combustion engine accessories	32.50	1.50	Equity method
Zhonglian Automobile Electronic Co., Ltd.	Zhonglian Automobile	Shanghai	Shanghai	Internal-combustion engine accessories	20.00	--	Equity method
Weifu Precision Machinery Manufacturing Co., Ltd.	Weifu Precision Machinery	Wuxi	Wuxi	Internal-combustion engine accessories	20.00	--	Equity method
Shinwell Automobile	Shinwell	Wuxi	Wuxi	Automobile	--	45.00	Equity

Associated enterprise	Enterprise abbreviation	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Accounting treatment on investment for joint venture and associated enterprise
					Directly	Indirectly	
Tech. (Wuxi) Co., Ltd.	Automobile Tech. (Wuxi)			components			method
Changchun Xuyang Weifu Auto Parts Technology Co., Ltd.	Changchun Xuyang	Changchun	Changchun	Automobile components	--	34.00	Equity method

(2) Main financial information of the important associated enterprise

Item	Ending balance/Current period		
	Weifu Environmental Protection	Bosch Diesel System	Zhonglian Automobile
Current assets	4,446,438,334.10	11,965,249,225.12	201,344,601.39
Including: cash and cash equivalents	223,157,715.58	10,675,106.71	194,215,134.17
Non-current assets	363,513,166.84	2,995,027,302.84	5,985,689,857.38
Total assets	4,809,951,500.94	14,960,276,527.96	6,187,034,458.77
Current liabilities	3,251,776,146.44	7,423,648,562.76	3,687,897.36
Non-current liabilities	175,895,402.90	--	2,638,609.61
Total liabilities	3,427,671,549.34	7,423,648,562.76	6,326,506.97
Minority shareholders' equity	--	--	--
Attributable to parent company shareholders' equity	1,382,279,951.60	7,536,627,965.20	6,180,707,951.80
Share of net assets calculated by shareholding ratio	677,317,176.28	2,562,453,508.17	1,236,141,590.36
Adjustment items	--	--	--
--Goodwill	--	267,788,761.35	1,407,265.96
--Unrealized profit of internal trading	--	-29,652,559.84	--
--Other	--	-0.28	-0.01
Book value of equity investment in joint venture	677,317,176.28	2,800,589,709.40	1,237,548,856.31
Fair value of the equity investment of joint ventures with public offers concerned	--	--	--
Operation income	7,458,886,474.12	15,742,669,081.61	23,790,158.00
Financial expenses	173,107,842.23	41,669,303.63	-7,539,295.05
Income tax expense	27,279,920.00	678,258,481.92	4,780,141.71
Net profit	296,484,991.05	3,511,327,740.19	1,538,581,105.06
Net profit of the termination of operation	--	--	--
Other comprehensive income	--	--	--
Total comprehensive income	296,484,991.05	3,511,327,740.19	1,538,581,105.06
Dividends received from joint venture in the year	--	1,801,681,159.00	331,400,000.00

Other explanation: Adjustment item for other "-0.28": the differential tail;

Item	Opening balance/Last Period
------	-----------------------------

	Weifu Environmental Protection	Bosch Diesel System	Zhonglian Automobile
Current assets	3,285,078,665.28	10,878,760,988.82	175,292,101.34
Including: cash and cash equivalents	52,542,261.45	36,763,894.06	27,062,362.95
Non-current assets	323,188,749.54	3,059,116,036.23	6,129,564,645.28
Total assets	3,608,267,414.82	13,937,877,025.05	6,304,856,746.62
Current liabilities	2,401,381,614.27	4,613,514,567.69	3,030,820.85
Non-current liabilities	26,545,326.53	--	2,699,079.03
Total liabilities	2,427,926,940.80	4,613,514,567.69	5,729,899.88
Minority shareholders' equity	--	--	--
Attributable to parent company shareholders' equity	1,180,340,474.02	9,324,362,457.36	6,299,126,846.74
Share of net assets calculated by shareholding ratio	578,366,832.27	3,170,283,235.50	1,259,825,369.35
Adjustment items	--	--	--
--Goodwill	--	267,788,761.35	1,407,265.96
--Unrealized profit of internal trading	--	-20,979,859.92	--
--Other	--	-0.28	--
Book value of equity investment in joint venture	578,366,832.27	3,417,092,136.65	1,261,232,635.31
Fair value of the equity investment of joint ventures with public offers concerned	--	--	--
Operation income	3,729,583,492.29	14,224,084,504.12	23,049,985.98
Financial expenses	105,866,567.08	4,653,984.37	-545,753.01
Income tax expense	-21,899,596.61	708,163,353.13	4,124,733.74
Net profit	26,414,017.30	3,152,063,841.44	1,399,783,397.92
Net profit of the termination of operation	--	--	--
Other comprehensive income	--	--	--
Total comprehensive income	26,414,017.30	3,152,063,841.44	1,399,783,397.92
Dividends received from joint venture in the year	--	858,896,776.94	105,200,000.00

(3) Excess loss occurred in joint venture or associated enterprise

Nil

(4) Unconfirmed commitment with joint venture investment concerned

Nil

(5) Intangible liability with joint venture or associated enterprise investment concerned

Nil

4. Financial summary for non-important Joint venture and associated enterprise

Item	Ending balance / Current period	Opening balance / Last Period
Joint venture:		
Total book value of investment	--	--
Amount based on share-holding ratio		

Item	Ending balance / Current period	Opening balance / Last Period
--Net profit	--	-910,094.79
--Other comprehensive income	--	--
--Total comprehensive income	--	-910,094.79
Associated enterprise:		
Total book value of investment	86,032,548.98	65,714,349.12
Amount based on share-holding ratio		
--Net profit	13,773,166.19	6,501,430.20
--Other comprehensive income	--	--
--Total comprehensive income	13,773,166.19	6,501,430.20

5. Major conduct joint operation

Nil

6. Structured body excluding in consolidate financial statement

Nil

VIII. 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 V. 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. Compliance department and financial control department manager and monitor those risk exposures 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, operation of IRD and operation of Borit, 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 2020, 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 2020

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets (%)
Monetary funds				
Including: USD	11,596,564.24	6.5249	75,666,419.10	0.28
EUR	3,694,505.41	8.025	29,648,405.15	0.11
HKD	11,548,347.98	0.84164	9,719,551.59	0.04
DKK	9,616,906.23	1.0786	10,372,795.06	0.04
Account receivable				
Including: USD	2,190,411.21	6.5249	14,292,214.10	0.05
EUR	1,290,945.42	8.025	10,359,837.00	0.04
JPY	12,179,808.00	0.063236	770,202.34	0.00
DKK	2,239,065.57	1.0786	2,415,056.12	0.01
Other account receivables				
Including: USD	70,143.68	8.025	562,903.03	0.00
DKK	462,081.08	1.0786	498,400.65	0.00
Total ratio in assets				0.57

② Foreign currency liability of the Company till end of 31st December 2020:

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets(%)
Short-term borrowings				
Including: EUR	4,981,278.48	8.025	39,974,759.80	0.47
Account payable				
Including: USD	812,035.19	6.5249	5,298,448.41	0.06
EUR	1,031,866.82	8.025	8,280,731.24	0.10
JPY	15,780,699.00	0.063236	997,908.28	0.01
CHF	103,580.75	7.4006	766,559.70	0.01
DKK	2,865,734.26	1.0786	3,090,980.97	0.04
GBP	59,450.00	8.8903	528,528.34	0.01
Other account payable				
Including: EUR	255.00	8.025	2,046.38	0.00
DKK	402,113.23	1.0786	433,719.33	0.01
Total ratio in liabilities				0.71

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 investments 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 invest 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.

IX. 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) Financial assets measured by fair value and with variation reckoned into current gains/losses	188,108,256.00	326,848,122.00	4,809,264,982.10	5,324,221,360.10
1. Transaction financial asset	188,108,256.00	--	3,330,324,683.10	3,518,432,939.10
(1)financial products	--	--	3,330,324,683.10	3,330,324,683.10
(2) Equity instrument investment	188,108,256.00	--	--	188,108,256.00
2. Other non-current financial assets	--	326,848,122.00	1,478,940,299.00	1,805,788,421.00
(1)financial products	--	--	1,467,000,000.00	1,467,000,000.00
(2) Equity instrument investment	--	326,848,122.00	11,940,299.00	338,788,421.00

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
(II) Financial assets measured by fair value and with variation reckoned into other comprehensive income	--	--	1,290,572,477.88	1,290,572,477.88
1. Receivables financing	--	--	1,005,524,477.88	1,005,524,477.88
2. Other equity instrument investment	--	--	285,048,000.00	285,048,000.00
Total asset non-sustaining measured by fair value	188,108,256.00	326,848,122.00	6,099,837,459.98	6,614,793,837.98
Total liability non-sustaining measured by fair value	--	--	--	--
II. Non-persistent measure				
Total asset non-sustaining measured by fair value	--	--	--	--
Total liability non-sustaining measured by fair value	--	--	--	--

2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order

On 31 December 2020, 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 2020.

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

On 31 December 2020, other non-current financial assets-equity instrument investment held by the Company refers to the Guolian Securities (stock code: 601456), determining basis of the market price at period-end refers to the closing price and liquidity discounts of 31 December 2020.

4. The sustaining and non-persistent measured by fair value on first-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) Financing of accounts receivable

For this part of financial assets, the Company uses discounted cash flow valuation techniques to determine its fair value. Among them, important unobservable input values mainly include discount rate and contractual cash flow maturity period. The cash flow with a contract expiration period of 12 months (inclusive) shall not be discounted, and the cost shall be regarded as its fair value.

(3) 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.

X. Related party and related transactions

1. Parent company of the enterprise

Parent company	Relationship	Company type	Registration place	Legal representative	Business nature	Registered capital (in 10 thousand Yuan)
Wuxi Industry Group	Parent company	State-run proprietorship	Wuxi	Jiang Guoxiong	Operation of state-owned assets	517,265.71

Parent company	Share-holding ratio on the enterprise for parent company (%)	Voting right ratio on the enterprise (%)	Ultimate controller of the enterprise	Uniform social credit code
Wuxi Industry Group	20.22	20.22	State-owned Assets Supervision & Administration Commission of Wuxi Municipality	913202001360026543

Explanation on parent company of the enterprise

Wuxi Industry Group is an enterprise controlled by the State-owned Assets Management Committee of Wuxi Municipal People's Government. Its business scope includes foreign investment by using its own assets, house leasing services, self-operating and acting as an agent for the import and export business of various commodities and technologies (Except for goods and technologies that are restricted by the state or prohibited for import and export), domestic trade (excluding national restricted and prohibited items). (Projects that are subject to approval in accordance with the law can be operated only after being approved by relevant departments).

2. Subsidiary of the Enterprise

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

3. Joint venture and associated enterprise

Found more in Note VII.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

① Goods purchasing/labor service receiving

Related party	Content of related transaction	Current period	Last Period
Weifu Precision Machinery	Goods and labor	34,570,825.03	37,649,400.25
Bosch Diesel System	Goods and labor	29,740,591.61	42,492,806.04
Weifu Environment	Goods	3,051,418,777.65	1,663,362,526.18
Robert Bosch Company	Goods and labor	150,855,622.37	173,854,905.98
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	Goods	1,733,572.01	11,195,174.16

② Goods sold/labor service providing

Related party	Content of related transaction	Current period	Last Period
Weifu Precision Machinery	Goods and labor	6,092,391.01	1,428,332.05

Bosch Diesel System	Goods and labor	2,961,684,269.09	2,670,139,591.68
Weifu Environment	Goods and labor	29,663,885.81	29,810,340.60
Robert Bosch Company	Goods and labor	860,611,502.90	730,599,270.85
Shinwell Automobile Tech. (Wuxi) Co., Ltd.	Goods	103,329.66	1,241,682.55

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

Nil

(3) Related lease

①As a lessor for the Company:

Lessee	Assets type	Lease income recognized in the Period	Lease income recognized at last Period
Weifu Environmental Protection	Workshop	2,508,057.00	2,508,057.00

②Explanation 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 2020 to 31 December 2020 was 2,508,057.00 Yuan

(4) Related guarantee

Nil

(5) Related party's borrowed/lending funds:

This year, Weifu Lida received 5.47 million yuan of borrowed funds from Wuxi Industry Group.

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

Nil

(7) Remuneration of key manager

Item	Current period (in ten thousand yuan)	Last Period (in ten thousand yuan)
Remuneration of key manager	1,698.60	537.00

(8) Other related party transactions

Related party	Name	Current period	Last Period
Weifu Precision Machinery	Payable for technical services	54,783.81	--
Weifu Precision Machinery	Purchase of fixed assets	145,200.00	--
Bosch Diesel System	Payable for technical services	184,740.27	337,369.76
Bosch Diesel System	Purchase of fixed assets	447,692.06	5,720,900.23
Bosch Diesel System	Technology royalties paid etc.	295,419.00	--
Robert Bosch Company	Technology royalties paid etc.	5,072,260.23	3,489,339.19
Robert Bosch Company	Payable for technical services	--	702,303.80
Robert Bosch Company	Purchase of fixed assets	22,927,889.53	6,150,100.00
Weifu Environmental Protection	House rental fee payable	--	214,285.71
Weifu Environmental Protection	Purchase of fixed assets	30,000.00	148,668.39
Weifu Environmental Protection	Payable for technical services	64,433.96	--
Weifu Environmental Protection	Sales of fixed assets	9,426.00	--
Wuxi Industry Group	Interest paying		89,564.40

6. Receivable/payable items of related parties

(1) Receivable item

Item	Related party	Ending balance		Opening balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Account receivable	Weifu Precision Machinery	160,565.87	--	243,544.57	--
Other account receivables	Weifu Precision Machinery	--	--	1,070,000.00	--
Account receivable	Bosch Diesel System	549,543,387.12		547,423,047.70	--
Account receivable	Robert Bosch Company	205,738,695.62	84,473.87	155,195,576.42	135,534.13
Other account receivables	Robert Bosch Company	--	--	7,600,000.00	1,520,000.00
Account receivable	Weifu Environmental Protection	642,390.75	--	3,925,564.95	--
Other account receivables	Weifu Environmental Protection	49,000,000.00	--	--	--

(2) Item of payment in advance

Item	Related party	Ending balance	Opening balance
Other non- current asset	Weifu Precision Machinery	--	53,788.00
Other non- current asset	Bosch Diesel System	--	183,842.03
Account paid in advance	Robert Bosch Company	2,970,930.93	5,954,823.56
Other non- current asset	Robert Bosch Company	--	6,600,000.00

(3) Payable item

Item	Related party	Ending balance	Opening balance
Account payable	Weifu Precision Machinery	12,825,011.74	10,556,782.28
Other account payable	Weifu Precision Machinery	29,000.00	29,000.00
Account payable	Weifu Environmental Protection	850,384,640.88	553,049,630.17
Account payable	Bosch Diesel System	7,178,387.17	5,664,266.10
Account payable	Robert Bosch Company	5,370,249.46	12,297,410.48
Account payable	Shinwell Automobile Tech. (Wuxi) Co., Ltd.	19,320.30	2,212,768.26
Other current liabilities	Bosch Diesel System	169,620,804.78	69,164,600.47
Other current liabilities	Weifu Precision Machinery	74,778.76	
Other account payable	Wuxi Industry Group	5,474,862.22	--

(4) Advance payments and contract liabilities:

Item	Related party	Ending balance	Opening balance
Contract liabilities	Weifu Precision Machinery	619,469.03	--
Contract liabilities	Bosch Diesel System	0.36	--
Contract liabilities	Robert Bosch Company	18,094.85	854,162.51
Contract liabilities	Weifu Environmental Protection	--	5,812,521.86

7. Undertakings of related party

Nil

XI.Share-based payment

1. Overall situation of share-based payment

Total amount of various equity instruments granted by the company in the current period	Fair value on the grant date 509,994,000.00 yuan
Total amount of various equity instruments exercised by the company in the current period	--
Total amount of various equity instruments invalidated by the company in the current period	--
The scope of the exercise price of the stock options issued by the company at the end of the period and the remaining period of the contract	The grant price is 15.48 yuan per share; the exercise time is from the first trading day 24 months after the completion of the registration of the restricted stocks granted in the first tranche to the last trading day within 60 months from the date of completion of the registration of the restricted stock granted in the first tranche, so the remaining period of the contract is 4 years and 11 months.
The scope of the exercise price of other equity instruments issued by the company at the end of the period and the remaining period of the contract	N/A

2. Share-based payment settled by equity

Method for determining the fair value of equity instruments on the grant date	Determine based on the closing price of the restricted stock on the grant date
Basis for determining the number of vesting equity instruments	Unlocking conditions
Reasons for the significant difference between estimate in the current period and estimate in the prior period	Not Applicable
Cumulative amount of equity-settled share-based payments included in the capital reserve	6,484,837.50
Total amount of expenses confirmed by equity-settled share-based payments in the current period	6,484,837.50

Other explanation:

This restricted stock incentive plan has been reviewed and approved by the company's second extraordinary general meeting of shareholders in 2020. The overview of this restricted stock incentive plan is as follows:

- (1) Stock source: the company's A-share common stock repurchased from the secondary market.
- (2) Grant date: November 12, 2020.
- (3) Grant objects and number of grants: 19,540,000 restricted stocks were granted to 601 incentive objects of the company and its subsidiaries.
- (4) Grant price: 15.48 yuan/share.
- (5) Grant registration completion date: December 4, 2020.
- (6) Lifting the restrictions on sales:

Unlock period	Unlock time	Ratio of unlocked quantity to granted quantity
Phase I unlocked	Starting from the first trading day 24 months after the	4/10

	completion of the registration of the first grant and ending on the last trading day within 36 months	
Phase II unlocked	Starting from the first trading day 36 months after the completion of the registration of the first grant and ending on the last trading day within 48 months	3/10
Phase III unlocked	Starting from the first trading day 48 months after the completion of the registration of the first grant and ending on the last trading day within 60 months	3/10

(7) Performance appraisal requirements at the company level:

Unlock conditions	Performance appraisal requirements
The first batch of unlock conditions	<ol style="list-style-type: none"> 1. the weighted average ROE for year of 2021 is not less than 10%; 2. the growth rate of self-operating profit in 2021 will not be less than 6% compared with the year of 2019, the absolute amount will not be less than 845 million yuan; 3. the cash dividends for year of 2021 shall be no less than 50% of the profit available for distribution of the current year.
The second batch of unlocking conditions	<ol style="list-style-type: none"> 1. the weighted average ROE for year of 2022 is not less than 10%; 2. the growth rate of self-operating profit in 2022 will not be less than 12% compared with the year of 2019, the absolute amount will not be less than 892 million yuan; 3. the cash dividends for year of 2022 shall be no less than 50% of the profit available for distribution of the current year.
The third batch of unlocking conditions	<ol style="list-style-type: none"> 1. the weighted average ROE for year of 2023 is not less than 10%; 2. the growth rate of self-operating profit in 2023 will not be less than 20% compared with the year of 2019, the absolute amount will not be less than 958 million yuan; 3. the cash dividends for year of 2023 shall be no less than 50% of the profit available for distribution of the current year.

Other explanation: self-operating profit refers to the net profit attributable to the owners of the parent company after deducting non-recurring gains and losses, and deducting the investment income from Bosch Diesel System and CNEMS.

XII. Undertakings or contingency

1. Important undertakings

Important undertakings on balance sheet date

Nil

2. Contingency

Nil

XIII. Events after balance sheet date

1. Important non adjustment matters

Nil

2. Profit distribution

Profit or dividend plans to distributed	The profit distribution plan for 2020: with the total share capital of the company at the end of 2020 (1,008,950,570 shares), excluding the shares
---	--

	already repurchased on the repurchase account (56,277 shares of A-stock), that is the 1,008,894,293 shares as the base, distribute 15.00 Yuan (tax included) in cash for every 10 shares to all shareholders without bonus shares and capitalization of capital reserve. (In accordance with the Company Laws, shares of the company held by a listed company through a special securities account for repurchase shall not be entitled to participate in profit distribution and capitalization of capital reserves).The remaining undistributed profits will be carried forward to the next year. The proposed cash dividend is 1,513,341,400 Yuan (tax included),
Profit or dividend declare to distributed which have been approved	The profit distribution plan needs to submit for deliberation on Annual General Meeting

3. Sales return

Important sales returns: Nil

4. Other events after balance sheet date

(1)The Proposal on External Investment was deliberated and approved by the 22nd session of 9th BOD dated 26 Feb. 2021. the Company intends to invest in Qingdao Shangqi HuiZhu Zhanxing Industry Investment Fund (Limited Partnership) with its own funds of 150 million yuan.

(2) According to the resolution of the 23rd session of the 9th board of directors of the company held on April 16, 2021, the company plans to use its own idle funds for entrusted financial management in 2021, with the total investment amount not exceeding 9.5 billion Yuan, and the above amount can be rolled

XIV. 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 enterprise's contribution shall not exceed 8% of the gross salary of the employees of the enterprise per year, the combined contribution of the enterprise and the individual employee shall not exceed 12% of the total salary of the employees of the enterprise. In accordance with the State's annuity policy, the Company will

adjusted the economic benefits in due time, in principle of responding to the economic strength of the enterprise, the amount paid by the enterprise at current period control in the 8 percent of the total salary of last year, the maximum annual allocation to employees shall not exceed five times the average allocation to employees and the excess shall not be counted towards the allocation. The individual contribution is limited to 1% of one's total salary for the previous year. Specific paying ratio later shall be adjusted correspondingly in line with the operation condition of the Company.

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

5. 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 and fuel cell components products, auto components, muffler and purifier etc., based on the product segment, the Company determine three reporting segments as auto fuel injection system and fuel cell components, air management system and automotive post processing system. Accounting policy for the three reporting segments are shares the same policy state in Note III

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

Item	Automotive fuel injection system and fuel cell parts product division	Product segment of automotive post processing system	Product segment of air management system	Less: offset of segment	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	Total
Operating revenue	5,993,310,683.00	6,427,844,701.00	697,872,646.74	235,201,724.14	--	12,883,826,306.60
Operating cost	4,448,683,801.55	5,731,947,799.03	446,496,408.80	197,843,567.41	--	10,429,284,441.97
Total Profit	524,729,824.97	96,006,636.11	71,788,594.68	-524,839.83	2,309,901,783.97	3,002,951,679.56
Net profit	452,179,859.49	101,778,469.69	55,671,416.42	-393,128.74	2,212,713,056.22	2,822,735,930.56
Total assets	11,471,288,383.40	5,342,888,369.35	1,013,319,278.74	881,624,474.24	10,404,823,830.96	27,350,695,388.21
Total liabilities	3,923,773,971.66	4,225,004,372.65	592,960,211.88	186,744,801.93	1,235,734.93	8,556,229,489.19

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

Nil

XV. Notes to major items in consolidated financial statements of parent company

(Monetary unit refers to RMB/CNY below unless otherwise specified. The end of the period refers to December 31, 2020, the beginning of the period refers to January 1, 2020, the current period refers to 2020, and the last period refers to 2019.)

1. Account receivable

(1) Classification of account receivable:

Category	Ending balance				Book value
	Book balance		Bad debt reserve		
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with bad debt provision accrual on a single basis	11,107,123.51	1.11	11,107,123.51	100.00	--
Account receivable with bad debt provision accrual on portfolio	985,882,139.36	98.89	3,099,860.14	0.31	982,782,279.22
Including: receivables from customers	836,329,626.26	83.89	3,099,860.14	0.37	833,229,766.12
Receivables from internal related parties	149,552,513.10	15.00	--	--	149,552,513.10
Total	996,989,262.87	100.00	14,206,983.65	1.42	982,782,279.22

Category	Opening balance				Book value
	Book balance		Bad debt reserve		
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with bad debt provision accrual on a single basis	9,107,123.51	1.06	9,107,123.51	100.00	--
Account receivable with bad debt provision accrual on portfolio	851,956,578.91	98.94	3,716,569.87	0.44	848,240,009.04
Including: receivables from customers	715,722,790.25	83.12	3,716,569.87	0.52	712,006,220.38
Receivables from internal related parties	136,233,788.66	15.82	--	--	136,233,788.66
Total	861,063,702.42	100.00	12,823,693.38	1.49	848,240,009.04

① Bad debt provision accrual on single basis:

Account receivable (by unit)	Ending balance			
	Account receivable	Bad debt reserve	Accrual ratio (%)	Accrual causes
BD bills	7,300,000.00	7,300,000.00	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 Automobile components Co., Ltd.	1,111,007.12	1,111,007.12	100.00	Have difficulty in collection

Account receivable(by unit)	Ending balance			
	Account receivable	Bad debt reserve	Accrual ratio (%)	Accrual causes
Total	11,107,123.51	11,107,123.51	100.00	

②Bad debt provision accrual on portfolio:

Account age	Ending balance		
	Book balance	Bad debt reserve	Accrual ratio (%)
Within 6 months	822,921,167.68	--	--
6 months to one year	8,783,211.93	878,321.19	10.00
1-2 years	2,434,208.25	486,841.65	20.00
2-3 years	760,568.50	304,227.40	40.00
Over 3 years	1,430,469.90	1,430,469.90	100.00
Total	836,329,626.26	3,099,860.14	0.37

③In the portfolio, receivables from internal related parties

Name	Amount	Bad debt reserve	Accrual ratio (%)
Weifu Leader	68,976,711.20		--
Weifu International Trade	22,530,615.85		--
Weifu Tianli	2,563,953.76		--
Weifu Schmidt	55,481,232.29		--
Total	149,552,513.10		--

④By account age (Including single provision and portfolio provision):

Account age	Ending Book balance
Within one year	976,000,464.78
Including: within 6 months	965,950,994.85
6 months to one year	10,049,469.93
1-2 years	7,690,636.18
2-3 years	10,292,548.30
Over 3 years	3,005,613.61
Total	996,989,262.87

(2) Bad debt provision accrual collected or switch back:

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Absorption and merger increase	
Bad debt reserve	12,823,693.38	1,336,214.96	--	210,660.88	257,736.19	14,206,983.65
Total	12,823,693.38	1,336,214.96	--	210,660.88	257,736.19	14,206,983.65

Important bad debt provision collected or switch back: nil

(3) Account receivable actual charge off in the Period

Item	Amount charge off	Resulted by related transaction (Y/N)
Fuzhou Haominxing Automobile components Co., Ltd.	129,739.47	N

Kunming Yunnei Power Co., Ltd.	47,449.10	N
Xinxiang Xincheng Machinery Equipment Co., Ltd.	28,895.81	N
Other customers	4,576.50	N
Total	210,660.88	

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

Name	Ending balance of account receivable	Ratio in total ending balance of account receivables (%)	Ending balance of bad debt reserve
Bosch Diesel System	548,842,896.72	55.05	--
Weifu Leader	68,976,711.20	6.92	--
Weifu Schmidt	55,481,232.29	5.56	--
Custom 4	49,207,860.47	4.94	703,826.23
Custom 5	45,023,657.85	4.52	102,723.13
Total	767,532,358.53	76.99	806,549.36

2. Other account receivables

Item	Ending balance	Opening balance
Interest receivable	897,777.78	804,929.68
Dividend receivable	--	1,070,000.00
Other account receivables	196,437,936.85	248,140,027.06
Total	197,335,714.63	250,014,956.74

(1) Interest receivable

1) Category of interest receivable

Item	Ending balance	Opening balance
Interest receivable of unified-borrowing & unified-lending	897,777.78	149,876.70
Interest of fund occupation	--	655,052.98
Total	897,777.78	804,929.68

2) Significant overdue interest

Nil

(2) Dividend receivable

1) Details of dividend receivable

The invested entity	Ending balance	Opening balance
Weifu Precision Machinery	--	1,070,000.00

2) Important dividend receivable with account age over one year

Nil

(3) Other account receivables

1) Other account receivables classification by nature

Nature	Ending balance	Opening balance
Staff loans and petty cash	483,650.21	462,664.16

Balance of related party in the consolidate scope	194,745,396.72	216,403,060.04
Margin	1,030,340.00	--
Intercourse funds of unit	--	24,000,000.00
Protean Holdings Corp. equity disposal fund	--	10,654,092.89
Other	263,534.00	117,939.00
Total	196,522,920.93	251,637,756.09

2) Accrual of bad debt provision

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, 2020	3,497,729.03	--	--	3,497,729.03
Balance of Jan. 1, 2020 in the period	--	--	--	--
--transfer-in phase I	--	--	--	--
--transfer-in phase II	--	--	--	--
-- switch back phase II	--	--	--	--
-- switch back phase I	--	--	--	--
Current accrual	52,664.34	--	--	52,664.34
Current reversal	3,465,409.29	--	--	3,465,409.29
Current written-off	--	--	--	--
Other change	--	--	--	--
Balance on Dec. 31, 2020	84,984.08	--	--	84,984.08

By account age (Including single provision and portfolio provision)

Account age	Ending Book balance
Within one year	160,889,115.00
Including: Within 6 months	71,626,274.30
6 months to one year	89,262,840.70
1-2 years	35,552,695.72
2-3 years	43,570.21
Over 3 years	37,540.00
Total	196,522,920.93

3) Bad debt provision accrual, collected or switch back

Category	Opening balance	Amount changed in the period				Ending balance
		Accrual	Collected or reversal	Written-off	Conversion different of foreign currency financial statement	
Bad debt reserve	3,497,729.03	52,664.34	3,465,409.29	--	--	84,984.08
Total	3,497,729.03	52,664.34	3,465,409.29	--	--	84,984.08

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

Nil

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

Item	Nature	Ending balance	Account age	Ratio (%)	Ending balance of bad debt reserve
Weifu Leader	Balance of related party in the consolidate scope	100,000,000.00	Within one year	50.88	--
Weifu Chang'an	Balance of related party in the consolidate scope	54,192,781.00	Within one year	27.58	--
Weifu Schmidt	Balance of related party in the consolidate scope	21,000,000.00	1-2 years	10.68	--
Weifu Mashan	Balance of related party in the consolidate scope	19,552,615.72	Within 2 years	9.95	--
Zhenkunxing Industrial Supermarket (Shanghai) Co., Ltd.	Margin	1,000,000.00	Within 6 months	0.51	--
Total		195,745,396.72		99.60	--

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

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment for subsidiary	1,978,302,303.40	--	1,978,302,303.40	1,731,814,008.11	--	1,731,814,008.11
Investment for associates and joint venture	3,999,826,000.48	--	3,999,826,000.48	4,599,549,621.93	--	4,599,549,621.93
Total	5,978,128,303.88	--	5,978,128,303.88	6,331,363,630.04	--	6,331,363,630.04

(1) Investment for subsidiary

The invested entity	Opening balance	Increase in this period	Decrease in this period	Ending balance	Impairment accrual in the period	Ending balance of depreciation reserves
Weifu Jinning	178,639,593.52	569,165.62	--	179,208,759.14	--	--
Weifu Leader	460,113,855.00	731,784.39	--	460,845,639.39	--	--
Weifu Mashan	168,693,380.51	154,321.87	--	168,847,702.38	--	--
Weifu Chang'an	220,902,037.30	144,365.63	--	221,046,402.93	--	--
Weifu International Trade	32,849,254.85	59,737.50	--	32,908,992.35	--	--
Weifu ITM	167,000,000.00	--	167,000,000.00	--	--	--
Weifu Schmidt	50,160,000.00	84,628.12	--	50,244,628.12	--	--
Weifu Tianli	234,941,100.00	243,928.12	--	235,185,028.12	--	--
Weifu Autocam	82,454,467.99	--	--	82,454,467.99	--	--
Weifu Electronic Drive	53,832,280.23	54,759.38	--	53,887,039.61	--	--
SPV	82,228,038.71	411,445,604.66	--	493,673,643.37	--	--
Total	1,731,814,008.11	413,488,295.29	167,000,000.00	1,978,302,303.40	--	--

(2) Investment for associates and joint venture

Enterprise	Nature	Opening balance	Current changes (+, -)	Ending balance	Ending balance of depreciation reserves
Bosch Diesel System	Associated enterprise	3,276,853,986.35	-589,329,306.82	2,687,524,679.53	--

Zhonglian Automobile	Associated enterprise	1,261,232,635.30	-23,683,778.99	1,237,548,856.31	--
Weifu Precision Machinery	Associated enterprise	61,463,000.28	13,289,464.36	74,752,464.64	--
Total	Associated enterprise	4,599,549,621.93	-599,723,621.45	3,999,826,000.48	--

Current changes (+, -):

Item	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery
Additional investment	--	--	--
Capital reduction	--	--	--
Investment gain/loss recognized under equity	1,132,865,918.69	307,716,221.01	16,889,464.36
Other comprehensive income adjustment	--	--	--
Other equity change	--	--	--
Cash dividend or profit announced to issued	-1,722,195,225.51	-331,400,000.00	-3,600,000.00
Impairment accrual	--	--	--
Other	--	--	--
Total	-589,329,306.82	-23,683,778.99	13,289,464.36

4. Operating income and cost

Item	Current period		Last Period	
	Income	Cost	Income	Cost
Main business	4,164,444,997.29	2,955,881,019.87	3,470,103,915.90	2,330,022,370.30
Other business	371,972,806.50	280,430,592.86	362,821,444.52	311,590,544.97
Total	4,536,417,803.79	3,236,311,612.73	3,832,925,360.42	2,641,612,915.27

5. Investment income

Item	Current period	Last Period
Investment income in subsidiaries	62,995,075.18	105,086,820.44
Investment income in joint ventures and associated enterprises	1,457,471,604.06	1,310,687,436.86
Investment income from holding transaction financial asset	683,211.60	1,383,668.59
Investment income from holding other equity instrument investment	--	900,000.00
Investment income of financial products	258,702,394.98	228,151,138.50
Other	36,907,117.60	--
Total	1,816,759,403.42	1,646,209,064.39

XVI. Supplementary Information

1. Current non-recurring gains/losses

Item	Amount	Note
Gains/losses from the disposal of non-current asset	10,719,959.77	
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)	146,475,795.26	
Profit and loss of assets delegation on others' investment or management	271,684,174.09	
Except for effective hedge business relevant to normal operation of the Company, gains and losses arising from fair value change of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale	375,102,546.00	
Switch-back of impairment of account receivable that practice impairment test independent	3,078,424.43	
Other non-operating income and expenditure except for the aforementioned items	-3,090,715.87	
Impact on income tax	-116,175,046.47	
Impact on minority shareholders' equity	-5,011,845.35	
Total	682,783,291.86	

Note: "+" refers to income and revenue while "-" stands for losses or expenses for the above mentioned numbers

2. ROE and earnings per share

Profits during report period	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profits belong to common stock stockholders of the Company	15.78	2.79	2.79
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	11.90	2.10	2.10

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)

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)

Not applicable

4. Supplementation for change of accounting policy

Found more in the explanation on 30. Change of the important accounting policy and estimation in Note III