



# **CHANGCHAI COMPANY, LIMITED**

## **THIRD QUARTER REPORT 2018**

**October 2018**

## Part I Important Notes

**The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Changchai Company, Limited (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.**

**All the Company’s directors have attended the Board meeting for the review of this Report and its summary.**

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

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

## Part II Key Corporate Information

### I Key Consolidated Financial Information

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

Yes  No

	September 30, 2018	December 31, 2017		Change
Total assets (RMB)	3,756,252,247.55	3,722,905,285.05		0.90%
Equity attributable to owners of the parent (RMB)	2,109,129,803.12	2,246,896,857.86		-6.13%
	July-September 2018	YoY change	January-September 2018	YoY change
Net sales (RMB)	432,605,495.58	-21.55%	1,619,366,387.84	-12.91%
Net margin attributable to owners of the parent (RMB)	4,670,842.38	52.03%	23,309,400.04	-45.48%
Net margin attributable to owners of the parent before exceptional gains and losses (RMB)	-5,982,192.17	—	11,280,631.08	-47.29%
Net cash from operating activities (RMB)	—	—	-54,251,797.59	—
Basic earnings per share (RMB/share)	0.01	0.00%	0.04	-50.00%
Diluted earnings per share (RMB/share)	0.01	0.00%	0.04	-50.00%
Weighted average return on equity (%)	0.22%	0.09%	1.05%	-0.80%

Exceptional gains and losses:

Applicable  Not applicable

Unit: RMB

Item	Q1-Q3 2018	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	12,044,376.37	In July 2018, the company recovered the entrusted loan of 1,000.00 million yuan which had fully accrued the asset impairment provision. For details, please refer to the company's announcement on recovering part of the entrusted loan disclosed on July 13, 2018 (announcement number: 2018-018).
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the	475,400.00	

Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards)		
Capital occupation charges on non-financial enterprises that are charged to current profit or loss	573,182.00	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	455,319.86	
Other gains and losses that meet definition of exceptional gain/loss	656,800.26	
Less: Income tax effects	2,176,309.53	
Total	12,028,768.96	--

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

Applicable  Not applicable

No such cases for the Reporting Period.

## II Total Number of Shareholders and Holdings of Top 10 Shareholders at 30 September 2018

### 1. Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Number of ordinary shareholders	49,459	Number of preferred shareholders with resumed voting rights (if any)	0			
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Restricted shares	Shares in pledge or frozen	
					Stat us	Shar es
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	State-owned legal person	30.43%	170,845,236			
KGI Asia Limited	Foreign legal person	0.57%	3,189,845			

Wang Jianwei	Domestic natural person	0.34%	1,934,500			
Zhang Ruirong	Domestic natural person	0.32%	1,789,800			
Wan Peizhong	Domestic natural person	0.29%	1,645,800			
Huang Guoliang	Domestic natural person	0.27%	1,528,891			
Hu Wenyong	Domestic natural person	0.27%	1,500,066			
Li Suinan	Domestic natural person	0.24%	1,356,000			
Vanguard Total International Stock Index Fund	Foreign legal person	0.23%	1,292,594			
Xiong Shunbao	Domestic natural person	0.23%	1,282,251			
<b>Top 10 unrestricted shareholders</b>						
Name of shareholder	Unrestricted shares	Shares by type				
		Type	Shares			
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	170,845,236	RMB-denominated ordinary stock	170,845,236			
KGI Asia Limited	3,189,845	Domestically listed foreign stock	3,189,845			
Wang Jianwei	1,934,500	RMB-denominated ordinary stock	1,934,500			
Zhang Ruirong	1,789,800	RMB-denominated ordinary stock	1,789,800			
Wan Peizhong	1,645,800	RMB-denominated ordinary stock	1,645,800			
Huang Guoliang	1,528,891	Domestically listed foreign stock	1,528,891			
Hu Wenyong	1,500,066	Domestically listed foreign stock	1,500,066			
Li Suinan	1,356,000	Domestically listed foreign stock	1,356,000			
Vanguard Total International Stock Index Fund	1,292,594	Domestically listed foreign stock	1,292,594			
Xiong Shunbao	1,282,251	RMB-denominated ordinary stock	1,282,251			
Related or acting-in-concert parties among shareholders above	It is unknown whether there is any connected party or acting-in-concert party as defined in the Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies among the top 10 tradable share holders or the top 10 unrestricted tradable share holders.					
Top 10 ordinary shareholders involved in securities margin trading (if any)	N/A					

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

Yea  No

No such cases in the Reporting Period.

## **2. Number of Preferred Shareholders and Shareholdings of Top 10 of Them**

Applicable  Not applicable

## Part III Significant Events

### I Changes in Key Consolidated Financial Statement Line Items and Explanation of why

√ Applicable □ Not applicable

#### 1. Consolidated Balance Sheet Items as at 30 September 2018

Item	30 September 2018 (RMB)	31 December 2017 (RMB)	Change (%)	Explanation of why
Notes and accounts receivable	1,485,050,866.65	1,108,415,299.12	33.98%	During Q1~Q3 2018, credit sale was properly carried out to extend market space, and most multi-cylinder engine customers were supporting manufacturers for bigger enterprises, which means relatively long account ages for the Company, resulting in an increase of 117.69% in receivables compared to the beginning.
Other receivables	21,267,589.07	5,794,971.22	267.00%	Temporary loans granted by subsidiary Changzhou Housheng Investment Co., Ltd. to Xuzhou Huadong Foundry Factory, etc.
Other current assets	23,104,987.78	42,540,184.05	-45.69%	Decrease in overpaid VAT
Payroll payable	24,782,530.80	51,247,112.66	-51.64%	Salaries and bonuses accrued in the nine months ended 30 September 2017 were mostly paid in the corresponding period of the current year

#### 2. Consolidated Income Statement Items for Q1~Q3 2018

Item	Q1~Q3 2018 (RMB)	Q1~Q3 2017 (RMB)	Change (%)	Explanation of why
Finance costs	-4,311,945.83	-1,287,876.55	—	Increase in foreign exchange income resulted from exchange rate fluctuations
Asset impairment loss	-2,531,847.48	9,150,039.27	—	Allowances for doubtful accounts receivable recorded based on aging led to an increase in asset impairment loss, while the collection of entrusted loans with full-amount impairment allowances resulted in writedowns in this item
Investment income	8,053,269.86	13,407,484.45	-39.93%	Decline in dividends from Foton Motor
Non-operating income	2,830,716.11	25,903,268.01	-89.07%	Last year saw the non-operating income arising from including Changzhou Fuji

				Changchai Robin Gasoline Engine Co., Ltd., whose equity interests had been acquired by the Company at a discount, into the consolidated financial statements
Non-operating expense	1,698,515.85	7,979,840.88	-78.71%	Greater loss on the disposal of inactive materials during the same period of last year
Net profit	23,643,295.60	43,305,505.88	-45.40%	Last year saw the non-operating income arising from including Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd., whose equity interests had been acquired by the Company at a discount, into the consolidated financial statements
Other comprehensive income, net of tax	-144,235,225.00	-41,677,200.00	—	Significant decline in gains on fair value changes of available-for-sale financial assets

### 3. Consolidated Cash Flow Statement Items for Q1~Q3 2018

Item	Q1~Q3 2018 (RMB)	Q1~Q3 2017 (RMB)	Change (%)	Explanation of why
Tax rebates	39,981,450.76	24,619,585.42	62.40%	Mainly for the report period received more export tax rebates.
Taxes paid	21,038,574.94	30,890,368.40	-31.89%	Changes in sales and profit, as well as the effect of the government's tax cuts
Net cash generated from/used in investing activities	-23,421,616.03	-63,559,009.38	—	Significant decline in payments for acquisition of fixed assets, intangible assets and other long-lived assets
Net cash generated from/used in financing activities	-16,892,465.30	21,794,509.81	—	Mainly for the last reporting period borrowings increased more

## II Progress, Influence and Solutions Associated with Significant Events

√ Applicable □ Not applicable

The controlling shareholder of the Company—State-owned Assets Supervision and Administration Commission of Changzhou Municipal Government (hereinafter referred to as “Changzhou SASAC”) and Changzhou Investment Group Co., Ltd. signed the *Agreement on Gratuitous Transfer of State-owned Shares Held by Changchai Company Limited* on 16 August 2018, in which the Changzhou SASAC intended to gratuitously transfer all 170,845,236 shares in Changchai Company Limited held by it to Changzhou Investment Group Co., Ltd. The issue has been approved by Changzhou People's Government and the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government. In addition, China securities regulatory



commission (CSRC) has agreed to exempt Changzhou Investment Group Co., Ltd. from the tender offer obligation for holding the Company's shares due to gratuitous transfer. The issue is currently going through the relevant equity transfer procedures. For more details, please refer to the *Indicative Announcement on Gratuitous Transfer of State-owned Shares Held by the Controlling Shareholder* (Announcement No.: 2018-015), *Announcement on the Progress of Gratuitous Transfer of State-owned Shares Held by the Controlling Shareholder* (Announcement No.: 2018-020) and *Announcement on the Progress of Gratuitous Transfer of State-owned Shares Held by the Controlling Shareholder* (Announcement No.: 2018-025) disclosed by the Company respectively on 1 June 2018, 17 August 2018 and 5 September 2018. After the completion of the transfer, Changzhou Investment Group Co., Ltd. will be the controlling shareholder of the Company and the actual controller of the Company will not change.

Overview of significant event	Disclosure date	Related announcement
Gratuitous transfer of state-owned shares	1 June 2018	2018-015
	16 August 2018	2018-020
	5 September 2018	2018-025
	20 October 2018	2018-026

### III Commitments that the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Parties, Failed to Fulfill on Time during Reporting Period

√ Applicable □ Not applicable

Commitment	Commitment maker	Type of commitment	Contents	Date of commitment making	Period of commitment	Fulfillment
Other commitments made to minority shareholders	Changchai Company, Limited	bonus	Rewards Plan for Shareholders in Next Three Years(2017-2019) Under the premise of positive distributive profit (remaining after-tax profits after making up for the loss and extracting for the common reserves) in this year or half year and abundant money flow and no influence on the following-up going concern after cash bonus, the profits allocated by cash every year shouldn't be lower than 10% of the allocable profits from parent company. Meanwhile, the accumulated allocable profits by cash in the arbitrary continuous three	11 May 2017	Year 2017-2019	Implement in a normal way

			accounting years should not be lower than 30% of the annual average allocable profits in those three years.			
Fulfilled on time				Yes		
When the commitment was not completely fulfilled at maturity, the specific reasons and following work plan shall be given				N/A		

#### IV 2018 Annual Operating Performance Forecast

Warning of a forecast loss on or a forecast significant year-on-year change in net profit for year 2018, as well as explanation of why:

Applicable  Not applicable

#### V Securities Investments

Applicable  Not applicable

No such cases in the Reporting Period.

#### VI Wealth Management Entrustment

Applicable  Not applicable

Unit: RMB'0,000 (in RMB ten thousand yuan)

Type of wealth management	Funding source	Principal	Outstanding amount before maturity	Overdue amount
Wealth management product purchased from securities company	Self-funded	1,600	1,600	0
Total		1,600	1,600	0

High-risk wealth management entrustments with amounts that are individually significant, or with low security, low liquidity, or no protection of the principal:

Applicable  Not applicable

Wealth management entrustments with possible impairments including an expectedly unrecoverable principal:

Applicable  Not applicable

#### VII Investments in Derivative Financial Instruments

Applicable  Not applicable

No such cases in the Reporting Period.

#### VIII Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. during Reporting Period

Applicable  Not applicable

Date of visit	Way of visit	Type of visitor	About
13 August 2018	Other	Individual	Progress of lithium battery diaphragm project invested with industry funds set up by the Company
18 July 2018	Other	Individual	Repurchase of B-share

### **IX Irregularities in Provision of Guarantees for External Parties**

Applicable  Not applicable

No such cases in the Reporting Period.

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

Applicable  Not applicable

No such cases in the Reporting Period.

## Part IV Financial Statements

### I Financial Statements

#### 1. Consolidated Balance Sheet

Prepared by Changchai Company Limited

30 September 2018

Unit: RMB

Item	30 September 2018	31 December 2017
Current assets:		
Monetary capital	411,034,175.51	430,305,367.71
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes and accounts receivable	1,485,050,866.65	1,108,415,299.12
Including: Notes receivable	631,687,682.49	716,404,345.57
Accounts receivable	853,363,184.16	392,010,953.55
Prepayments	19,751,263.00	17,781,007.77
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	21,267,589.07	5,794,971.22
Financial assets purchased under resale agreements		
Inventories	424,522,218.24	508,246,807.48
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	23,104,987.78	42,540,184.05
Total current assets	2,384,731,100.25	2,113,083,637.35
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	616,859,101.49	793,522,639.04
Held-to-maturity investments		

Long-term receivables		
Long-term equity investments		
Investment property	51,208,092.83	52,864,348.43
Fixed assets	518,930,402.74	560,049,970.50
Construction in progress	79,665,817.80	94,581,989.06
Productive living assets		
Oil and gas assets		
Intangible assets	103,850,781.63	107,795,746.86
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	1,006,950.81	1,006,953.81
Other non-current assets		
Total non-current assets	1,371,521,147.30	1,609,821,647.70
Total assets	3,756,252,247.55	3,722,905,285.05
Current liabilities:		
Short-term borrowings	27,000,000.00	24,900,000.00
Borrowings from central bank		
Customer deposits and interbank deposits		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes and accounts payable	1,143,196,396.32	963,299,000.18
Advances from customers	51,157,778.08	40,153,984.91
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	24,782,530.80	51,247,112.66
Taxes payable	10,298,127.47	4,017,920.78
Other payables	219,162,163.02	195,985,676.91
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for underwriting of securities		
Liabilities directly associated with assets classified as held for sale		

Current portion of non-current liabilities		
Other current liabilities	2,924,539.46	2,028,937.59
Total current liabilities	1,478,521,535.15	1,281,632,633.03
Non-current liabilities:		
Long-term borrowings	21,000,000.00	21,500,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	60,992,858.46	60,992,858.46
Deferred income tax liabilities	66,800,998.95	92,409,779.39
Other non-current liabilities		
Total non-current liabilities	148,793,857.41	174,902,637.85
Total liabilities	1,627,315,392.56	1,456,535,270.88
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	164,328,665.43	164,328,665.43
Less: Treasury stock		
Other comprehensive income	370,833,325.00	515,068,550.00
Specific reserve	13,289,059.21	13,289,059.21
Surplus reserves	313,705,210.16	313,705,210.16
General reserve		
Retained earnings	685,599,217.32	679,131,047.06
Total equity attributable to owners of the Company as the parent	2,109,129,803.12	2,246,896,857.86
Non-controlling interests	19,807,051.87	19,473,156.31
Total owners' equity	2,128,936,854.99	2,266,370,014.17
Total liabilities and owners' equity	3,756,252,247.55	3,722,905,285.05

Legal representative: Shi Xinkun

General manager: Zhang Xin

head of financial department: Jiang He

## 2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 September 2018	31 December 2017
Current assets:		
Monetary capital	368,196,862.63	366,907,287.64
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes and accounts receivable	1,374,522,228.30	1,031,361,397.27
Including: Notes receivable	617,668,214.49	711,474,345.57
Accounts receivable	756,854,013.81	319,887,051.70
Prepayments	4,181,621.10	9,815,561.98
Other receivables	10,525,373.22	11,798,211.40
Inventories	299,370,138.70	376,814,388.82
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets		20,692,057.15
Total current assets	2,056,796,223.95	1,817,388,904.26
Non-current assets:		
Available-for-sale financial assets	616,149,000.00	785,837,500.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	231,752,730.03	231,752,730.03
Investment property	51,208,092.83	52,864,348.43
Fixed assets	418,626,042.81	453,155,359.47
Construction in progress	79,280,694.44	93,681,793.26
Productive living assets		
Oil and gas assets		
Intangible assets	72,708,970.40	75,623,219.49
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	934,554.06	934,554.06
Other non-current assets		
Total non-current assets	1,470,660,084.57	1,693,849,504.74

Total assets	3,527,456,308.52	3,511,238,409.00
Current liabilities:		
Short-term borrowings	10,000,000.00	
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes and accounts payable	1,053,470,134.46	883,244,989.22
Advances from customers	49,253,055.31	38,382,261.14
Payroll payable	19,402,520.44	41,401,495.39
Taxes payable	2,031,773.51	1,373,036.64
Other payables	201,143,326.08	185,981,889.23
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,335,300,809.80	1,150,383,671.62
Non-current liabilities:		
Long-term borrowings	19,000,000.00	19,500,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	60,992,858.46	60,992,858.46
Deferred income tax liabilities	65,441,175.00	90,894,450.00
Other non-current liabilities		
Total non-current liabilities	145,434,033.46	171,387,308.46
Total liabilities	1,480,734,843.26	1,321,770,980.08
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	183,071,147.70	183,071,147.70
Less: Treasury stock		



Other comprehensive income	370,833,325.00	515,068,550.00
Specific reserve	13,289,059.21	13,289,059.21
Surplus reserves	313,705,210.16	313,705,210.16
Retained earnings	604,448,397.19	602,959,135.85
Total owners' equity	2,046,721,465.26	2,189,467,428.92
Total liabilities and owners' equity	3,527,456,308.52	3,511,238,409.00

Legal representative: Shi Xinkun

General manager: Zhang Xin

head of financial department: Jiang He

### 3. Consolidated Income Statement for Q3

Unit: RMB

Item	Q3 2018	Q3 2017
1. Revenue	432,605,495.58	551,411,429.29
Including: Operating revenue	432,605,495.58	551,411,429.29
Interest income		
Premium income		
Handling charge and commission income		
2. Operating costs and expenses	435,376,583.73	553,758,537.78
Including: Cost of sales	368,800,817.45	470,832,920.30
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	3,622,252.63	1,498,185.39
Selling expense	41,800,679.58	38,153,014.94
Administrative expense	21,842,985.31	31,350,187.76
R&D expense	15,978,761.69	13,545,557.30
Finance costs	-4,179,608.71	-1,621,327.91
Including: Interest expense	740,882.96	557,914.97
Interest income	682,638.32	988,604.45
Asset impairment loss	-12,489,304.22	
Add: Other income		

Investment income (“-” for loss)	7,677,178.18	4,049,357.83
Including: Share of profit or loss of joint ventures and associates		
Gain on changes in fair value (“-” for loss)		
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)		
3. Operating profit (“-” for loss)	4,906,090.03	1,702,249.34
Add: Non-operating income	727,633.08	4,129,944.60
Less: Non-operating expense	171,349.64	1,585,185.70
4. Profit before tax (“-” for loss)	5,462,373.47	4,247,008.24
Less: Income tax expense	726,986.79	992,114.23
5. Net profit (“-” for net loss)	4,735,386.68	3,254,894.01
5.1 Net profit from continuing operations (“-” for net loss)	4,735,386.68	3,254,894.01
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	4,670,842.38	3,072,285.14
Net profit attributable to non-controlling interests	64,544.30	182,608.87
6. Other comprehensive income, net of tax	-18,037,000.00	-42,075.00
Attributable to owners of the Company as the parent	-18,037,000.00	-42,075.00
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-18,037,000.00	-42,075.00
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-18,037,000.00	-42,075.00
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements		
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	-13,301,613.32	3,212,819.01
Attributable to owners of the Company as the parent	-13,366,157.62	3,030,210.14

Attributable to non-controlling interests	64,544.30	182,608.87
8. Earnings per share		
8.1 Basic earnings per share	0.01	0.01
8.2 Diluted earnings per share	0.01	0.01

Legal representative: Shi Xinkun      General manager: Zhang Xin      head of financial department: Jiang He

#### 4. Income Statement of the Company as the Parent for Q3

Unit: RMB

Item	Q3 2018	Q3 2017
1. Operating revenue	416,427,359.56	519,533,251.59
Less: Cost of sales	362,072,818.22	448,760,167.59
Taxes and surcharges	2,893,386.71	1,417,116.02
Selling expense	39,994,953.30	34,703,041.46
Administrative expense	17,353,285.58	26,533,742.68
R&D expense	15,978,761.69	13,545,557.30
Finance costs	-4,413,035.38	-2,767,240.21
Including: Interest expense	768,546.57	469,437.35
Interest income	591,988.98	775,478.29
Asset impairment loss	-12,556,816.51	
Add: Other income		
Investment income (“-” for loss)	7,576,950.00	3,757,000.00
Including: Share of profit or loss of joint ventures and associates		
Gain on changes in fair value (“-” for loss)		
Asset disposal income (“-” for loss)		
2. Operating profit (“-” for loss)	2,680,955.95	1,097,866.75
Add: Non-operating income	344,083.46	2,746,050.87
Less: Non-operating expense	170,435.64	777,184.55
3. Profit before tax (“-” for loss)	2,854,603.77	3,066,733.07
Less: Income tax expense		291,560.85
4. Net profit (“-” for net loss)	2,854,603.77	2,775,172.22
4.1 Net profit from continuing operations (“-” for net loss)	2,854,603.77	2,775,172.22
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-18,037,000.00	-42,075.00

5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-18,037,000.00	-42,075.00
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-18,037,000.00	-42,075.00
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	-15,182,396.23	2,733,097.22
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: Shi Xinkun

General manager: Zhang Xin

head of financial department: Jiang He

### 5. Consolidated Income Statement for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Revenue	1,619,366,387.84	1,859,517,610.21
Including: Operating revenue	1,619,366,387.84	1,859,517,610.21
Interest income		
Premium income		
Handling charge and commission income		
2. Operating costs and expenses	1,599,958,648.92	1,840,879,902.93
Including: Cost of sales	1,403,155,726.44	1,612,225,242.18
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		

Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	9,361,725.89	8,530,314.39
Selling expense	94,028,755.44	93,968,371.07
Administrative expense	63,731,730.10	84,002,874.30
R&D expense	36,524,504.36	34,290,938.27
Finance costs	-4,311,945.83	-1,287,876.55
Including: Interest expense	2,545,980.06	3,024,858.13
Interest income	1,574,301.49	2,984,418.67
Asset impairment loss	-2,531,847.48	9,150,039.27
Add: Other income	129,600.00	
Investment income (“-” for loss)	8,053,269.86	13,407,484.45
Including: Share of profit or loss of joint ventures and associates		
Gain on changes in fair value (“-” for loss)		
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)		
3. Operating profit (“-” for loss)	27,590,608.78	32,045,191.73
Add: Non-operating income	2,830,716.11	25,903,268.01
Less: Non-operating expense	1,698,515.85	7,979,840.88
4. Profit before tax (“-” for loss)	28,722,809.04	49,968,618.86
Less: Income tax expense	5,079,513.44	6,663,112.98
5. Net profit (“-” for net loss)	23,643,295.60	43,305,505.88
5.1 Net profit from continuing operations (“-” for net loss)	23,643,295.60	43,305,505.88
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	23,309,400.04	42,751,443.27
Net profit attributable to non-controlling interests	333,895.56	554,062.61
6. Other comprehensive income, net of tax	-144,235,225.00	-41,677,200.00
Attributable to owners of the Company as the parent	-144,235,225.00	-41,677,200.00
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		

6.2 Items that may subsequently be reclassified to profit or loss	-144,235,225.00	-41,677,200.00
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-144,235,225.00	-41,677,200.00
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements		
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	-120,591,929.40	1,628,305.88
Attributable to owners of the Company as the parent	-120,925,824.96	1,074,243.27
Attributable to non-controlling interests	333,895.56	554,062.61
8. Earnings per share		
8.1 Basic earnings per share	0.04	0.08
8.2 Diluted earnings per share	0.04	0.08

Legal representative: Shi Xinkun      General manager: Zhang Xin      head of financial department: Jiang He

## 6. Income Statement of the Company as the Parent for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Operating revenue	1,537,762,482.71	1,748,840,798.71
Less: Cost of sales	1,353,150,662.71	1,535,510,001.55
Taxes and surcharges	7,281,502.74	7,469,956.58
Selling expense	86,373,935.16	85,011,010.11
Administrative expense	50,165,905.14	70,323,735.83
R&D expense	36,524,504.36	34,290,938.27
Finance costs	-6,333,999.37	-3,403,441.05
Including: Interest expense	2,380,867.34	2,712,359.91
Interest income	1,395,580.84	2,600,951.07
Asset impairment loss	-2,631,847.48	9,150,039.27
Add: Other income	129,600.00	
Investment income (“-” for loss)	7,597,950.00	10,709,750.99

Including: Share of profit or loss of joint ventures and associates		
Gain on changes in fair value (“-” for loss)		
Asset disposal income (“-” for loss)		
2. Operating profit (“-” for loss)	20,959,369.45	21,198,309.14
Add: Non-operating income	2,104,313.37	3,313,407.07
Less: Non-operating expense	1,695,773.85	6,969,533.83
3. Profit before tax (“-” for loss)	21,367,908.97	17,542,182.38
Less: Income tax expense	3,037,417.85	4,164,955.68
4. Net profit (“-” for net loss)	18,330,491.12	13,377,226.70
4.1 Net profit from continuing operations (“-” for net loss)	18,330,491.12	13,377,226.70
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-144,235,225.00	-41,677,200.00
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-144,235,225.00	-41,677,200.00
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-144,235,225.00	-41,677,200.00
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	-125,904,733.88	-28,299,973.30
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: Shi Xinkun

General manager: Zhang Xin

head of financial department: Jiang He

## 7. Consolidated Cash Flow Statement for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	1,502,082,934.17	1,847,464,192.62
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates	39,981,450.76	24,619,585.42
Cash generated from other operating activities	9,176,454.39	8,501,430.20
Subtotal of cash generated from operating activities	1,551,240,839.32	1,880,585,208.24
Payments for commodities and services	1,302,400,952.42	1,592,437,011.20
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	227,468,105.70	244,510,500.67
Taxes paid	21,038,574.94	30,890,368.40
Cash used in other operating activities	54,585,003.85	73,799,301.59
Subtotal of cash used in operating activities	1,605,492,636.91	1,941,637,181.86
Net cash generated from/used in operating activities	-54,251,797.59	-61,051,973.62
2. Cash flows from investing activities:		
Proceeds from disinvestment	23,459,682.03	12,000,000.00
Investment income	8,053,269.86	13,407,484.45
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	295,880.71	612,112.84
Net proceeds from disposal of subsidiaries or other business units		



Cash generated from other investing activities		
Subtotal of cash generated from investing activities	31,808,832.60	26,019,597.29
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	27,248,307.93	64,624,007.34
Payments for investments		6,000,000.00
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		1,854,599.33
Cash used in other investing activities	27,982,140.70	17,100,000.00
Subtotal of cash used in investing activities	55,230,448.63	89,578,606.67
Net cash generated from/used in investing activities	-23,421,616.03	-63,559,009.38
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Increase in borrowings obtained	17,000,000.00	44,900,000.00
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	17,000,000.00	44,900,000.00
Repayment of borrowings	15,400,000.00	5,000,000.00
Payments for interest and dividends	18,492,465.30	18,105,490.19
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	33,892,465.30	23,105,490.19
Net cash generated from/used in financing activities	-16,892,465.30	21,794,509.81
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-94,565,878.92	-102,816,473.19
Add: Cash and cash equivalents, beginning of the period	325,263,654.43	583,278,129.09
6. Cash and cash equivalents, end of the period	230,697,775.51	480,461,655.90

Legal representative: Shi Xinkun

General manager: Zhang Xin

head of financial department: Jiang He

## 8. Cash Flow Statement of the Company as the Parent for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
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1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	1,415,048,015.22	1,708,157,948.66
Tax rebates	31,526,429.06	24,619,585.42
Cash generated from other operating activities	7,685,480.38	6,986,793.79
Subtotal of cash generated from operating activities	1,454,259,924.66	1,739,764,327.87
Payments for commodities and services	1,235,746,003.49	1,483,506,231.99
Cash paid to and for employees	198,291,459.90	218,784,328.58
Taxes paid	15,439,986.70	26,440,358.98
Cash used in other operating activities	51,499,872.31	68,004,253.14
Subtotal of cash used in operating activities	1,500,977,322.40	1,796,735,172.69
Net cash generated from/used in operating activities	-46,717,397.74	-56,970,844.82
2. Cash flows from investing activities:		
Proceeds from disinvestment		
Investment income	7,597,950.00	10,709,750.99
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	154,889.08	193,991.71
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	7,752,839.08	10,903,742.70
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	25,507,202.39	63,978,352.64
Payments for investments		
Net payments for acquisition of subsidiaries and other business units		26,516,925.27
Cash used in other investing activities		
Subtotal of cash used in investing activities	25,507,202.39	90,495,277.91
Net cash generated from/used in investing activities	-17,754,363.31	-79,591,535.21
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained	10,000,000.00	20,000,000.00
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	10,000,000.00	20,000,000.00
Repayment of borrowings	500,000.00	
Payments for interest and dividends	17,852,241.03	16,841,229.78

Cash used in other financing activities		
Sub-total of cash used in financing activities	18,352,241.03	16,841,229.78
Net cash generated from/used in financing activities	-8,352,241.03	3,158,770.22
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-72,824,002.08	-133,403,609.81
Add: Cash and cash equivalents, beginning of the period	272,064,464.71	558,159,090.01
6. Cash and cash equivalents, end of the period	199,240,462.63	424,755,480.20

Legal representative: Shi Xinkun      General manager: Zhang Xin      head of financial department: Jiang He

## II Independent Auditor's Report

Indicate by tick mark whether the financial statements above have been audited by an independent auditor.

Yes  No

These financial statements have not been audited by such an auditor.