



# **CHANGCHAI COMPANY, LIMITED**

## **ANNUAL REPORT 2017**

**April 2018**

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## **Part I Important Notes, Table of Contents and Definitions**

The Board of Directors (or the “Board”), the Supervisory Board as well as the Directors, Supervisors and senior management of Changchai Company, Limited (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions in this Report.

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

The independent director Mr. Jia Bin was not present at the board session for reviewing this annual report and its summary and thus entrusted the independent director Mr. Feng Genfu to vote on behalf of him.

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

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

The Board has considered and approved a dividend payout proposal for the Reporting Period: Based on the total shares of 561,374,326, a cash dividend of RMB0.3 (tax inclusive) per 10 shares would be distributed to all the shareholders, with no share dividend in any form.

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

## Definitions

Term	Refers to	Definition
The “Company”, “Changchai” or “we”	Refers to	Changchai Company, Limited and its consolidated subsidiaries, except where the context otherwise requires
Parent, Parent Company	Refers to	Changchai Company, Limited exclusive of subsidiaries, except where the context otherwise requires
Changchai Benniu	Refers to	Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.
Changchai Wanzhou	Refers to	Changchai Wanzhou Diesel Engine Co., Ltd.
Housheng Investment	Refers to	Changzhou Housheng Investment Co., Ltd.
Housheng Agricultural Equipment	Refers to	Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.
Changchai Robin	Refers to	Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.
RMB, RMB’0,000	Refers to	In RMB yuan, in RMB ten thousand yuan
The “Reporting Period” or “Current Period”	Refers to	The period from January 1, 2017 to December 31, 2017

## Part II Company Profile and Key Financial Information

### I Corporate Information

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

### II Contact Information

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

### III Media for Information Disclosure and Place where this Report Is Kept

Newspapers designated by the Company for information disclosure	Securities Times, Ta Kung Pao (HK)
Website designated by CSRC for publication of this Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Place where this Report is kept	Board Secretariat of the Company and the Shenzhen Stock Exchange

#### IV Company Registered Information and Alterations

Unified social credit code	91320400134792410W
Change in main business scope of the Company since going public	No change
Change of controlling shareholder	No change

#### V Other Information

Independent certified public accounting (or “CPA”) firm hired by the Company:

Name	Jiangsu Gongzheng Tianye Certified Public Accountants LLP
Office address	Yingtong Commerce Building, Changzhou, Jiangsu, China
Accountants writing signatures	Dai Weizhong, He Taifeng

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

Applicable  Not applicable

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

Applicable  Not applicable

#### VI Key Financial Information

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

Yes  No

	2017	2016	2017-over-2016 change	2015
Operating revenue (RMB)	2,423,058,958.29	2,283,028,855.52	6.13%	2,519,799,547.29
Net income attributable to shareholders of the listed company (RMB)	46,431,302.73	62,539,896.17	-25.76%	71,102,792.49
Net income attributable to shareholders of the listed company before nonrecurring gains and losses (RMB)	18,818,435.16	56,835,566.28	-66.89%	61,588,462.29
Net cash flows from operating activities (RMB)	-121,669,279.39	99,473,944.04	-	127,926,882.95
Basic earnings per share (RMB/share)	0.08	0.11	-27.27%	0.13
Diluted earnings per share (RMB/share)	0.08	0.11	-27.27%	0.13

Weighted average return on equity (%)	2.00%	3.00%	-1.00%	3.53%
	December 31, 2017	December 31, 2016	Change of December 31, 2017 over December 31, 2016	December 31, 2015
Total assets (RMB)	3,722,905,285.05	3,724,857,266.71	-0.05%	3,232,406,102.20
Equity attributable to shareholders of the listed company (RMB)	2,246,896,857.86	2,323,712,892.92	-3.31%	2,002,910,311.01

## VII Accounting Data Differences under Chinese Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

### 1. Net Income and Equity Differences under CAS and IFRS

Applicable  Not applicable

No such differences for the Reporting Period.

### 2. Net Income and Equity Differences under CAS and Foreign Accounting Standards

Applicable  Not applicable

No such differences for the Reporting Period.

## VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	723,164,530.66	584,941,650.26	551,411,429.29	563,541,348.08
Net income attributable to shareholders of the listed company	34,991,536.70	4,687,621.43	3,072,285.14	3,679,859.46
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	14,440,682.83	6,333,364.66	629,008.33	-2,584,620.66
Net cash flows from operating activities	-52,599,067.83	116,978,391.14	-125,431,296.93	-60,617,305.77

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

Yes  No

## IX Nonrecurring Gains and Losses

Applicable  Not applicable

Unit: RMB

Item	2017	2016	2015	Note
Gains and losses on disposal of non-current assets (inclusive of offset allowance for asset impairments)	1,005,800.62	6,254,028.26	211,929.61	
Government subsidies charged to current profit and loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards )	8,456,560.85	7,948,135.65	11,903,636.62	
Capital occupation charges on non-financial enterprise that are charged to the profit/loss for this reporting period	1,200,592.21	1,340,364.82	1,523,155.52	
Income equal to the amount by which investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	19,924,486.12			In case of the negative goodwill resulting from non-identical control after the merger of FCR, Changchai decided to complete the transfer of shares of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. On January 20, 2017. So FCR has incorporated into Changchai company's consolidated statement since January 20, 2017. Then the difference of identifiable net assets share less the combined cost was included in the current profit and loss as 19.9245 million yuan.
Gains and losses on changes in fair value of 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)	654,862.68	1,058,569.81	1,793,021.58	



Non-operating income and expense other than above	1,751,203.43			
Gains/losses on re-measurement by fair value of equity interests in joint ventures before acquisition dates in mergers not under same control	-4,441,830.05	-9,328,953.27	-4,109,778.32	
Less: Income tax effects	951,629.77	1,294,119.50	1,747,894.80	
Non-controlling interests effects (net of tax)	-12,821.48	273,695.88	59,740.01	
Total	27,612,867.57	5,704,329.89	9,514,330.20	

Explanation of why the Company classifies an item as a nonrecurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Nonrecurring Gains and Losses, or reclassifies any nonrecurring gain/loss item listed in the said explanatory announcement as a recurring gain/loss:

Applicable  Not applicable

No such cases for the Reporting Period.

## Part III Business Summary

### I Main Business Scope of the Company in Reporting Period

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

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

### II Material Change in Main Assets

#### 1. Material Change in Main Assets

Main assets	Reason for material change in the period
Monetary assets	Closing amount stood at RMB430,305,367.71, down 35.84% from opening amount, primarily driven by payment of RMB100 million for incorporation of joint venture with Synergetic Innovation Fund Management Co., Ltd. and payment of RMB26.28 million for acquisition of equity interests in Changchai Robin
Notes receivable	Closing amount stood at RMB716,404,345.57, up 42.97% from opening amount, primarily driven by increase in undue bank acceptance notes
Other receivables	Closing amount stood at RMB5,794,971.22, up 39.11% from opening amount, primarily driven by receivable security deposits on export sales
Long-term equity investments	Closing amount stood at RMB0.00, down 100% from opening amount, primarily driven by acquisition of controlling equity interests in former joint venture Changchai Robin, which became a wholly-owned subsidiary of the Company and was included in the Company's consolidated financial statements

#### 2. Main Assets Overseas

Applicable  Not applicable

### III Core Competitiveness Analysis

#### 1. Advantages in Brand

Changchai is a national industrial enterprise with a history of over one hundred years. It is one of the earliest professional manufacturers of internal combustion engines in China. The brand "Changchai" is the earliest

domestic trademark of production goods known as China's well-known trademarks. The diesel engine of "Changchai" brand is China's brand-name product. The enterprise has been certified by ISO9000 quality system, ISO14001 environmental management system, ISO/TS16949 automotive product quality management system, and accessed to the national export-free enterprise qualification. Changchai was honorably ranked among "the Top One Hundred Chinese Enterprises in Engineering Industry" and "China Pacesetter Enterprise of Industrial Industry" for several times, and was awarded the honorary title of "State-level Enterprise of Observing Contracts and Keeping Promise", "China's Agricultural Machinery Parts and Components Leading Enterprises", "China's Agricultural Machinery AAA Credit Enterprise", "Jiangsu Independent Industries Brand Top 50", "Quality Management Excellence Award of Jiangsu Province", "Mayor Quality Award of Changzhou City", also our company won as the 10 users most satisfied leading brands in "Jing Geng" competition in the last five years. In 2017, the Company's 4G33 product won the Quality New Product Award at the China (Jiangsu) International Agricultural Machinery Fair, and the Company won the third prize in the Changzhou Entrepreneurship & Innovation Contest organized by the local government. Besides, the Company was titled a "Top 100 Innovative Enterprises of Jiangsu Province" and won the China Quality Sincerity Enterprise Award. For many years, in the process of achieving steady economic development of the enterprise, we developed in a sound manner and cultivated the "Changchai" brand, a famous small diesel engine brand of China with independent intellectual property rights

## 2. Advantages in Technology

The Company has a state-level technology center and post-doctoral research station, and a research center of small and medium-power internal combustion engine engineering and technology in Jiangsu Province. Currently, it is mainly engaged in production of small and medium-power single-cylinder and multi-cylinder diesel engine. It has a complete product range, a wide power level coverage, a high reputation and intellectual property rights for its main products. Its 4G33TC diesel engine has been included in the provincial catalog of key new technologies and products to be promoted. Its 4G33TC and 3M78 diesel engines have been recognized as "high-tech products" at the provincial level. Its 4G33 multi-cylinder diesel engines have won the Annual Innovative Product Award in the agricultural machinery industry. And its 3M78 light engine won the New Proprietary Product Golden Award for Equipment Manufacturing Sector at the provincial level. Currently, the Company has a total of 131 patents granted by authorities at home and abroad, including 11 invention patents.

## 3. Advantages in Marketing

Changchai has built up a sales service network covering the whole country, with 12 sales business units, 31 sales service centers, over 400 service stations and 600 designated maintenance stations. With a perfect diesel sales service network system, the Company is able to provide high quality, efficient and timely services for customers. In 2017, the Company passed the customs' high-level enterprise certification, providing more assurance and convenience for it to expand export sales.

## Part IV Company Performance Discussion and Analysis

### I Overview

In 2017, the macro-economy was stabilizing, with the agricultural machinery industry undergoing a key stage characterized by deep changes in the market and product innovation and upgrading. Agricultural equipment manufacturers were busy destocking and improving their new outputs. Amid increasingly fierce competition, the Company focused more on improving product quality, management, appraisal and its talent structure, while continuing to upgrade technology, restructure products and optimize marketing channels. The total market of diesel engines in total dropped slightly, but despite a harsh market environment,, it took up a larger share in the single-cylinder diesel engine market against all the unfavorable factors. As such, it is safe to say the Company has been a leading seller in the industry. For 2017, the Company sold 836,100 units of diesel engines, gasoline engines and generator sets in total, including 160,000 units of gasoline engines, generated sales revenue of RMB2,423,058,958.29, and increased 6.13% a year-over-year .

The Company has adjusted its product mix. Regarding diesel engines for automobile, the Company's two products meeting the National Emission Standard V have been put into mass production for sales, and these two products enjoy good market prospects for they are highly cost effective and competitive. As for diesel engines for non-road sectors, the Company has had a wide range of products covering 20~160 horsepower for tractors, harvesters and engineering machinery, as well as for peanut harvesters and ships, among others.

With respect to quality control and research and development, the Company adopted strict appraisals and strengthened discipline to control and improve product quality; and it used four-valve, shared rail and other new technologies to greatly improve its products in cost efficiency, reliability, etc., boosting market recognition and helping generating better economic results. The Reporting Period has seen excellent outcomes of the Company's efforts in technology innovation. It has applied for 13 patents during the year, of which seven have been granted.

In marketing management, the Company attached importance to operating safety and sales benefits. It strengthened and expanded its competitive products, vigorously promoted new products, tapped new markets and improved customer service. The Company is proceeding well with marketing.

Concerning internal management in 2017, the Company fully promoted information-technology-based management for better management efficiency; and it improved its internal control system by strengthening supervision over key programs and launching various specialized audits, which has further improved its risk control ability and internal audit quality.

## II Analysis of Main Business

### 1. Summary

See “Part IV Company Performance Discussion and Analysis”, “I Overview” herein.

### 2. Revenue and Cost

#### (1) Breakdown of Operating Revenue

Unit: RMB

	2017		2016		Change
	Revenue	Percentage of total operating revenue (%)	Revenue	Percentage of total operating revenue (%)	
Total	2,423,058,958.29	100%	2,283,028,855.52	100%	6.13%
By operating division					
Internal combustion engines	2,393,799,573.65	98.79%	2,258,400,410.51	98.92%	6.00%
Other	29,259,384.64	1.21%	24,628,445.01	1.08%	18.80%
By product category					
Diesel engines	2,232,948,960.31	92.15%	2,258,400,410.51	98.92%	-1.13%
Gasoline engines	160,850,613.34	6.64%	0.00	0.00%	—
Other	29,259,384.64	1.21%	24,628,445.01	1.08%	18.80%
By operating segment					
Domestic	2,067,943,295.18	85.34%	1,974,994,464.83	86.51%	4.71%
Overseas	355,115,663.11	14.66%	308,034,390.69	13.49%	15.28%

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

Applicable  Not applicable

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

No.

Unit: RMB

	Operating revenue	Cost of operating revenue	Gross margin percentage	YoY change in operating revenue	YoY change in cost of operating revenue	YoY change in gross margin percentage
By operating division						
Internal combustion engines	2,393,799,573.65	2,053,982,326.15	16.54%	6.00%	11.04%	-1.55%
By product category						
Diesel engines	2,232,948,960.31	1,912,557,827.15	16.75%	-1.13%	3.39%	-1.55%
Gasoline engines	160,850,613.34	141,424,499.00	13.74%	—	—	—
By operating segment						
Domestic	2,067,943,295.18	1,726,819,061.05	16.50%	6.03%	11.28%	-3.94%
Overseas	355,115,663.11	346,058,915.72	2.55%	15.28%	16.12%	-0.70%

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

Applicable  Not applicable

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

Yes  No

Operating division	Item	Unit	2017	2016	Change
Diesel engines	Unit sales	Unit	686,264	724,452	-5.27%
	Output	Unit	661,077	745,941	-11.38%
	Inventory	Unit	59,816	85,003	-29.63%

Reason for any over 30% YoY movements in the data above:

Applicable  Not applicable

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

Applicable  Not applicable

### (5) Breakdown of Cost of Operating Revenue

Unit: RMB

Product category	Item	2017		2016		Change
		Cost of operating	Percentage of total cost of	Cost of operating	Percentage of total cost of	

		revenue	operating revenue (%)	revenue	operating revenue (%)	
Diesel engines	Raw materials	1,625,846,295.28	78.43%	1,504,920,345.33	80.62%	8.04%
Diesel engines	Labor cost	272,591,904.14	13.15%	227,952,039.91	12.21%	19.58%
Diesel engines	Depreciation	76,438,334.33	3.69%	81,531,657.35	4.37%	-6.25%
Diesel engines	Energy	32,657,278.01	1.58%	28,880,577.08	1.55%	13.08%

Note:

#### (6) Change in Scope of Consolidated Financial Statements for Reporting Period

Yes  No

The consolidation scope for the Reporting Period included Changchai Company, Limited (as the Parent Company) and five of its subsidiaries. Among them, Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. (Changchai Robin) was newly added for it has become a wholly-owned subsidiary of the Company and included into the Company's consolidated financial statements since January 20, 2017. For further information, see "Changes in Consolidation Scope and Holdings in Other Entities" in "Notes to Financial Statements" in this Report.

#### (7) Major Change in Business Scope or Product or Service Range in Reporting Period

Applicable  Not applicable

#### (8) Main Customers and Suppliers

Main customers:

Total sales to top five customers (RMB)	1,009,787,686.52
Total sales to top five customers as a percentage of total sales of Reporting Period (%)	41.67%
Total sales to related parties among top five customers as a percentage of total sales of Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue generated (RMB)	Percentage of total sales of Reporting Period (%)
1	Customer 1	501,670,983.76	20.70%
2	Customer 2	212,946,293.33	8.79%
3	Customer 3	123,324,402.75	5.09%
4	Customer 4	91,678,304.05	3.78%
5	Customer 5	80,167,702.63	3.31%
Total	--	1,009,787,686.52	41.67%

Other information about the main customers

Applicable  Not applicable

Main suppliers:

Total purchases from top five suppliers (RMB)	262,321,625.44
Total purchases from top five suppliers as a percentage of total purchases of Reporting Period (%)	16.13%
Total purchases from related parties among top five suppliers as a percentage of total purchases of Reporting Period (%)	0.00%

Information about top 5 suppliers

No.	Supplier	Payment for purchases (RMB)	Percentage of total purchases of Reporting Period (%)
1	Supplier 1	109,895,520.00	6.76%
2	Supplier 2	54,027,671.15	3.32%
3	Supplier 3	36,005,032.31	2.21%
4	Supplier 4	34,896,410.00	2.15%
5	Supplier 5	27,496,991.98	1.69%
Total	--	262,321,625.44	16.13%

Other information about the main suppliers:

Applicable  Not applicable

### 3. Expense

Unit: RMB

	2017	2016	Change	Reason for material change
Sales expenses	102,297,713.37	103,969,577.79	-1.61%	
Management expenses	184,550,915.26	207,582,213.98	-11.10%	
Financial expenses	-2,290,794.39	-11,542,165.08	—	Mainly due to the increase of interests income and net exchange profits and losses of the Company

### 4. Research and Development Expense

Applicable  Not applicable

Details about R&D expense:



	2017	2016	Changes of ratio
Number of the R&D personnel (person)	373	365	2.19%
Ratio to the R&D personnel	10.87%	10.55%	0.32%
Investment amount of the R&D (RMB)	77,215,889.04	78,811,840.43	-2.03%
Ratio of the R&D investment to the operating income	3.19%	3.45%	-0.26%
Amount of the capitalized R&D investment (RMB)	0.00	0.00	0.00%
Ratio of the capitalized R&D investment to the R&D investment	0.00%	0.00%	0.00%

Reason for any significant YoY change in the proportion of R&D expense in operating revenue:

Applicable  Not applicable

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

Applicable  Not applicable

## 5. Cash Flows

Unit: RMB

Item	2017	2016	YoY +/-
Subtotal of cash generated by operating activities	2,406,119,189.23	2,505,758,062.18	-3.98%
Subtotal of cash used in operating activities	2,527,788,468.62	2,406,284,118.14	5.05%
Net cash flows from operating activities	-121,669,279.39	99,473,944.04	—
Subtotal of cash generated by investing activities	21,199,959.56	45,132,445.41	-53.03%
Subtotal of cash used in investing activities	175,764,577.00	67,310,667.45	161.12%
Net cash flows from investing activities	-154,564,617.44	-22,178,222.04	—
Subtotal of cash generated by financing activities	51,900,000.00	15,000,000.00	246.00%
Subtotal of cash used in financing activities	33,680,577.83	35,733,831.12	-5.75%
Net cash flows from financing activities	18,219,422.17	-20,733,831.12	—
Net increase in cash and cash equivalents	-258,014,474.66	56,561,890.88	—

Notes of the major effects on the YoY significant changes occurred of the data above

Applicable  Not applicable

The significant changes of cash flows from operating activities are mainly due to the decrease of payments in cash from selling products and providing labor service of the Company with a dramatic increase of YoY notes receivable.

The reason for significant changes of cash flows from investing activities is that the Company set up a partnership firm with Synergetic Innovation Fund Management Co., Ltd. with RMB100 million, and purchased the share held by the controlling shareholders of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.

with RMB26.28 million.

The significant changes of cash flows from financing activities are mainly due to the increase of bank long-term loans of the Company.

Reason for any material difference between the net operating cash flows and the net income of the Reporting Period:

Applicable  Not applicable

Mainly due to the decrease of payments in cash from selling products and providing labor service of the Company.

### III Non-Core Business Analysis

Applicable  Not applicable

### IV Analysis of Assets and Liabilities

#### 1. Material Change in Asset Composition

Unit: RMB

	December 31, 2017		December 31, 2016		Proportion change	Explain any major change
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	430,305,367.71	11.56%	670,703,802.02	18.01%	-6.45%	Closing amount stood at RMB430,305,367.71, down 35.84% from opening amount, primarily driven by payment of RMB100 million for incorporation of joint venture with Synergetic Innovation Fund Management Co., Ltd. and payment of RMB26.28 million for acquisition of equity interests in Changchai Robin
Accounts receivable	392,010,953.55	10.53%	359,279,821.69	9.65%	0.88%	
Inventories	508,246,807.48	13.65%	494,046,458.44	13.26%	0.39%	
Investing real estate	52,864,348.43	1.42%	55,072,689.23	1.48%	-0.06%	
Long-term equity investment	0.00	0.00%	21,006,230.03	0.56%	-0.56%	

Fixed assets	560,049,970.50	15.04%	553,678,938.87	14.86%	0.18%	
Construction in progress	94,581,989.06	2.54%	89,781,047.21	2.41%	0.13%	
Short-term loans	24,900,000.00	0.67%	10,000,000.00	0.27%	0.40%	
Advance payment	40,153,984.91	1.08%	40,890,620.69	1.10%	-0.02%	
Payroll payable	51,247,112.66	1.38%	58,549,908.90	1.57%	-0.19%	
Tax payable	4,017,920.78	0.11%	9,622,332.76	0.26%	-0.15%	

## 2. Assets and Liabilities Measured at Fair Value

Applicable  Not applicable

Unit: RMB

Item	Opening amount	Gain/loss on fair value change in the Reporting Period	Cumulative fair value change recorded into equity	Impairment provisions in the Reporting Period	Purchased amount in the Reporting Period	Sold amount in the Reporting Period	Closing amount
Financial assets							
Available-for-sale financial assets	812,872,500.00	-127,035,000.00	515,068,550.00				685,837,500.00
Subtotal of financial assets	812,872,500.00	-127,035,000.00	515,068,550.00				685,837,500.00
Total of above	812,872,500.00	-127,035,000.00	515,068,550.00				685,837,500.00
Financial liabilities	0.00	0.00					0.00

Significant changes in the measurement attributes of the main assets in the Reporting Period:

Yes  No

### 3. Restricted Asset Rights as of End of Reporting Period

Item	Closing book value	Reasons
Monetary funds	105,041,713.28	Security deposits for bank acceptance bills and credit guarantee
House constructions	9,597,056.53	Collaterals for loan
Land use right	18,940,882.28	Collaterals for loan
Total	133,579,652.09	

## V Investments Made

### 1. Total Investment Amount

Applicable  Not applicable

Investments made in Reporting Period (RMB)	Investments made in same period of last year (RMB)	+/-%
126,280,000.00	0.00	—

### 2. Material Equity Investments Made in Reporting Period

Applicable  Not applicable

Unit: RMB

Name	Major business	Investment method	Investment amount	Shareholding ratio	Funds resources	Partners	Investment period	Products type	progress up to the date of the assets liabilities statement	Estimated profits	Investment gains and losses of the Reporting period	Whether involved with the lawsuits	Disclosure date (if any)	Disclosure index (if any)
Changzhou Fuji Changehai Robin Gasoline Engine Co., Ltd.	Gasoline Engine, assembly and etc	Acquisition	26,280,000.00	67.0%	Self-owned funds	Japan Fuji Heavy Industries Co., Ltd	Long-term investment	Equity investment	Relevant industrial and commercial registration of equity transfer has changed	0.00	21,675,689.55	No		2016-014, 2016-015, 2016-016, 2017-001

Changzhou Synergistic Innovation Private Equity Fund (Limited Partnership)	Be entrusted with management of equity investment funds; investment consultancy, equity investment, and real estate investment.	Newly established	100,000.00	99.01%	Self-owned funds	Synergistic Innovation Fund Management Co., Ltd.	Long-term investment	Private equity investment	Relevant industrial and commercial registration of partnership enterprises has finished, and have conducted external projects investment	0.00	0.00	No	09/26/2017	2017-024, 2017-025, 2017-027, 2018-001
Total			126,280,000.00							0.00	21,675,689.55			

### 3. Material Non-Equity Investments Ongoing in Reporting Period

Applicable  Not applicable

### 4. Financial Investments

#### (1) Securities Investments

Applicable  Not applicable

No such cases in the Reporting Period.

#### (2) Investments in Derivative Financial Instruments

Applicable  Not applicable

No such cases in the Reporting Period.

### 5. Use of Funds Raised

Applicable  Not applicable

No such cases in this Reporting Period.

## VI Sale of Major Assets and Equity Interests

### 1. Sale of Major Assets

Applicable  Not applicable

No such cases in the Reporting Period.

### 2. Sale of Major Equity Interests

Applicable  Not applicable

## VII Main Controlled and Joint Stock Companies

Applicable  Not applicable

Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profit

Unit: RMB

Company name	Company variety	Main business	Industry	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Changchai Benniu	Subsidiary	Production of diesel engine accessories	Machinery manufacture	55,063,000.00	183,851,827.89	91,227,783.71	147,447,101.68	-1,572,889.81	-515,644.01
Changchai Wanzhou	Subsidiary	Diesel engine assembly	Machinery manufacture	85,000,000.00	140,820,277.04	115,355,194.03	64,348,508.86	2,374,560.42	1,760,105.50
Housheng Investment	Subsidiary	External investment and consulting	Service	30,000,000.00	36,337,956.38	35,661,812.87	1,249,536.22	1,100,423.10	786,113.28
Housheng Agricultural Equipment	Subsidiary	agricultural machinery product of rice transplanter etc.	Machinery manufacture	10,000,000.00	38,943,951.06	7,410,465.55	15,715,166.92	44,885.51	44,885.51
Changchai Robin	Subsidiary	Gasoline engines assembly	Machinery manufacture	37,250,000.00	90,336,969.38	70,057,933.99	160,850,613.34	9,077,294.72	6,402,690.82

Subsidiaries obtained or disposed in this Reporting Period

Applicable  Not applicable

Company name	Ways of the Company to obtain or dispose subsidiaries	Impact on overall production management and performance.
Changchai Robin	Acquisition	It is helpful for the company to make large gasoline engine products, improve the market competitiveness, and promote the steady ; The share purchase transaction generated revenue of RMB 21,675,689.55, which was included in the investment income and non-operation income of the current period.

## VIII Structured Bodies Controlled by the Company

Applicable  Not applicable

## IX Outlook for the Future Development of the Company

### 1. Industry competition structure and development tendency

The year 2017 was a crucial year for the transformation of traditional agriculture to modern agriculture in China, and it was also the first year for the “tackling and upgrading” of supply-side structural reforms in the agricultural machinery industry. In 2018, China's agricultural machinery market will continue to develop steadily and the development focus will transfer from speed to the quality. On the one hand, the share of the diesel engine market will be directly determined by the comprehensive competitiveness of various products such as technological advancement and environmental protection; on the other hand, the continuous escalation of national emission standards prompts engine manufacturers to keep improving their own technological level, and accelerates the upgrading of engine products.

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

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

### 2. Company development strategies:

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

The current products market structure of the Company mainly distributed in the farm equipment such as the walking, small four-wheeler, big small and medium-sized wheeled tractors, tractors used for paddy field, gardening tractors, plant protection tractors, tractors for peanut harvest, and combine harvesters; agricultural small

construction machinery, three rounds and low-speed vehicles; light trucks, pickups automobile industry; generator and water pump, small ship auxiliary machinery. The Company would take the market and users' demands as the orientation to seize the main line of the products and to improve the quality and increase the efficiency as well as to do better in the power and to constantly enhance the market competitiveness.

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

### 3. Operation Plan for the Year 2018:

We will perfect single-cylinder engines and strengthen multi-cylinder engines; further quality standard, and develop both gasoline engine and diesel engine. The sales income achieves RMB 2.4 billion and sales of new products exceed 90,000 sets are expected in 2018. The above operation plan does not represent the profit forecast of Y2018 by the listed company, and whether can be realized depends on various factors on the changes of market conditions and the effort level of the management team. There is a lot of uncertainty, and investors should pay special attention on it.

### 4. Possible risks and countermeasures:

#### (1) Market risk:

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

#### Countermeasures:

Firstly is to strengthen the production and sales management, to determine the production by the sales and to reasonably control the inventories.

Secondly is to make use of the leading position and brand advantages of the Company in the single-cylinder diesel engine market and expand the sales of non road air-cooled single-cylinder diesel engines and the high-power diesel engines.

Thirdly is to improve the R&D level of the Company, lean to medium-and high-class multi-cylinder diesel engines in product development and vigorously develop high-power diesel engines with high added value for non-road vehicles.

Fourthly is to strengthen the quality management, constantly enhance the customers' satisfaction and the brand value as well as to enhance the products quality.

Fifthly is to update the service and management ideas, optimize the resources and to further enhance the after-sales service ability.

#### (2) Industrial risk:

The process of transform from fuel vehicle to new energy vehicle may require a transition period of several years, decades, or even longer, but the trend is inevitable. In response to the upgrading of emission standards and the rapid development of new energy industries, enterprises in the traditional internal-combustion engine industry need to seek new development opportunities to shift industrial risks.

#### Countermeasures:



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

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

(3) Policy risk:

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

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

(4) Talent risk:

With escalation of national environmental policy and fierce competition in the market, the social and customer requirements of product quality, performance and other aspects are getting higher and higher, meanwhile our company's needs of high-ranking talents are also growing as our resources in research and development increased.

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

## X Visits Paid to the Company for Purposes of Research, Communication, Interview, etc.

### 1. In this Reporting Period

√ Applicable □ Not applicable

Time of reception	Way of reception	Visitor type	Index of the researches basic information
12/26/2017	Other	Individual	List of the periodical reports of the Company
12/22/2017	Other	Individual	List of the talent introduction of the Company
12/01/2017	Other	Individual	List of the stock of the Company
11/08/2017	Other	Individual	List of the project of external investment of industry investment funds established by the Company
10/30/2017	Other	Individual	List of the operation of the Company
09/21/2017	Other	Individual	List of the progress of state-owned enterprise reform
09/14/2017	Other	Individual	List of the future plan of the Company
09/14/2017	Other	Individual	List of the affiliated enterprises of the Company
09/13/2017	Other	Individual	List of the operation of the Company
08/27/2017	Other	Individual	List of the future plan of the Company
08/21/2017	Other	Individual	List of the reform of state-owned enterprise

08/04/2017	Other	Individual	List of the numbers of shareholders
08/03/2017	Other	Individual	List of the numbers of shareholders
07/25/2017	Other	Individual	List of the stock of the Company
07/24/2017	Other	Individual	List of the operation of the Company
07/24/2017	Other	Individual	List of the progress of state-owned enterprise reform
07/21/2017	Other	Individual	List of the operation of the Company
07/20/2017	Other	Individual	List of the numbers of shareholders
07/06/2017	Other	Individual	List of the reform of state-owned enterprise
06/22/2017	Other	Individual	List of the stock of Jiangsu Bank held by the Company
06/05/2017	Other	Individual	List of the stock of Jiangsu Bank held by the Company
05/24/2017	Other	Individual	List of the future plan of the Company
05/10/2017	Other	Individual	List of the future plan of the Company
05/09/2017	Other	Individual	List of the future plan of the Company
05/08/2017	Other	Individual	List of the products of the Company
05/02/2017	Other	Individual	List of the products development of the Company
04/27/2017	Other	Individual	List of the operation of the Company
04/24/2017	Other	Individual	List of the future plan of the Company
04/24/2017	Other	Individual	List of the production and management of the Company
04/17/2017	Other	Individual	List of the future plan of the Company
04/13/2017	Other	Individual	List of the future plan of the Company
04/05/2017	Other	Individual	List of the production and management of the Company
04/05/2017	Other	Individual	List of the production and management of the Company
03/30/2017	Other	Individual	List of the future plan of the Company
02/28/2017	Other	Individual	List of the production and management of the Company
01/17/2017	Other	Individual	List of the production and management of the Company
01/17/2017	Other	Individual	List of the future development strategy of the Company
01/06/2017	Other	Individual	List of the progress of state-owned enterprise reform
Times of visit		38	
Number of visiting institutions		0	
Number of visiting individuals		38	
Number of other visitors		0	
Significant undisclosed information disclosed, revealed or leaked		No	

## Part V Significant Events

### I Profit Distribution and Converting Capital Reserve into Share Capital for Common Shareholders

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, for common shareholders in this Reporting Period

Applicable  Not applicable

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

Special explanation of cash dividend policy	
Whether conformed with the regulations of the Articles of association or the requirements of the resolutions of the shareholders' meeting:	Yes
Whether the dividend standard and the proportion were definite and clear:	Yes
Whether the relevant decision-making process and the system were complete:	Yes
Whether the independent director acted dutifully and exerted the proper function:	Yes
Whether the medium and small shareholders had the chances to fully express their suggestions and appeals, of which their legal interest had gained fully protection:	Yes
Whether the conditions and the process met the regulations and was transparent of the adjustment or altered of the cash dividend policy:	Yes

Plans/proposals for profit distribution and converting capital reserve into share capital for common shareholders for the past three years (including this Reporting Period):

Dividend year	Profits distribution proposal	Turning capital reserve into share capital proposal	Execution
2017	Distributed RMB0.30 of every 10 shares (taxes including)	No	Still needed to submit to the Annual General Meeting
2016	Distributed RMB0.30 of every 10 shares (taxes including)	No	Finished the execution
2015	Distributed RMB0.23 of every 10 shares (taxes including)	No	Finished the execution

Cash dividend distribution of the common shares of the Company of the recent 3 years (including the Reporting Period)

Unit: RMB

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods	Ratio of the cash dividend by other methods
2017	16,841,229.78	46,431,302.73	36.27%	0.00	0.00%
2016	16,841,229.78	62,539,896.17	26.93%	0.00	0.00%
2015	12,911,609.50	71,102,792.49	18.16%	0.00	0.00%

Indicate by tick mark whether the Company made profit in this Reporting Period and the profit distributable to common shareholders of the Company was positive, but it did not put forward a proposal for cash dividend distribution to its common shareholders

Applicable  Not applicable

## II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for this Reporting Period

Applicable  Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax included)	0.30
Turning capital reserve into share capital for every 10 shares (share)	0
Total shares as the basis for the allocation preplan (share)	561,374,326
Total cash dividends (RMB) (tax included)	16,841,229.78
Distributable profit (RMB)	602,959,135.85
Percentage of the cash bonus of the total profits dividends	100.00%
Cash dividend situation	
Others.	
Details about the profit allocation or turning capital reserve into share capital	
The preplan of the profits distribution reviewed and approved by the Board of Directors of the Company was: based on the total share capital of the Company on December 31, 2017, the Company distributed the cash bonus of RMB0.30 (tax included) of every 10 shares for the whole shareholders. There was no bonus share and no turn from capital reserve to share capital of 2017.	

### III Fulfillment of Commitments

#### 1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in this Reporting Period or Ongoing at the Period-end

√ 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 accounting years should not be lower than 30% of the annual average allocable profits in those three years.	05/11/2017	Year 2017-2019	Ongoing
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	N/A					

**2. Where there had been an Earnings Forecast for an Asset or Project and this Reporting Period was still within the Forecast Period, Explain why the Forecast has been Reached for this Reporting Period.**

Applicable  Not applicable

**IV Occupation of the Company's Funds by the Controlling Shareholder or its Related Parties for Non-operating Purposes**

Applicable  Not applicable

No such cases in this Reporting Period.

**V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) regarding the "Modified Auditor's Report" Issued by the CPAs Firm for this Reporting Period**

Applicable  Not applicable

**VI YoY changes in accounting policies, estimations and methods**

Applicable  Not applicable

On April 28, 2017, the Ministry of Finance issued and printed the Accounting Standard No. 42 for Business Enterprises—Non-Current Assets and Disposal Groups Classified as Held for Sale and Discontinued Operations, which was implemented from May 28, 2017. The non-current assets and disposal groups classified as held for sale and discontinued operations existed on the implemented date were dealt with prospective application method.

On May 10, 2017, the Ministry of Finance promulgated the Accounting Standard No. 16 for Business Enterprises—Government Subsidies (Revised), which was implemented from June 12, 2017. The Company dealt with the government subsidies existed on January 1, 2017 by adopting prospective application method, and adjusted the newly added government subsidies from January 1, 2017 to the implemented date according to the Standard.

According to the relevant regulations of the 2 above-mentioned accounting standards, the Ministry of Finance revised the format of general financial statements of enterprises, and issued the Notice on Revision and Issuance of Format of General Financial Statements of Enterprises On December 25, 2017; line item of "Assets Held for Sale" and "Liabilities Held for Sale" were newly added to the Balance Sheet; line item of "Assets Disposal Income" and "Other Income" were newly added to Income Statement; line item of "(I) Net Profits of Continuing Operation" and "(II) Net Profits of Discontinued Operation" were newly added to the item of Net Profits. The Ministry of Finance issued Interpretation on Related Questions of Format of General Financial Statements of Enterprises on January 12, 2018, according to the relevant regulations of the Interpretation:

For the line item of "Assets Disposal Income" newly added to Income Statement, the Company adjusted the comparative data in comparative period according to the Notice based on the relevant regulations of the Accounting Standard No. 30 for Business Enterprises—List and Presentation of Financial Statement.

For the line item of "Other Income" newly added to Income Statement, the Company dealt with the government subsidies existed on January 1, 2017 by adopting prospective application method, no need to adjust the comparative data in comparative period according to the relevant regulations of the Accounting Standard No. 16 for Business Enterprises—Government Subsidies.

Due to the retroactive adjustment to the item of “Assets Disposal Income”, the influences on the statement for 2016 are as follows:

Unit: RMB

	Before the change	After the change
Assets disposal income		6,433,767.68
Non-operating income	15,602,392.47	9,156,923.41
Non-operating expenses	10,729,181.83	10,717,480.45

## VII Retroactive Restatement due to Correction of Material Accounting Errors in this Reporting Period

Applicable  Not applicable

No such cases in this Reporting Period.

## VIII YoY Changes in the Scope of the Consolidated Financial Statements

Applicable  Not applicable

The Company held an extraordinary meeting of the board of directors on August 26, 2016. The Proposal on the Transferee of 67% Equity Interest in Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. held by Fuji Heavy Industries Co., Ltd. of Japan was reviewed and passed in the meeting. The Company holds the 100% equity interest in Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. after completion of the acquisition, and Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. was changed from a Chinese-foreign joint venture to a domestic-funded enterprise. On January 20, 2017, the registration procedures for industrial and commercial changes related to equity transfer of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. was completed, and the business license renewed by Changzhou National High-Tech Industrial Development Zone (Xinbei District) Market Supervision Administration was issued to the company, which stated a registered capital of RMB 37.25 million, a business scope includes: production, processing, development, sales and technical consultation of small general-purpose gasoline engines and the supporting units (including agricultural machinery, engineering machinery, pump units and small generator sets) as well as the production, processing, development, sales and technical consultation of related components, parts and accessories. Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. has been included in the scope of the consolidated financial statements of the Company since January 20, 2017. The Company has paid for the equity transfer. The share purchase transaction generated revenue of RMB 21,675,689.55, which was included in the investment income and non-operation income of the current period.

## IX Engagement and Disengagement of CPAs Firm

Current CPAs firm

Name of domestic CPAs firm	Jiangsu Gongzheng Tianye Certified Public Accountants LLP
Remuneration for domestic CPAs firm for the Reporting Period (RMB'0,000)	70
Consecutive years of the audit services provided by domestic CPAs firm	16
Name of domestic CPAs from Accounting Firm	Dai Weizhong, He Taifeng

Indicate by tick mark whether the CPAs firm was changed in this Reporting Period.

Yes  No

CPAs firm, financial advisor or sponsor engaged for internal control audit

Applicable  Not applicable

During Reporting Period, the Company hired Jiangsu Gongzheng Tianye Certified Public Accountants LLP as the internal control auditor at the cost of RMB150,000.

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

Applicable  Not applicable

### **XI Bankruptcy and Restructuring**

Applicable  Not applicable

No such cases in this Reporting Period.

### **XII Significant Litigations and Arbitrations**

Applicable  Not applicable

Basic information of the lawsuit (arbitration)	Amount involved in the lawsuit (arbitration) (RMB'0,000)	Forming the estimated liabilities or not	Progress of the lawsuit (arbitration)	Trial result and influence of the lawsuit (arbitration)	Enforcement on the judgment of the lawsuit (arbitration)	Disclosure date	Disclosure index
About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April, 2002. Currently, the defendant has started the bankruptcy procedure.	1,436	No	Judged for the second trial	N/A	Under the compulsory execution by the court and in the process of liquidation and bankruptcy		



**XIII Punishments and Rectifications**

Applicable  Not applicable

No such cases in this Reporting Period.

**XIV Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller**

Applicable  Not applicable

**XV Implementation of any Equity Incentive Plan, Employee Stock Ownership Plan or other Incentive Measures for Employees**

Applicable  Not applicable

No such cases in this Reporting Period.

**XVI Significant Related-party Transactions****1. Related-party Transactions Relevant to Routine Operation**

Applicable  Not applicable

No such cases in this Reporting Period.

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

Applicable  Not applicable

No such cases in the Reporting Period.

**3. Related Transactions Regarding Joint Investments in Third Parties**

Applicable  Not applicable

Joint investor	Association relationship	Name of the investee	Main business of the investee	Registered capital of the investee	Total assets of the investee (RMB'0,000 )	Net assets of the investee (RMB'0,000)	Net profits of the investee (RMB'0,000)
Synergetic Innovation Fund Management Co., Ltd.	Ms Zhang Qiong, the Director of the Company, works as the supervisor	Changzhou Synergetic Innovation Equity Investment Partnership Enterprise	Equity investment , investment consultancy (financial or similar	RMB101.00 million	10070	10070	-30

	of Synergetic Innovation Fund Management Co., Ltd., which forms associated relationship.	(limited partnership )	financial business is not allowed, excluding those with permit and filing according to law)				
The progress of significant projects in construction of the investee enterprise (if any)		Naught					

#### 4. Credits and Liabilities with Related Parties

Applicable  Not applicable

No such cases in the Reporting Period.

#### 5. Other Significant Related Transactions

Applicable  Not applicable

No such cases in the Reporting Period.

### XVII Significant Contracts and Execution

#### 1. Entrustment, Contracting and Leasing

##### (1) Entrustment

Applicable  Not applicable

No such cases in the Reporting Period.

##### (2) Contracting

Applicable  Not applicable

No such cases in the Reporting Period.

##### (3) Leasing

Applicable  Not applicable

No such cases in the Reporting Period.

## 2. Significant Guarantees

√ Applicable □ Not applicable

### (1) Guarantees Provided by the Company

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Guarantees between the Company and its subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	11/29/2017	2,000	11/29/2017	2,000	Joint liability	1 year	No	No
Total guarantee line approved for the subsidiaries during the Reporting Period (B1)			2,000	Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (B2)				2,000
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (B3)			2,000	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (B4)				2,000
Guarantees between subsidiaries								
Guaranteed party	Disclosure date of the guarantee	Line of guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or

	line announcement	signing)					not	
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)		2,000	Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)				2,000	
Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)		2,000	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)				2,000	
Proportion of total actual guarantee amount (A4+B4+C4) in the net assets of the Company								0.89%
							Of which:	
Guarantee amount provided for shareholders, actual controllers and its related parties(D)								0
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)								2000
Part of the amount of the total guarantee over 50% of net assets (F)								0
Total amount of the above three guarantees (D+E+F)								2000
Explanation on possibility to bear joint liability due to undue guarantees								Not applicable
Explanation on the external guarantees in violation of stipulated procedures								Not applicable

## (2) Illegal Provision of Guarantees for External Parties

Applicable  Not applicable

No such cases in the Reporting Period.

## 3. Entrusted Cash Management

### (1) Entrusted Cash Management

Applicable  Not applicable

Overviews of entrusted cash management during the Reporting Period

Unit: RMB'0,000

Type	Capital Resources	Amount	Balance Before maturity	Cumulative amount fail to recover
Wealth management products of brokers	Self-owned raising funds	1,950	1,350	0
Others	Self-owned raising funds	200	0	0

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

Applicable  Not applicable

## (2) Entrusted Loans

Applicable  Not applicable

No such cases in this Reporting Period.

## 4. Other Significant Contracts

Applicable  Not applicable

No such cases in this Reporting Period.

## XVIII Social Responsibilities

### 1. Social Responsibilities Taken

Applicable  Not applicable

Whether publish social responsibility report?

Yes  No

### 2. Targeted Measures Taken to Help People Lift themselves out of Poverty

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

### 3. Particulars Relevant to Environmental Protection

Applicable  Not applicable

Is the Company or any of its subsidiaries a heavily polluting business identified by the environmental protection authorities of China?

No.

### **XIX Other Significant Events**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XX Significant Events of Subsidiaries**

Applicable  Not applicable

## Part VI Share Changes and Shareholder Information

### I Share Changes

#### 1. Share Changes

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalized Capital reserves	Others	Subtotal	Amount	Proportion
I. Restricted shares	0	0.00%						0	0.00%
1. Shares held by the state	0	0.00%						0	0.00%
2. Shares held by state-own Legal-person	0	0.00%						0	0.00%
3. Shares held by other domestic investors	0	0.00%						0	0.00%
Among which: shares held by domestic legal person	0	0.00%						0	0.00%
Shares held by domestic natural person	0	0.00%						0	0.00%
4. Oversea shareholdings	0	0.00%						0	0.00%
Among which: shares held by oversea legal person	0	0.00%						0	0.00%
Shares held by oversea natural person	0	0.00%						0	0.00%
II. Shares not subject to trading moratorium	561,374,326	100.00%						561,374,326	100.00%
1. RMB ordinary shares	411,374,326	73.28%						411,374,326	73.28%
2. Domestically listed foreign shares	150,000,000	26.72%						150,000,000	26.72%
3. Oversea listed foreign shares	0	0.00%						0	0.00%
4. Other	0	0.00%						0	0.00%
III. Total shares	561,374,326	100.00%						561,374,326	100.00%

Reason for the change in shares

Applicable  Not applicable

Approval of the change in shares

Applicable  Not applicable

Reason for the change in shares

Applicable  Not applicable

Effects of the change in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and last period

Applicable  Not applicable

Other contents that the Company considered necessary or were required by the securities regulatory authorities to disclose

Applicable  Not applicable

## **2. Changes in Restricted Shares**

Applicable  Not applicable

## **II Issuance and Listing of Securities**

### **1. Securities (Excluding Preference Shares) Issued in this Reporting Period**

Applicable  Not applicable

### **2. Changes in Total Shares of the Company and the Shareholder Structure, as well as the Asset and Liability Structures**

Applicable  Not applicable

### **3. Existing Employee-held Shares**

Applicable  Not applicable

## **III Shareholders and Actual Controller**

### **1. Total Number of Shareholders and their Shareholdings**

Unit: share



Total number of common shareholders at the period-end	52,046	Total number of common shareholders at the prior month-end before the disclosure of this Report	50,907	Total number of preference shareholders with resumed voting rights at the period-end (if any)	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure of this Report (if any)	0
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## 5% or greater shareholders or the top 10 shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during this Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	On behalf of the government	30.43%	170,845,236			170,845,236		
KGI Asia Limited	Foreign corporation	0.57%	3,189,845			3,189,845		
Cao Yuting	Domestic individual	0.33%	1,828,000			1,828,000		
Vanguard Total International A Stock Index Fund	Foreign corporation	0.29%	1,626,592			1,626,592		
Wan Peizhong	Domestic individual	0.27%	1,530,700			1,530,700		
Huang Guoliang	Domestic individual	0.27%	1,528,891			1,528,891		
Hu Wenyong	Domestic individual	0.24%	1,365,836			1,365,836		
Liang Nianyou	Domestic individual	0.24%	1,339,452			1,339,452		
Li Suinan	Domestic	0.24%	1,338,700			1,338,700		

	individual							
Vanguard Investment Australia Co., Ltd – Vanguard Emerging Market Stock Index Funds (Stock Exchange)	Foreign corporation	0.21%	1,196,785			1,196,785		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares		N/A						
Related or acting-in-concert parties among the shareholders above		It is unknown whether there is among the top 10 tradable shareholders and the top 10 non-restrictedly tradable shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.						
Shareholdings of the top ten non-restricted shareholders								
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares						
		Type	Number					
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	170,845,236	RMB ordinary shares	170,845,236					
KGI ASIA LIMITED	3,189,845	Domestically listed foreign shares	3,189,845					
Cao Yuting	1,828,000	RMB ordinary shares	1,828,000					
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,626,592	Domestically listed foreign shares	1,626,592					
Wan Peizhong	1,530,700	RMB ordinary shares	1,530,700					
Huang Guoliang	1,528,891	Domestically listed foreign shares	1,528,891					
Hu Wenyong	1,365,836	Domestically listed foreign shares	1,365,836					
Liang Nianyou	1,339,452	RMB ordinary shares	1,339,452					
Li Suinan	1,338,700	Domestically listed foreign shares	1,338,700					
Vanguard Investment Australia Co., Ltd – Vanguard Emerging	1,196,785	RMB ordinary shares	1,196,785					

Market Stock Index Funds (Stock Exchange)			
Related or acting-in-concert parties among the top ten non-restrictedly tradable share holders and between the top ten non-restrictedly tradable share holders and the top ten shareholders	It is unknown whether there is among the top 10 tradable shareholders and the top 10 non-restrictedly tradable shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.		
Top ten common shareholders conducting securities margin trading	Naught		

Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory repo during this Reporting Period.

Yea  No

No such cases in this Reporting Period.

## 2. Information about the Controlling Shareholder

Nature of the controlling shareholder: Controlled by the local government

Type of the controlling shareholder: Corporation

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	Liu Yuedong		01411025-1	Not applicable
Shares held by the controlling shareholder in other listed companies by holding or shareholding during the Reporting Period	Not applicable			

Change of the controlling shareholder during this Reporting Period

Applicable  Not applicable

No such cases in this Reporting Period.

### 3. Information about the Actual Controller

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

Type of the actual controller: Corporation

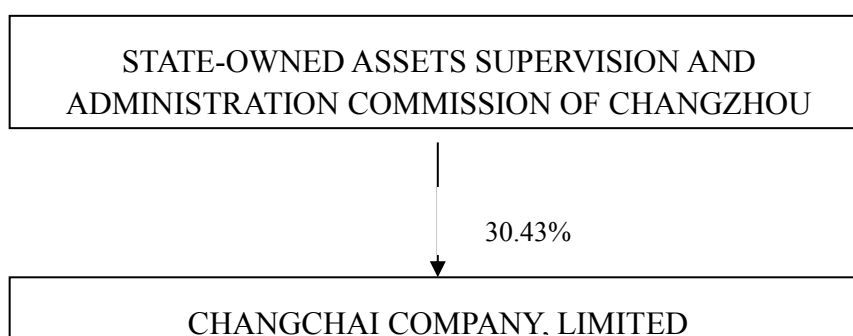
Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	Liu Yuedong		01411025-1	Not applicable
Equity of shareholding and participating shares of actual controllers in other domestic and foreign listed company during the Reporting Period	Not applicable			

Change of the actual controller during this Reporting Period

Applicable  Not applicable

No such cases in this Reporting Period.

Ownership and control relations between the actual controller and the Company



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

Applicable  Not applicable

**4. 10% or Greater Corporate Shareholders**

Applicable  Not applicable

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

Applicable  Not applicable

**Part VII Preferred Shares**

Applicable  Not applicable

No preferred shares in the Reporting Period.

## Part VIII Directors, Supervisors, Senior Management and Staff

### I Changes in Shareholdings of Directors, Supervisors and Executive Officers

Name	Position	Current/former	Gender	Age	Beginning date of office term	Ending date of office term	Number of shares held at period-end (share)
Shi Xinkun	Chairman of the Board	Current	Male	54	10/18/2016	10/17/2019	0
He Jianguang	Vice Chairman of the Board	Current	Male	54	10/18/2016	10/17/2019	0
Zhang Xin	Director, General Manager	Current	Male	52	10/18/2016	10/17/2019	0
Shi Jianchun	Director, Vice-general Manager	Current	Male	56	10/18/2016	10/17/2019	0
Xu Qian	Director	Current	Female	55	10/18/2016	10/17/2019	0
Zhang Qiong	Director	Current	Female	60	10/18/2016	10/17/2019	0
Li Minghui	Independent director	Current	Male	44	10/18/2016	10/17/2019	0
Jia Bin	Independent director	Current	Male	40	10/18/2016	10/17/2019	0
Feng Genfu	Independent director	Current	Male	61	10/18/2016	10/17/2019	0
Yin Lihou	Vice-general Manager	Current	Male	54	10/18/2016	10/17/2019	0
Xu Yi	Vice-general Manager	Current	Male	54	10/18/2016	10/17/2019	0
Liu Xiaoyun	Vice-general Manager	Current	Male	56	10/18/2016	10/17/2019	0
Wei Jinxiang	Vice-general Manager	Current	Male	55	10/18/2016	10/17/2019	0
Ni Mingliang	Chairman of the Supervisor	Current	Male	51	10/18/2016	10/17/2019	0
Zhu Min	Supervisor	Current	Male	54	10/18/2016	10/17/2019	0
Xie Guozhong	Supervisor	Current	Male	49	10/18/2016	10/17/2019	0

Lu Zhonggui	Supervisor	Current	Male	51	10/18/2016	10/17/2019	0
Liu Yi	Supervisor	Current	Male	49	10/18/2016	10/17/2019	0
He Jianjiang	Secretary of the Board	Current	Male	39	10/18/2016	10/17/2019	0
Total	--	--	--	--	--	--	0

## II Changes in Directors, Supervisors and Executive Officers

Applicable  Not applicable

## III Brief Biographies

Major background, main working experiences and responsibilities of current directors, supervisors and senior management staff

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

He Jianguang: He successively acted as General Manager, Director, and Chief Engineer in our company. Now, he is the vice Chairman of the Board of our company.

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

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

Xu Qian: She successively worked as Clerk of Commerce of Changzhou Bureau of Finance, section member of Commercial Office, Deputy Principal Staff Member, Deputy Principal Staff Member, Deputy Section Chief of State-owned office of Changzhou Bureau of Finance and Section Chief of Changzhou SASAC Property Rights and Profits Management. Now, she is Deputy Researcher of Changzhou SASAC and the director of the Company.

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

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

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

and the director of the Company.

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

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

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

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

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

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

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

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

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

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

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

#### Post-holding in shareholder units

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Xu Qian	State-owned Assets Supervision and Administration	Deputy Researcher	07/01/2014		Yes



	Commission of Changzhou Municipal People's Government				
Zhu Min	State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government	Section Supervisor of Supervisory	06/01/2016		Yes

## Post-holding in other units

Name of the person holding any post in any shareholder unit	Name of the other unit	Position in the other unit	Beginning date of office term	Ending date of office term	Receives payment from other units?
Zhang Qiong	Xie Tong Funds Management Limited	Supervisor			Yes
Li Minghui	Nanjing University	Doctoral Supervisor	04/01/2012		Yes
	Baosheng Science & Technology Innovation Co., Ltd	Independent Director	12/03/2014		
	Nanjing Securities Co., Ltd	Independent Director	05/12/2016		
	Jiangsu Fasten Co., Ltd	Independent Director	04/20/2015		
Jia Bin	Tianjin Research Institute of Internal Combustion Engine	the Director of No.1 Research office	03/01/2009		Yes
	China Internal Combustion Engine Industry Association	Secretary-general of CICEIA Small Gasoline Engine Branch.	11/01/2011		
Feng Genfu	Institute of Economics and Finance in Xi'an Jiaotong University	Professor and Doctoral Advisor	03/01/2016		Yes
	Tianmao Industry Group Co., Ltd	Independent Director	05/04/2016		
	Xi'an Baode Automation Co., Ltd	Independent Director	08/03/2015		
	Datang International Power Generation Co., Ltd.	Independent Director	06/30/2016		
	China Securities Co., Ltd.	Independent Director	05/15/2015		

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and executive officers as well as those who left in this Reporting Period

□ Applicable √ Not applicable

#### IV Remuneration of Directors, Supervisors and Executive Officers

Decision-making procedure, determining basis and actual payment for the remuneration of directors, supervisors and senior management

In 2017, the monthly salaries of directors, supervisors and senior executives in the Company were in line with the stipulations of relevant salary management and grade standards, and the benefits of the Company and assessment results. The Director Xu Qian, Supervisor Zhu Min obtained salaries in shareholders' entities.

Remuneration of the directors, supervisors and senior management of the Company during the Reporting Period is as follows:

Unit: RMB'0,000

Name	Position	Gender	Age	Current/ former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Shi Xinkun	Chairman of the Board	Male	54	Current	47.31	No
He Jianguang	Vice Chairman of the Board	Male	54	Current	47.31	No
Zhang Xin	Director, General Manager	Male	52	Current	47.31	No
Shi Jianchun	Director, Vice-general Manager	Male	56	Current	47.31	No
Xu Qian	Director	Female	55	Current	0	Yes
Zhang Qiong	Director	Female	60	Current	0	No
Li Minghui	Independent director	Male	44	Current	5	No
Jia Bin	Independent director	Male	40	Current	5	No
Feng Genfu	Independent director	Male	61	Current	5	No
Yin Lihou	Vice-general Manager	Male	54	Current	39.60	No
Xu Yi	Vice-general Manager	Male	54	Current	41.30	No

Liu Xiaoyun	Vice-general Manager	Male	56	Current	40.02	No
Wei Jinxiang	Vice-general Manager	Male	55	Current	39.60	No
Ni Mingliang	Chairman of the Supervisor	Male	51	Current	38.32	No
Zhu Min	Supervisor	Male	54	Current	0	Yes
Xie Guozhong	Supervisor	Male	49	Current	40.33	No
Lu Zhonggui	Supervisor	Male	51	Current	16.73	No
Liu Yi	Supervisor	Male	49	Current	15.32	No
He Jianjiang	Secretary of the Board	Male	39	Current	29.35	No
Total	--	--	--	--	504.81	--

Equity incentives for directors, supervisors and executive officers in this Reporting Period

Applicable  Not applicable

## V Employees

### 1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company	2,767
Number of in-service employees of main subsidiaries	665
Total number of in-service employees	3,432
Total number of employees with remuneration in this Reporting Period	3,432
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0
Functions	
Function	Number of employees
Production	2,400
Sales	237
Technical	373
Financial	41

Administrative	339
Other	42
Total	3,432
Educational backgrounds	
Educational background	Number of employees
Junior high school graduates and below	1,555
High school graduates	963
College graduates and technical secondary school graduates	587
Bachelors	301
Masters and above	26
Total	3,432

## 2. Employee Remuneration Policy

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

## 3. Employee Training Plans

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

## 4. Labor Outsourcing

Applicable  Not applicable

## Part IX Corporate Governance

### I Basic Situation of Corporate Governance

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

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

Was there any material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies?

Yes  No

No such cases in the Reporting Period.

### II Independence of Businesses, Personnel, Asset, Organizations and Finance which are Separate from the Controlling Shareholder

The Company was totally independent from the controlling shareholder State-owned Assets Supervision and Administration Commission of Changzhou Municipal People's Government in terms of assets, business, personnel, organization and financing, with independent & complete business and capability to operate independently.

### III Horizontal Competition

Applicable  Not applicable

### IV Annual and Special Meetings of Shareholders Convened during this Reporting Period

#### 1. Meetings of Shareholders Convened during this Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to the disclosed information
2016 Annual Meeting of Shareholders	Annual	0.05%	05/11/2017	05/12/2017	2017-011
The 1st Special Meeting of Shareholders in 2017	Special	0.04%	12/14/2017	12/15/2017	2017-033

## 2. Special Meetings of Shareholders Convened at the Request of Preference Shareholders with Resumed

### Voting Rights

Applicable  Not applicable

## V Performance of Independent Directors in this Reporting Period

### 1. Attendance of Independent Directors in Board Meetings and Meetings of Shareholders

Attendance of independent directors in board meetings						
Independent director	Due presence in this Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absent for two consecutive times
Feng Genfu	9	3	6	0	0	No
Li Minghui	9	2	6	1	0	No
Jia Bin	9	2	6	1	0	No
Attendance of independent directors in meetings of shareholders as non-voting delegates (times)		2				

Note for absent for two consecutive times

Not applicable

### 2. Objections Raised by Independent Directors on Issues of the Company

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

Yes  No

No such cases in this Reporting Period.

### 3. Other Details about the Performance of Duties by Independent Directors

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

Yes  No

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

The independent directors of the Company in line with the law, rules, normative documents and obligations given by the Company of the Company law, Article of Associations and Independent Directors Work Rules, comprehensively focused on the development and operation of the Company, actively attended the general meeting of shareholder and meeting of board of directors, and given independent opinions for the significant events of the Company, and effectively maintained the profits of the Company and all the shareholders. The Company actively listened to the suggestions from the independent directors upon the significant events and adopted them.

## VI Performance of Duties by Specialized Committees under the Board during this Reporting Period

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

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

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

1) Periodically examined the working plan and execution of inner control of the Company;

2) Communicated fully with the CPAs firm on plan and content of audit;

3) Urged the CPAs firm to submit report as scheduled;

4) The Audit Committee reviewed the financial statements of the Company before the audit and after the issuance of preliminary opinion by the CPAs firm. After it communicated with the CPAs firm on some important items as well as major accounting estimation items, audit adjustment items and important accounting policies which were likely to have potential influence on the financial statements, it considered that the financial statements reflected the overall situation of the Company authentically, accurately and completely.

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

6) Advised to continue the appointment of Jiangsu Gongzheng Certified Public Accountants Co., Ltd as the audit institution of the Company in 2017.

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

1) On March 21, 2018, the Audit Committee the Audit Committee examined the financial statements of the Company after the certified public accountants had issued the preliminary opinion on the statements, and issued a written opinion as follows: The financial statements of the Company were prepared in accordance with the New Accounting Standards for Enterprises and relevant financial rules of the Company, and faithfully reflected the financial position of the Company, as well as the business results and cash flows in 2017 in all material aspects.

2) With regard to the audited financial statements 2017, on April 11, 2018, the Audit Committee made the following resolution: the Audit Committee reviewed the financial statements 2017 audited by auditors, and believed that the said financial statements faithfully reflected the financial position of the Company as at December 31, 2017, as well as the business results and cash flows in 2017 in all material aspects. It agreed to submit the statements to the Board of Directors for examination and approval.

#### (3) Summary report on the audit work conducted by the CPAs firm in 2017:

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

The Audit Committee held that the CPAs firm conducted the audit strictly in accordance with provisions stipulated in the Independent Auditing Standards for CPAs of the PRC. The time of audit was sufficient, and the auditors with excellent ability to practice were deployed reasonably. The issued auditor's report fully reflected the financial position of the Company as at December 31, 2017, as well as the business results and cash flows in 2017,

and the audit conclusion was in line with the actual situation of the Company.

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

The Audit Committee convened a meeting on April 11, 2018 to review the matter concerning the employment of a CPAs firm for the audit in 2018, and the review opinion was as follows:

Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd had accomplished the audit of the Company 2017, and the auditor's report reflected the actual financial status of the Company in 2017 objectively and fairly.

The Audit Committee was satisfied with the audit conducted by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd and decided to continue to engage it as the audit institution of the Company in 2018.

The said proposal was agreed to be submitted to the 10<sup>th</sup> Session of the 8<sup>th</sup> Board of Directors for review.

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

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

In the Reporting Period, the Remuneration & Appraisal Committee raised the proposal on implementing the appraisal of senior executives in 2017, based on the fulfillment of the main financial indicators and operation targets in 2017, which were determined in the Contract for Appraisal of Senior Executives in 2017.

In the Reporting Period, based on relevant regulations and rules, the Remuneration & Appraisal Committee examined the remuneration of the Company's senior executives in 2017 and issued opinions as follows:

The Remuneration & Appraisal Committee held that, the remuneration of the Company's senior executives in 2017 was in accordance with provisions in the Contract for Appraisal of Senior Executives in 2017, as well as the laws, regulations and rules of the Company.

## **VII Performance of Duties by the Supervisory Board**

Did the Supervisory Board find any risks to the Company during its supervision in this Reporting Period?

Yes  No

The Supervisory Board raised no objections in this Reporting Period.

## **VIII Appraisal and Incentive for Executive Officers**

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

## **IX Internal Control**

### **1. Serious Internal Control Defects Found in this Reporting Period**

Yes  No



## 2. Internal Control Self-evaluation Report

Disclosure date of the internal control self-evaluation report	04/13/2018	
Index to the disclosed internal control self-evaluation report	2018-005	
Total assets of the evaluated entities as a percentage in the consolidated total assets	100.00%	
Operating revenues of the evaluated entities as a percentage in the consolidated operating revenues	100.00%	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	<p>The Company classified the defects as serious defect, important defect and general defect according to the influence degree from the internal control:</p> <p>(1) Serious defect: refers to one or multiple groups with control defect which may lead the enterprise seriously deviates the control target;</p> <p>(2) Important defect: refers to one or multiple groups with control defect with the severity and the economic results lower than the great defect but may still lead the enterprise seriously deviates the control target;</p> <p>(3) General defect: refers to other defect except for the great defect and significant defect.</p> <p>Nature standards: defects with the following random characteristics should be recognized as serious defect:</p> <p>1) the defect involves with the malpractice of the Directors, Supervisors and Senior Executives;</p> <p>2) revised the disclosed financial report;</p> <p>3) CPAs discovered the great misstatement among the current financial statement while which could not be found during the operating process of the internal control;</p> <p>4) the supervision from the Audit Committee and the internal audit institution of the enterprise was invalid.</p>	<p>Defects with the following random characteristics should be recognized as serious defect:</p> <p>1) Seriously violated the national laws and administrative regulations and the normative documents;</p> <p>2) “three significant one great” event had not been through the collective decision-making process;</p> <p>3) the significant events involved with the production and operation of the Company lacked of systematic control or the institutional system was invalid;</p> <p>4) the internal control of the information disclosure was invalid, which led the Company be open condemned by the supervision department;</p> <p>5) the serious defect from the assessment results of the internal control had not been revised.</p>
Quantitative standard	<p>Quantitative standards: The quantitative standards of recognizing the</p>	Refer to the quantitative criteria of the internal control defect of the

	<p>significant degree of the misstatement (including the false negatives) of the consolidated financial report of the Company based on the data from the 2017 consolidated statements was as:</p> <p>Serious defect: misstatement <math>\geq 5\%</math> of the annual profits</p> <p>Important defect: 2.5% of the annual profits <math>\leq</math> misstatement <math>&lt; 5\%</math> of the annual profits</p> <p>General defect <math>&lt; 2.5\%</math> of the annual profits</p>	<p>financial report, to recognize the quantitative criteria of the significant degree of the internal control defect of the non-financial report of the Company as:</p> <p>Serious defect: possibly caused directly losses <math>\geq 0.1\%</math> of the net assets</p> <p>Important defect: 0.05% of the net assets <math>\leq</math> possibly caused directly losses <math>&lt; 0.1\%</math> of the net assets</p> <p>General defect: possibly caused directly losses <math>&lt; 0.05\%</math> of the net assets</p>
Number of serious financial-report-related defects	0	
Number of serious non-financial-report-related defects	0	
Number of important financial-report-related defects	0	
Number of important non-financial-report-related defects	0	

## X Auditor's Report on Internal Control

Applicable  Not applicable

Opinion paragraph in the auditor's report on internal control	
We believed that Changchai Company, Limited maintained effective internal control of the financial report in significant aspects according to the Basic Norms of Internal Control and relevant regulations on December 31, 2017.	
Auditor's report on internal control disclosed or not	Disclosed
Disclosure date	04/13/2018
Index to the disclosed auditor's report on internal control	2018-005
Type of the auditor's opinion	Standard unqualified opinion
Serious non-financial-report-related defects	None

Indicate by tick mark whether any modified opinions are expressed by the CPAs firm in its auditor's report on the

Company's internal control.

Yes  No

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

Yes  No

## **Part X Corporate Bonds**

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No.

## Part XI Financial Statements

### I Independent Auditor's Report

Type of auditor's opinion	Standard unqualified opinion
Date of signing the auditor's report	04/11/2018
Name of the auditor	Jiangsu Gongzheng Tianye Certified Public Accountants LLP
No. of the auditor's report	Sugong W[2018]A340
Name of CPA	Dai Weizhong, He Taifeng

#### Text of the Auditor's Report

#### To the Shareholders of Changchai Company, Limited,

##### I Opinion

We have audited the financial statements of Changchai Company Limited. (hereinafter referred to as the "Company") , which comprise the consolidated balance sheets as of December 31, 2017, the consolidated statements of income, cash flows and changes in owners' equity for the year then ended, as well as the notes to the consolidated financial statements.

In our opinion, the attached consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017, and the consolidated operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

##### II Basis for Opinion

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

##### III Key Audit Matters

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

###### (I) Bad debt provision for accounts receivable

###### 1. Description of the item

As stated in Notes V and 3 of the Financial Statements, as of December 31, 2017, book value of accounts receivable of the Company is RMB392,010,953.55, accounting for 10.53% of the total assets. Bad debt provision for accounts receivable of the Company is calculated by the assessment of accounts receivable's return ability. The assessment of accounts receivable's return ability needs large judgment of the management, involving the significant accounting estimations with significant influences on amounts. So, we take bad debt provision for account receivable as a key audit item.

## 2. Response for audit

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

## (II) List of acquisition of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.

### 1. Description of the item

As stated in Notes VI of the Financial Statements, the Company purchased the rest of 67% equity of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. (original shareholding ratio was 33%) in the Reporting Period with RMB26,280,000.00, which constituted the combination not under the same control. The fair value of the 33% equity held before the purchase date was RMB22,757,433.46 on purchase date, and the combination cost was RMB49,037,433.46; the fair value share of the recognized net assets was RMB68,961,919.58. The amount RMB19,924,486.12 that the combination cost less than the fair value share of the recognized net assets was recorded into the current non-operating income in the consolidated financial statements, accounting for 42.27% of the current net profits with great influences on the amounts. So, we take the above-mentioned acquisition as a key audit item.

### 2. Response for audit

- (1) Get and check the resolution on share acquisition, agreement materials, check the payment for equity, inquire the industrial and commercial registration of changes, check the operation of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. to verify the actual right of control of the Company, and then to confirm the specific purchase date of share acquisition;
- (2) Re-check the negative goodwill, and get the assets evaluation report of share transfer. Continuously calculate the fair value of net assets of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. as of the purchase date according to the evaluation report, and calculate and confirm the negative goodwill in accordance with the combination costs and its balance.

## IV Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to

report that fact. We have nothing to report in this regard.

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

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

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

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

## **VI Auditor's Responsibilities for Audit of Financial Statements**

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

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

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

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

(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 basis of accounting 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 CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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, including the disclosures, and whether the consolidated 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 an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit

and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communicatio

Jiangsu Gongzheng Tianye Certified Public Accountants  
(LLP)

Wuxi · China

Chinese CPA Dai weizhong, He Taifeng  
(Engagement Partner)

April 11, 2018

## II Financial Statements

Currency unit for the statements in the notes to the financial statements: RMB

### 1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

Unit: RMB

Item	December 31, 2017	December 31, 2016
Current assets:		
Monetary assets	430,305,367.71	670,703,802.02
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss	0.00	0.00
Derivative financial assets		
Notes receivable	716,404,345.57	501,070,279.01
Accounts receivable	392,010,953.55	359,279,821.69
Prepayments	17,781,007.77	15,483,475.43
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Interest receivable		
Dividends receivable		
Other receivables	5,794,971.22	4,165,674.62
Financial assets purchased under resale agreements		
Inventories	508,246,807.48	494,046,458.44
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	42,540,184.05	39,669,983.12
Total current assets	2,113,083,637.35	2,084,419,494.33
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	793,522,639.04	820,072,500.00
Held-to-maturity investments		



Long-term receivables		
Long-term equity investments		21,006,230.03
Investment property	52,864,348.43	55,072,689.23
Property, plant and equipment	560,049,970.50	553,678,938.87
Construction in progress	94,581,989.06	89,781,047.21
Construction materials		
Proceeds from disposal of property, plant and equipment		
Productive living assets		
Oil and gas assets		
Intangible assets	107,795,746.86	99,915,137.62
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	1,006,953.81	911,229.42
Other non-current assets		
Total non-current assets	1,609,821,647.70	1,640,437,772.38
Total assets	3,722,905,285.05	3,724,857,266.71
Current liabilities:		
Short-term borrowings	24,900,000.00	10,000,000.00
Borrowings from central bank		
Customer deposits and deposits from banks and other financial institutions		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	347,070,500.00	276,090,000.00
Accounts payable	616,228,500.18	605,424,726.65
Advances from customers	40,153,984.91	40,890,620.69
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	51,247,112.66	58,549,908.90
Taxes payable	4,017,920.78	9,622,332.76
Interest payable		
Dividends payable	3,891,433.83	3,891,433.83

Other payables	192,094,243.08	204,446,810.56
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	2,028,937.59	2,454,381.75
Total current liabilities	1,281,632,633.03	1,211,370,215.14
Non-current liabilities:		
Long-term borrowings	21,500,000.00	
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions		
Deferred revenue	60,992,858.46	61,057,232.08
Deferred income tax liabilities	92,409,779.39	109,949,700.00
Other non-current liabilities		
Total non-current liabilities	174,902,637.85	171,006,932.08
Total liabilities	1,456,535,270.88	1,382,377,147.22
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 shares		
Other comprehensive income	515,068,550.00	623,048,300.00
Specific reserve	13,289,059.21	11,715,417.22
Surplus reserves	313,705,210.16	311,880,248.88

General reserve		
Retained earnings	679,131,047.06	651,365,935.39
Total equity attributable to owners of Parent Company	2,246,896,857.86	2,323,712,892.92
Non-controlling interests	19,473,156.31	18,767,226.57
Total owners' equity	2,266,370,014.17	2,342,480,119.49
Total liabilities and owners' equity	3,722,905,285.05	3,724,857,266.71

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

**2. Parent Company Balance Sheet**

Unit: RMB

Item	December 31, 2017	December 31, 2016
Current assets:		
Monetary assets	366,907,287.64	637,109,762.94
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	711,474,345.57	500,870,279.01
Accounts receivable	319,887,051.70	308,800,670.90
Prepayments	9,815,561.98	9,845,904.32
Interest receivable		
Dividends receivable		
Other receivables	11,798,211.40	3,694,673.93
Inventories	376,814,388.82	430,345,089.36
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	20,692,057.15	24,225,031.87
Total current assets	1,817,388,904.26	1,914,891,412.33
Non-current assets:		
Available-for-sale financial assets	785,837,500.00	812,872,500.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	231,752,730.03	205,472,730.03
Investment property	52,864,348.43	55,072,689.23
Property, plant and equipment	453,155,359.47	450,042,747.40
Construction in progress	93,681,793.26	89,781,047.21
Construction materials		
Proceeds from disposal of property, plant and equipment		
Productive living assets		
Oil and gas assets		
Intangible assets	75,623,219.49	78,558,644.37
R&D expense		
Goodwill		
Long-term prepaid expense		

Deferred income tax assets	934,554.06	911,229.42
Other non-current assets		
Total non-current assets	1,693,849,504.74	1,692,711,587.66
Total assets	3,511,238,409.00	3,607,602,999.99
Current liabilities:		
Short-term borrowings		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	323,030,500.00	251,220,000.00
Accounts payable	560,214,489.22	596,734,009.07
Advances from customers	38,382,261.14	37,250,941.51
Payroll payable	41,401,495.39	52,498,428.10
Taxes payable	1,373,036.64	6,587,374.37
Interest payable		
Dividends payable	3,243,179.97	3,243,179.97
Other payables	182,738,709.26	194,596,980.96
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,150,383,671.62	1,142,130,913.98
Non-current liabilities:		
Long-term borrowings	19,500,000.00	
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions		
Deferred revenue	60,992,858.46	61,057,232.08
Deferred income tax liabilities	90,894,450.00	109,949,700.00
Other non-current liabilities		
Total non-current liabilities	171,387,308.46	171,006,932.08

Total liabilities	1,321,770,980.08	1,313,137,846.06
Owners' equity:		
Share capital	561,374,326.00	
Other equity instruments		561,374,326.00
Including: Preferred shares		
Perpetual bonds		
Capital reserves	183,071,147.70	183,071,147.70
Less: Treasury shares		
Other comprehensive income	515,068,550.00	623,048,300.00
Specific reserve	13,289,059.21	11,715,417.22
Surplus reserves	313,705,210.16	311,880,248.88
Retained earnings	602,959,135.85	603,375,714.13
Total owners' equity	2,189,467,428.92	2,294,465,153.93
Total liabilities and owners' equity	3,511,238,409.00	3,607,602,999.99

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

### 3. Consolidated Income Statement

Unit: RMB

Item	2017	2016
1. Revenue	2,423,058,958.29	2,283,028,855.52
Including: Operating revenue	2,423,058,958.29	2,283,028,855.52
Interest revenue		
Premium revenue		
Handling charge and commission revenue		
2. Cost of revenue	2,412,300,893.20	2,217,112,902.09
Including: Cost of operating revenue	2,072,877,976.77	1,866,617,336.37
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 surtaxes	13,904,298.45	13,005,243.59
Selling expense	102,297,713.37	103,969,577.79
Administrative expense	184,550,915.26	207,582,213.98
Finance costs	-2,290,794.39	-11,542,165.08
Asset impairment losses	40,960,783.74	37,480,695.44
Add: Gains on changes in fair value (“-” for losses)		
Investment income (“-” for loss)	13,115,817.10	4,128,745.08
Including: Share of profit or loss of joint ventures and associates		236,925.27
Foreign exchange gains (“-” for losses)		
Asset disposal income (“-” for loss)	1,373,236.33	6,433,767.68
Other income	8,456,560.85	
3. Operating income (“-” for loss)	33,703,679.37	70,044,698.51
Add: Non-operating income	22,907,878.36	9,156,923.41
Less: Non-operating expense	7,792,658.00	10,717,480.45
4. Pretax income (“-” for loss)	48,818,899.73	74,917,909.15
Less: Income tax expense	1,681,667.26	11,201,239.88
5. Net income (“-” for net loss)	47,137,232.47	63,716,669.27
5.1 Net income from continuing operations (“-” for net loss)	47,137,232.47	
5.2 Net income from discontinued operations (“-” for net loss)		
Attributable to owners of Parent Company	46,431,302.73	62,539,896.17

Attributable to non-controlling interests	705,929.74	1,176,773.10
6. Other comprehensive income, net of tax	-107,979,750.00	269,528,625.00
Attributable to owners of Parent Company	-107,979,750.00	269,528,625.00
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	-107,979,750.00	269,528,625.00
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets	-107,979,750.00	269,528,625.00
6.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gains/losses 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	-60,842,517.53	333,245,294.27
Attributable to owners of Parent Company	-61,548,447.27	332,068,521.17
Attributable to non-controlling interests	705,929.74	1,176,773.10
8. Earnings per share		
8.1 Basic earnings per share	0.08	0.11
8.2 Diluted earnings per share	0.08	0.11

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He



## 4. Parent Company Income Statement

Unit: RMB

Item	2017	2016
1. Operating revenue	2,235,805,990.99	2,261,424,064.06
Less: Cost of operating revenue	1,931,679,323.68	1,872,397,292.00
Taxes and surtaxes	11,611,908.48	11,368,257.55
Selling expense	91,518,856.80	97,391,154.08
Administrative expense	166,602,546.60	192,068,868.64
Finance costs	-5,269,152.69	-12,744,187.93
Asset impairment losses	36,843,390.33	36,296,470.30
Add: Gains on changes in fair value (“-” for losses)		
Investment income (“-” for loss)	10,709,750.99	3,274,175.27
Including: Share of profit or loss of joint ventures and associates		236,925.27
Asset disposal income (“-” for loss)	1,184,146.48	
Other income	7,921,898.35	
2. Operating income (“-” for loss)	22,634,913.61	67,920,384.69
Add: Non-operating income	1,324,306.44	14,298,854.08
Less: Non-operating expense	6,979,953.83	10,617,280.45
3. Pretax income (“-” for loss)	16,979,266.22	71,601,958.32
Less: Income tax expense	-1,270,346.56	10,382,328.59
4. Net income (“-” for net loss)	18,249,612.78	61,219,629.73
4.1 Net income from continuing operations (“-” for net loss)	18,249,612.78	61,219,629.73
4.2 Net income from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-107,979,750.00	269,528,625.00
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 into profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-107,979,750.00	269,528,625.00

5.2.1 Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method		
5.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets	-107,979,750.00	269,528,625.00
5.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gains/losses 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	-89,730,137.22	330,748,254.73
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

**5. Consolidated Cash Flow Statement**

Unit: RMB

Item	2017	2016
1. Cash generated by or used in operating activities:		
Proceeds from sale of commodities and rendering of services	2,340,135,466.05	2,449,124,878.50
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans 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 received	45,280,119.53	41,561,022.48
Cash generated by other operating activities	20,703,603.65	15,072,161.20
Subtotal of cash generated by operating activities	2,406,119,189.23	2,505,758,062.18
Payments for goods and services	2,068,207,850.42	1,900,783,453.31
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	332,974,762.36	340,494,353.98
Taxes paid	38,505,023.00	64,165,805.35
Cash used in other operating activities	88,100,832.84	100,840,505.50
Subtotal of cash used in operating activities	2,527,788,468.62	2,406,284,118.14
Net cash flows from operating activities	-121,669,279.39	99,473,944.04
2. Cash generated by or used in investing activities:		
Proceeds from disinvestments	8,000,000.00	32,000,000.00

Investment income received	11,364,613.67	3,891,819.81
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	835,345.89	240,625.60
Net proceeds from disposal of subsidiaries or other business units		
Cash generated by other investing activities	1,000,000.00	9,000,000.00
Subtotal of cash generated by investing activities	21,199,959.56	45,132,445.41
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	57,507,086.97	59,310,667.45
Payments for investments	113,985,139.04	8,000,000.00
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units	4,272,350.99	
Cash used in other investing activities		
Subtotal of cash used in investing activities	175,764,577.00	67,310,667.45
Net cash flows from investing activities	-154,564,617.44	-22,178,222.04
3. Cash generated by or used in financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Increase in borrowings	51,900,000.00	15,000,000.00
Net proceeds from issuance of bonds		
Cash generated by other financing activities		
Subtotal of cash generated by financing activities	51,900,000.00	15,000,000.00
Repayment of borrowings	15,500,000.00	22,000,000.00
Payments for interest and dividends	18,180,577.83	13,715,123.57
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		18,707.55
Subtotal of cash used in financing activities	33,680,577.83	35,733,831.12
Net cash flows from financing activities	18,219,422.17	-20,733,831.12
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-258,014,474.66	56,561,890.88
Add: Cash and cash equivalents, beginning of the period	583,278,129.09	526,716,238.21
6. Cash and cash equivalents, end of the period	325,263,654.43	583,278,129.09

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

## 6. Parent Company Cash Flow Statement

Unit: RMB

Item	2017	2016
1. Cash generated by or used in operating activities:		
Proceeds from sale of commodities and rendering of services	2,272,196,372.83	2,508,387,008.21
Tax rebates received	29,635,115.60	41,561,022.48
Cash generated by other operating activities	16,533,875.78	11,890,841.69
Subtotal of cash generated by operating activities	2,318,365,364.21	2,561,838,872.38
Payments for goods and services	2,059,024,833.30	2,020,333,070.85
Cash paid to and for employees	277,811,436.98	301,052,336.85
Taxes paid	28,251,524.17	56,155,882.63
Cash used in other operating activities	81,615,494.68	93,256,112.12
Subtotal of cash used in operating activities	2,446,703,289.13	2,470,797,402.45
Net cash flows from operating activities	-128,337,924.92	91,041,469.93
2. Cash generated by or used in investing activities:		
Proceeds from disinvestments		20,000,000.00
Investment income received	10,709,750.99	3,037,250.00
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	131,366.89	240,625.60
Net proceeds from disposal of subsidiaries or other business units		
Cash generated by other investing activities	1,000,000.00	9,000,000.00
Subtotal of cash generated by investing activities	11,841,117.88	32,277,875.60
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	45,733,282.92	56,182,564.81
Payments for investments	126,280,000.00	
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		

Subtotal of cash used in investing activities	172,013,282.92	56,182,564.81
Net cash flows from investing activities	-160,172,165.04	-23,904,689.21
3. Cash generated by or used in financing activities:		
Capital contributions received		
Increase in borrowings	20,000,000.00	
Net proceeds from issuance of bonds		
Cash generated by other financing activities		
Subtotal of cash generated by financing activities	20,000,000.00	
Repayment of borrowings	500,000.00	
Payments for interest and dividends	17,084,535.34	12,911,609.50
Cash used in other financing activities		
Sub-total of cash used in financing activities	17,584,535.34	12,911,609.50
Net cash flows from financing activities	2,415,464.66	-12,911,609.50
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-286,094,625.30	54,225,171.22
Add: Cash and cash equivalents, beginning of the period	558,159,090.01	503,933,918.79
6. Cash and cash equivalents, end of the period	272,064,464.71	558,159,090.01

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

## 7. Consolidated Statements of Changes in Owners' Equity

2017

Unit: RMB

Item	2017												
	Equity attributable to owners of Parent Company											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
	Preferred shares	Perpetual bonds	Other										
1. Balances as of end of prior year	561,374,326.00				164,328,665.43		623,048,300.00	11,715,417.22	311,880,248.88		651,365,935.39	18,767,226.57	2,342,480,119.49
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business mergers under same control													
Other adjustments													
2. Balances as of beginning of the year	561,374,326.00				164,328,665.43		623,048,300.00	11,715,417.22	311,880,248.88		651,365,935.39	18,767,226.57	2,342,480,119.49
3. Increase/ decrease in the period ("-" for							-107,979,750.00	1,573,641.99	1,824,961.28		27,765,111.67	705,929.74	-76,110,105.32





owners (or shareholders)													
3.3.4 Other													
3.4 Carryforwards within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve								1,573,641.99					1,573,641.99
3.5.1 Withdrawn for the period								4,161,424.06					4,161,424.06
3.5.2 Used during the period								2,587,782.07					2,587,782.07
3.6 Other													
4. Balances as of end of the period	561,374,326.00				164,328,665.43		515,068,550.00	13,289,059.21	313,705,210.16		679,131,047.06	19,473,156.31	2,266,370,014.17

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

2016

Unit: RMB

Item	2016												
	Equity attributable to owners of Parent Company										Non-con trolling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other compreh ensive income	Specific reserve	Surplus reserves	General reserve			Retained earnings
	Preferr ed shares	Perpet ual bonds	O th er										
1. Balances as of end of prior year	561,374,3 26.00				164,328, 665.43		353,519, 675.00	10,069,7 46.98	305,758, 285.91		607,859, 611.69	17,590,4 53.47	2,020,50 0,764.48
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business mergers under same control													
Other adjustments													
2. Balances as of beginning of the year	561,374,3 26.00				164,328, 665.43		353,519, 675.00	10,069,7 46.98	305,758, 285.91		607,859, 611.69	17,590,4 53.47	2,020,50 0,764.48
3. Increase/ decrease in the period (“-” for decrease)							269,528, 625.00	1,645,67 0.24	6,121,96 2.97		43,506,3 23.70	1,176,77 3.10	321,979, 355.01
3.1 Total							269,528,				62,539,8	1,176,77	333,245,

comprehensive income							625.00				96.17	3.10	294.27
3.2 Capital increased and reduced by owners													
3.2.1 Common shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other													
3.3 Profit distribution									6,121,962.97		-19,033,572.47		-12,911,609.50
3.3.1 Appropriation to surplus reserves									6,121,962.97		-6,121,962.97		
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-12,911,609.50		-12,911,609.50
3.3.4 Other													
3.4 Carryforwards within owners' equity													

3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Surplus reserves used to make up losses													
3.4.4 Other													
3.5 Specific reserve								1,645,67 0.24					1,645,67 0.24
3.5.1 Withdrawn for the period								4,416,86 5.61					4,416,86 5.61
3.5.2 Used during the period								2,771,19 5.37					2,771,19 5.37
3.6 Other													
4. Balances as of end of the period	561,374,3 26.00				164,328, 665.43		623,048, 300.00	11,715,4 17.22	311,880, 248.88		651,365, 935.39	18,767,2 26.57	2,342,48 0,119.49

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang H

**8. Parent Company Statements of Changes in Owners' Equity**

2017

Unit: RMB

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

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

reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve							1,573,641.99				1,573,641.99
3.5.1 Withdrawn for the period							4,161,424.06				4,161,424.06
3.5.2 Used during the period							2,587,782.07				2,587,782.07
3.6 Other											
4. Balances as of end of the period	561,374,326.00				183,071,147.70		515,068,550.00	13,289,059.21	313,705,210.16	602,959,135.85	2,189,467,428.92

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

2016

Unit: RMB

Item	2016										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as of end of prior year	561,374,326.00				183,071,147.70		353,519,675.00	10,069,746.98	305,758,285.91	561,189,656.87	1,974,982,838.46
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as of beginning of the year	561,374,326.00				183,071,147.70		353,519,675.00	10,069,746.98	305,758,285.91	561,189,656.87	1,974,982,838.46
3. Increase/ decrease in the period (“-” for decrease)							269,528,625.00	1,645,670.24	6,121,962.97	42,186,057.26	319,482,315.47
3.1 Total comprehensive income							269,528,625.00			61,219,629.73	330,748,254.73
3.2 Capital increased and reduced by owners											
3.2.1 Common											



shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit distribution									6,121,962.97	-19,033,572.47	-12,911,609.50
3.3.1 Appropriation to surplus reserves									6,121,962.97	-6,121,962.97	
3.3.2 Appropriation to owners (or shareholders)										-12,911,609.50	-12,911,609.50
3.3.3 Other											
3.4 Carryforwards within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share											

capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve								1,645,670. 24			1,645,670. 24
3.5.1 Withdrawn for the period								4,416,865. 61			4,416,865. 61
3.5.2 Used during the period								2,771,195. 37			2,771,195. 37
3.6 Other											
4. Balances as of end of the period	561,374, 326.00				183,071,14 7.70		623,048,30 0.00	11,715,417 .22	311,880,24 8.88	603,375, 714.13	2,294,465, 153.93

Legal representative: Shi Xinkun

General Manager: Zhang Xin

Head of the accounting department: Jiang He

### III. Company Profile

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

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

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

As examined and approved at the 2009 2nd Extraordinary Shareholders’ General Meeting in Sep. 2009, based on the total share capital of 374,249,551 shares as at 30 Jun. 2009, the Company implemented the profit distribution plan, i.e. to distribute 5 bonus shares and cash of RMB0.8 for every 10 shares, with registered capital increased by RMB187,124,775.00, as well as registered capital of RMB561,374,326.00 after change. As at 31 Dec. 2015, the total share capital of the Company is 561,374,326.00 shares, as well as registered capital of RMB561,374,326.00, which verified by Jiangsu Gongzheng Tianye Certified Public Accountants Company Limited with issuing Capital Verification Report SGC [2010] No. B002. And the unified social credit code of the enterprise business license of the Company is 91320400134792410W.

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

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

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

**The financial report has been approved to be issued by the Board of Directors on April 11, 2018.**

The consolidated scope of the Company of the Reporting Period includes the parent company and 5 subsidiaries. For the details of the consolidated scope of the Reporting Period and the changes situation, please

refer to the changes of the consolidated scope of the notes to the financial report and the notes to the equities among other entities.

#### **IV. Basis for Preparation of the Financial Report**

##### **1. Basis for Preparation**

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with The Accounting Standards for Business Enterprises—Basic Standard issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 41 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 Feb. 2006 onwards (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

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

##### **2. Continuation**

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

#### **V. Important Accounting Policies and Estimations**

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

No

Notification of specific accounting policies and accounting estimations:

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

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

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

## **2. Fiscal Period**

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

## **3. Operating Cycle**

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

## **4. Currency Used in Bookkeeping**

Renminbi is functional currency of the Company.

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

(1) Business combinations under the same control:

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

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

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

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

Owing to the reasons such as the additional investment, for the equity investment held before acquiring the

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

(2) Business combinations not under the same control

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

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

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

## 6. Methods for Preparing Consolidated Financial Statements

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

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

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

As for the added subsidiary company not controlled by the same enterprise preparing the consolidated financial statement, shall adjust individual financial statement based on the fair value of the identifiable net assets on the acquisition date; as for the added subsidiary companies controlled by the same enterprise preparing the financial statement, shall not adjust the financial statement of the subsidiaries, namely survived by integration as participating in the consolidation when the final control party starts implementing control and should adjust the period-begin amount of the consolidated balance sheet and at the same time adjust the relevant items of the compared statement.

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

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

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

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

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

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

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

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

## **8. Recognition Standard for Cash and Cash Equivalents**

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

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

### **(1) Foreign currency business**

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

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

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

### **(2) Translation of foreign currency**

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



## 10. Financial Instruments

### (1) Category of financial instruments

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

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

### (2) Recognition basis and measurement methods of financial instruments

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

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

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

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

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

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

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

### (4) De-recognition conditions of financial liabilities

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

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

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

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

instruments of the same essential nature etc.

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

The Company shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made. For the financial assets with significant single amount, if there is objective evidence indicates the occurred impairment, should recognize the impairment losses and should include which in the current gains and losses. As for the financial assets with insignificant single amount but not occur impairment, the Company should execute the impairment test by credit groups according to the credit degree of the customers and the actual situation of the happen of the bad debts over the years for recognizing the impairment losses.

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

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

A serious financial difficulty occurs to the issuer or debtor;

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

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

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

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

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

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

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

Other objective evidences showing the impairment of the financial asset.

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

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

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the owner's equity which is directly included shall be transferred out and recorded into the profits and losses of the current period.. The accumulative losses are the initial cost after deducting the principal, the amortization amount, fair value of current period and balance after originally recorded into impairment loss of profits or losses. After the recognition of impairment losses, if there is any objective evidence indicated that the value of financial assets is resumed and objectively related to the events after the recognition of impairment losses, transfer the impairment losses originally recognized, transfer the impairment losses of available for sale equity instrument investment and recognized as other comprehensive income, and transfer the impairment losses of available for sale liability instruments and record into current profits or losses.

## 11. Receivables

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

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

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

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

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

Applicable  Not applicable

Aging	Withdrawal proportion of account receivables	Withdrawal proportion of other account receivables
Within 1 year (including 1 year)	2.00%	2.00%

1 to 2 years	5.00%	5.00%
2 to 3 years	15.00%	15.00%
3 to 4 years	30.00%	30.00%
4 to 5 years	60.00%	60.00%
Over 5 years	100.00%	100.00%

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

## **12. Inventory**

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

No

### **(1) Category of Inventory**

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

## (2) Pricing method

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

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

At the balance sheet date, inventories are measured at the lower of the costs and net realizable value. When all the inventories are checked roundly, for those which were destroyed, outdated in all or in part, sold at a loss, etc, the Company shall estimate the irrecoverable part of its cost and withdrawal the inventory falling price reserve at the year-end. Where the cost of the single inventory item is higher than the net realizable value, the inventory falling price reserve shall be withdrawn and recorded into profits and losses of the current period. Of which: in the normal production and operating process, as for the commodities inventory directly for sales such as the finished products, commodities and the materials for sales, should recognize the net realizable value according to the amount of the estimated selling price of the inventory minus the estimated selling expenses and the relevant taxes; as for the materials inventory needs to be processed in the normal production and operating process, should recognize its net realizable value according to the amount of the estimated selling price of the finished products minus the cost predicts to be occur when the production completes and the estimated selling expenses as well as the relevant taxes; on the balance sheet date, for the same inventory with one part agreed by the contract price and other parts not by the contract price, should be respectively recognized the net realizable value. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis; for large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories.

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

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

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

## 13. Assets Held for Sale

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

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

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

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

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

## 14. Long-term Equity Investments

(1) Judgment standard of joint control and significant influences

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by

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

(2) Recognition for initial investment cost

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

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

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

③ Long-term equity investment obtained by other means

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

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

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

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

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

(3) Subsequent measurement and recognition of profits and losses

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

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

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

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

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

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

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

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

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

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

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

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

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owing to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

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

For those the Company lost the control of the investees by disposing part of the equity investment, the



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

## 15. Investment Real Estate

Measurement mode of investment real estate:

Measurement of cost method

Depreciation or amortization method

The investment real estate shall be measured at its cost. Of which, the cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expense directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The investment real estate invested by investors shall be recorded at the value stipulated in the investment contracts or agreements, but the unfair value appointed in the contract or agreement shall be entered into the account book at the fair value.

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

## 16. Fixed Assets

### (1) Recognition Conditions

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

### (2) Depreciation Method

Category of fixed assets	Method	Useful life	Expected net salvage value	Annual depreciation
Housing and building	Average method of useful life	20-40		2.50%-5%
Machinery equipment	Average method of useful life	6-15		6.67%-16.67%
Transportation equipment	Average method of useful life	5-10		10%-20%
Electronic equipment	Average method of useful life	5-10		10%-20%

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

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

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

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

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

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

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

The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term.

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

## 17. Construction in Progress

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

No

### (1) Valuation of the progress in construction

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

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

The construction in process, of which the fixed assets reach to the predicted condition for use, shall carry

forward fixed assets on schedule. The one that has not audited the final accounting shall recognize the cost and make depreciation in line with valuation value. The construction in process shall adjust the original valuation value at its historical cost but not adjust the depreciation that has been made after auditing the final accounting.

## **18. Borrowing Costs**

### **(1) Recognition principle of capitalization of borrowing costs**

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

### **(2) The period of capitalization of borrowing costs**

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

### **(3) Measurement method of capitalization amount of borrowing costs**

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

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

## **19. Intangible Assets**

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

#### **(1) Pricing method of intangible assets**

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

For the intangible assets invested by the investors should be recognized the actual cost according to the value

of the investment contracts or agreements, however, for the value of the contracts or agreements is not fair, the actual cost should be recognized according to the fair value.

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

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

#### (2) Amortization method and term of intangible assets

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

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

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

#### (2) Accounting Policies of Internal R & D Expenses

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

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

## 20. Impairment of Long-term Assets

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

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

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

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

## **21. Amortization Method of Long-term Deferred Expenses**

Long-term deferred expenses of the Company shall be recorded in light of the actual expenditure, and amortized averagely within benefit period. In case of no benefit in the future accounting period, the amortized value of such project that fails to be amortized shall be transferred into the profits and losses of the current period.

## **22. Payroll**

### **(1) Accounting Treatment of Short-term Compensation**

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

### **(2) Accounting Treatment of the Welfare after Demission**

The Company classifies the welfare plans after demission into defined contribution plans and defined benefit plans. Welfare plans after demission refers to the agreement on the welfare after demission reaches between the Company and the employees, or the regulations or methods formulated by the Company for providing the welfare after demission for the employees. Of which, defined contribution plans refers to the welfare plans after demission

that the Company no more undertake the further payment obligations after the payment of the fixed expenses for the independent funds; defined benefit plans, refers to the welfare plans after demission except for the defined contribution plans.

#### Defined contribution plans

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

### **(3) Accounting Treatment of the Demission Welfare**

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

### **(4) Accounting Treatment of the Welfare of Other Long-term Staffs**

## **23. Estimated Liabilities**

#### (1) Criteria of estimated liabilities

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

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

#### (2) Measurement of estimated liabilities

The Company shall measure the estimated debts in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

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

## **24. Revenue**

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

No

(1) Recognition of revenue from sale of goods: the revenue from selling shall be recognized by the following conditions: The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant revenue and costs of selling goods can be measured in a reliable way. The amount of the revenue

from selling shall ascertain the revenue incurred by selling goods in accordance with the received or receivable price stipulated in the contract or agreement signed between the enterprise and the buyer, unless the received or receivable amount as stipulated in the contract or agreement is unfair.

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

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

## **25. Government Subsidies**

### **(1) Judgment Basis and Accounting Treatment of Government Subsidies Related to Assets**

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

For those the government documents not definite stipulate the assistance object, the judgment basis of the Company classifies the government subsidies pertinent to assets and government subsidies pertinent to income is: whether are used for purchasing or constructing or for forming the long-term assets by other methods.

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

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

The government subsidies pertinent to assets shall be recognized as deferred income, and included in the current gains and losses or offset the book value of related assets within the useful lives of the relevant assets with a reasonable and systematic method.

## **(2) Judgment Basis and Accounting Treatment of Government Subsidies Pertinent to Incomes**

Government subsidies used to compensate the relevant costs, expenses or losses of the Company in the subsequent period shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant costs, expenses or losses; those used to compensate the relevant costs, expenses or losses of the Company already happened shall be included in the current gains and losses or used to offset relevant costs directly.

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

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

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

## **26. Deferred Income Tax Assets and Liabilities**

### **(1) Basis of recognizing the deferred income tax assets**

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

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

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

### **(2) Basis of recognizing the deferred income tax liabilities**

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

## **27. Lease**

### **(1) Accounting Treatment of Operating Lease**

Lessee in an operating lease shall treat the lease payment under an operating lease as a relevant asset cost or the current profit or loss on a straight-line basis over the lease term. The initial direct costs incurred shall be



recognized as the current profit or loss; Contingent rents shall be charged as expenses in the periods in which they are incurred.

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

## **(2) Accounting Treatments of Financial Lease**

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

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

## **28. Other Significant Accounting Policies and Estimates**

### **(1) Operation termination**

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

- ① The compose part represents an individual main business or a main operation area;
- ② The compose part is a part intends to dispose and plan an individual main business or a main operation area;
- ③ The compose part is a subsidiary which be acquired only for resold.

### **(2) Hedging accounting**

The term “hedging” refers to one or more hedging instruments which are designated by an enterprise for avoiding the risks of foreign exchange, interest rate, commodity price, stock price, credit and etc., and which is expected to make the changes in fair value or cash flow of hedging instrument(s) to offset all or part of the changes in the fair value or cash flow of the hedged item.

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

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

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

① At the commencement of the hedging, the enterprise shall specify the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging.

② The hedging expectation is highly efficient and meets the risk management strategy, which is confirmed for the hedging relationship by enterprise at the very beginning.

③ For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall make the enterprise faced to the risk of changes in cash flow, which will ultimately affect the profits and losses.

④ The effectiveness of hedging can be reliably measured.

⑤ The hedging is highly effective in accounting period in which the hedging relationship is specified.

## 29. Changes in Main Accounting Policies and Estimates

### (1) Change of Accounting Policies

√ Applicable □ Not applicable

Content and reason for changes	Approval procedures	Remark
The Ministry of Finance released <i>Accounting Standards for Business Enterprises No. 42—Held-for-sale Non-current Assets, Disposal Groups and Discontinued Operation</i> on April 28, 2017 which the Company began to execute on May 28, 2017. This change of accounting policies was adjusted by prospective application.	Reviewed and approved on the 11 <sup>th</sup> Meeting of the 8 <sup>th</sup> Board of Directors and on the 9 <sup>th</sup> Meeting of the 8 <sup>th</sup> Supervisory Board	
The Ministry of Finance released <i>Notice on Revising and Issuing the Format of Financial Statement for General Enterprises</i> on Dec. 25, 2017 in which the amendment to the format of financial statements for general enterprises was made, changing the presentation of gains and losses arising from disposal of non-current assets from being originally listed under Non-operating Revenues and Non-operating Expenses into listed under Gains from Asset Disposal. This change of accounting policy was adjusted by retrospective application.	Reviewed and approved on the 11 <sup>th</sup> Meeting of the 8 <sup>th</sup> Board of Directors and on the 9 <sup>th</sup> Meeting of the 8 <sup>th</sup> Supervisory Board	
The Ministry of Finance released the notice on revising <i>Accounting Standards for Business Enterprises No. 16—Government Subsidy</i> (CK [2017] No. 15) on May 10, 2017 which the Company began to execute on June 12, 2017. The government subsidies existing on Jan. 1, 2017 were treated by prospective applicable. While, those newly added from Jan. 1, 2017 to the executive date of the new code were adjusted in line with the new code.	Reviewed and approved on the 6 <sup>th</sup> Meeting of the 8 <sup>th</sup> Board of Directors and on the 6 <sup>th</sup> Meeting of the 8 <sup>th</sup> Supervisory Board	

As for the item of Gains Arising from Asset Disposal newly added in the profit statement, the Company adjusted the comparable data during the comparable period in line with the Notice according to regulations

stipulated in Accounting Standards for Business Enterprises No. 30-Presentation of Financial Statements.

As for the item of Other Income newly added in the profit statement, the Company treated the government subsidies existing on Jan. 1, 2017 by prospective application without the necessity to adjust the comparable data in the comparable period in accordance with the governing regulations stipulated in Accounting Standards for Business Enterprises No. 16-Government Subsidy.

Due to the retrospective adjustment of Gains Arising from Asset Disposal, the influence on the items in the financial statements for 2016 was presented as follows: non-operating revenues in 2016 were decreased RMB6,445,469.06; gains arising from asset disposal were increased RMB6,445,469.06; non-operating expenses in 2016 were decreased RMB11,701.38; and gains arising from asset disposal were decreased RMB11,701.38.

## (2) Significant Changes in Accounting Estimates

Applicable  Not applicable

### 30. Other

#### Critical accounting judgments and estimates

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

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

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

#### (1) Provision for bad debts

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

#### (2) Provision for falling price of inventories

In accordance with the accounting policies of inventories, for the inventories that the costs were more than the net realizable value as well as out-of-date and dull-sale inventories, the Group withdrawn the provision for falling price of inventories on the lower one between costs and net realizable value. Evaluating the falling price of

inventories needed the management level gain the valid evidence and take full consideration of the purpose of inventories, influence of events after balance sheet date and other factors, and then made relevant judgments and estimates. The actual amount and the difference of previous estimates would affect the book value of inventories and the withdrawal and reversal on provision for bad debts of inventories during the period of estimates being changed.

### (3) Held-to-maturity investment

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

### (4) Held-to-maturity investment impairment

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

### (5) The impairment of financial assets available for sale

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

### (6) Provision for impairment of non-financial non-current assets

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

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

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

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

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

#### (7) Depreciation and amortization

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

#### (8) Income tax

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

## VI Taxes

### 1. Main Taxes and Tax Rates

Type of tax	Taxation basis	Tax rates
VAT	Payable to sales revenue	11%、13%、17%
Urban maintenance and construction tax	Taxable turnover amount	Tax paid in accordance with the tax regulations of tax units location
Enterprise income tax	Taxable income	25% or 15%
Educational surtax	Taxable turnover amount	5%

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

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

## 2. Tax Preference

In 2015, the Company has been identified as High-tech Enterprises, therefore, it enjoys 15-percent preferential rate for corporate income tax; the Company's controlling subsidiary—Changchai Wanzhou Diesel Engine Co., Ltd., the controlling subsidiary company, shall pay the corporate income tax at tax rate 15% from Jan. 1, 2011 to Dec. 31, 2020 in accordance with the Notice of the Ministry of Finance, the General Administration of Customs of PRC and the National Administration of Taxation about the Preferential Tax Policies for the Western Development.

## VII. Notes to Main Items of Consolidated Financial Statements

### 1. Monetary Funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	466,356.31	314,905.29
Bank deposits	324,781,747.27	582,963,123.80
Other monetary funds	105,057,264.13	87,425,772.93
Total	430,305,367.71	670,703,802.02

At the period-end, the restricted monetary fund was of RMB105,041,713.28 in total, of which the bank acceptance deposit was of RMB102,862,822.93, and the credit deposit was of RMB2,178,890.35.

### 2. Notes Receivable

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

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bill	716,404,345.57	501,070,279.01
Total	716,404,345.57	501,070,279.01

#### (2) Notes Receivable Pledged by the Company at the Period-end

Naught

#### (3) Notes Receivable which Had Endorsed by the Company or Had Discounted and Had not Due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	308,740,702.48	
Total	308,740,702.48	

**(4) Notes Transferred to Accounts Receivable because Drawer of the Notes Fails to Executed the Contract or Agreement**

Naught

**3. Accounts Receivable****(1) Accounts Receivable Disclosed by Category**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	26,482,933.51	4.19%	25,729,422.09	97.15%	753,511.42	27,508,638.82	4.62%	25,391,099.21	92.30%	2,117,539.61
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	604,209,510.47	95.65%	212,952,068.34	35.24%	391,257,442.13	567,673,711.72	95.33%	210,511,429.64	37.08%	357,162,282.08
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	974,986.14	0.16%	974,986.14	100.00%		276,298.29	0.05%	276,298.29	100.00%	
<b>Total</b>	<b>631,667,430.12</b>	<b>100.00%</b>	<b>239,656,476.57</b>	<b>37.94%</b>	<b>392,010,953.55</b>	<b>595,458,648.83</b>	<b>100.00%</b>	<b>236,178,827.14</b>	<b>39.66%</b>	<b>359,279,821.69</b>

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

√ Applicable □ Not applicable

Unit: RMB

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer 1	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 2	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 3	2,347,839.17	2,175,177.75	92.65%	Estimated difficult to recover
Customer 4	3,279,100.00	3,279,100.00	100.00%	Estimated difficult to recover
Customer 5	2,068,377.01	2,068,377.01	100.00%	Estimated difficult to recover
Customer 6	5,359,381.00	5,359,381.00	100.00%	Difficult to recover
Customer 7	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 8	1,563,741.28	1,563,741.28	100.00%	Difficult to recover
Customer 9	1,161,700.00	580,850.00	50.00%	Estimated difficult to recover
Total	26,482,933.51	25,729,422.09	--	--

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	384,401,884.42	7,688,038.15	2.00%
1 to 2 years	13,207,493.22	660,374.66	5.00%
2 to 3 years	1,529,286.38	229,392.96	15.00%
3 to 4 years	901,193.92	270,358.18	30.00%
4 to 5 years	164,370.37	98,622.22	60.00%
Over 5 years	204,005,282.16	204,005,282.16	100.00%
Total	604,209,510.47	212,952,068.34	

Notes of the basis for the recognition of the group:



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

Applicable  Not applicable

In the groups, accounts receivable adopting other method to withdraw bad debt provision

Applicable  Not applicable

### (2) Bad Debt Provision Withdraw, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB7,751,495.98; the amount of the reversed or collected part during the Reporting Period was of RMB2,863,905.96.

### (3) The Actual Write-off Accounts Receivable

Unit: RMB

Item	Amount
Wuxi Combine-harvester Co., Ltd.	148,840.10
Shanghe Xiyanghong Agricultural Machinery Trading Company	510,972.30
Xinxiang Yituo Co., Ltd.	681,150.48
FAW Harbin K-Car Co., Ltd.	138,297.38
Total	1,479,260.26

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

At the period-end, the total amount of top 5 of the closing balance of the accounts receivable collected according to the arrears party was RMB218,623,071.69, which was 34.61% of the closing balance of the accounts receivable and the relevant closing balance of bad debt provision was RMB9,673,874.34.

## 4. Prepayment

### (1) Listed by Aging Analysis

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	16,300,217.23	91.67%	13,981,887.79	90.30%
1 to 2 years	110,270.90	0.62%	515,122.72	3.33%
2 to 3 years	384,622.72	2.16%	7,418.00	0.05%
Over 3 years	985,896.92	5.55%	979,046.92	6.32%
Total	17,781,007.77	--	15,483,475.43	--

**(2) Top 5 of the Closing Balance of the Prepayment Collected according to the Prepayment Target**

At the period-end, the total amount of top 5 of the closing balance of the prepayment collected according to the prepayment target was RMB11,844,083.68, which was 66.61% of the closing balance of the accounts receivable.

**5. Other Accounts Receivable****(1) Other Accounts Receivable Disclosed by Category**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	2,853,188.02	7.45%	2,853,188.02	100.00%		2,853,188.02	7.82%	2,853,188.02	100.00%	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	33,367,460.98	87.08%	27,572,489.76	82.63%	5,794,971.22	30,950,737.22	84.83%	26,785,062.60	86.54%	4,165,674.62
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,099,382.02	5.47%	2,099,382.02	100.00%		2,679,801.13	7.35%	2,679,801.13	100.00%	
Total	38,320,031.02	100.00%	32,525,059.80	84.88%	5,794,971.22	36,483,726.37	100.00%	32,318,051.75	88.58%	4,165,674.62

Other receivable with single significant amount and withdrawal bad debt provision separately at the end of the Period:

Applicable  Not applicable

Unit: RMB

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

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

Applicable  Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Subtotal within 1 year	5,105,269.36	102,105.39	2.00%
1 to 2 years	463,526.94	23,176.35	5.00%
2 to 3 years	106,930.77	16,039.62	15.00%
3 to 4 years	61,989.57	18,596.87	30.00%
4 to 5 years	542,931.99	325,759.19	60.00%
Over 5 years	27,086,812.35	27,086,812.35	100.00%
Total	33,367,460.98	27,572,489.76	

Notes of the basis for the recognition of the group:

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

Applicable  Not applicable

Notes: write the name of groups in detail.

Notes of the basis for the recognition of the group:

In the groups, other accounts receivable adopting other method to withdraw bad debt provision:

Applicable  Not applicable

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

The amount of bad debt provision was RMB205,883.38, the amount of reversed or recovered bad debt provision

in the Reporting Period RMB0.00.

### (3) Particulars of the Actual Verification of Other Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
Temporarily paid postage	5,695.50
Advance payment for procurement	3,768.65
Total	9,464.15

### (4) Other Account Receivable Classified by Account Nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Margin and cash pledge	4,200.00	4,200.00
Intercourse accounts among units	21,072,102.14	19,305,341.92
Employee loan	1,854,174.11	1,819,817.62
Other	15,389,554.77	15,354,366.83
Total	38,320,031.02	36,483,726.37

### (5) The Top Five Other Account Receivable Classified by Debtor at Period-end

Unit: RMB

Name of units	Nature	Closing balance	Aging	Proportion %	Closing balance of bad debt provision
Changzhou Compressor Co., Ltd.	Intercourse accounts	2,940,000.00	Over 5 years	7.67%	2,940,000.00
Import and Export Company of Changchai Group	Intercourse accounts	2,853,188.02	Over 5 years	7.45%	2,853,188.02
Changzhou New District Accounting Center	Intercourse accounts	1,626,483.25	Over 5 years	4.24%	1,626,483.25
OEM Group Settlement Center	Intercourse accounts	1,140,722.16	Over 5 years	2.98%	1,140,722.16
Jiangsu Branch of China Export & Credit Insurance Corporation	Intercourse accounts	684,008.33	Within 1 year	1.78%	13,680.17
Total	--	9,244,401.76	--	24.12%	8,574,073.60

## 6. Inventory

### (1) Category of Inventory

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw material	137,637,917.36	5,646,775.16	131,991,142.20	105,129,601.58	4,315,935.29	100,813,666.29
Materials processed on commission	17,692,442.71	183,111.28	17,509,331.43	25,326,273.77	597,808.75	24,728,465.02
Goods in process	142,366,956.08	18,705,451.92	123,661,504.16	127,378,644.50	21,803,781.18	105,574,863.32
Finished goods	247,668,232.73	15,020,818.93	232,647,413.80	280,847,238.35	20,174,913.34	260,672,325.01
Low-value fugitive items	4,212,709.15	1,775,293.26	2,437,415.89	3,557,926.14	1,300,787.34	2,257,138.80
Total	549,578,258.03	41,331,450.55	508,246,807.48	542,239,684.34	48,193,225.90	494,046,458.44

### (2) Falling Price Reserves of Inventory

Unit: RMB

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw material	4,315,935.29	1,327,300.54	29,318.33	25,779.00		5,646,775.16
Materials processed on commission	597,808.75			414,697.47		183,111.28
Goods in process	21,803,781.18	18,705,451.92		21,803,781.18		18,705,451.92
Finished goods	20,174,913.34	15,020,818.93		20,174,913.34		15,020,818.93
Low-value fugitive items	1,300,787.34	813,738.95		339,233.03		1,775,293.26
Total	48,193,225.90	35,867,310.34	29,318.33	42,758,404.02		41,331,450.55

**(3) Notes of the Closing Balance of the Inventory which Includes Capitalized Borrowing Expenses**

Naught

**(4) Completed Unsettled Assets Formed from the Construction Contract at the Period-end**

Naught

**7. Other Current Assets**

Unit: RMB

Item	Closing balance	Opening balance
The VAT tax credits	28,078,565.33	31,669,983.12
Export tax rebates receivable	825,933.00	
Unamortized expenses	135,685.72	
Securities company financing product	13,500,000.00	6,000,000.00
Ju Pai financing product		2,000,000.00
<b>Total</b>	<b>42,540,184.05</b>	<b>39,669,983.12</b>

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

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments						
Measured by fair value	685,837,500.00		685,837,500.00	812,872,500.00		812,872,500.00
Measured by cost	108,895,139.04	1,210,000.00	107,685,139.04	8,410,000.00	1,210,000.00	7,200,000.00
<b>Total</b>	<b>794,732,639.04</b>	<b>1,210,000.00</b>	<b>793,522,639.04</b>	<b>821,282,500.00</b>	<b>1,210,000.00</b>	<b>820,072,500.00</b>

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

Unit: RMB

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Total
Cost of the equity instruments/amortized cost of the debt instruments	79,874,500.00	79,874,500.00
Fair value	685,837,500.00	685,837,500.00
Changed amount of the fair value that be accumulatively recorded in other comprehensive income	515,068,550.00	515,068,550.00
Withdrawn impairment amount		

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

Unit: RMB

Investee	Book balance				Depreciation reserves				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Period-begin	Increase	Decrease	Period-end	Period-begin	Increase	Decrease	Period-end		
Liance Tech	7,200,000.00			7,200,000.00					3.2%	
Changzhou Xietong Innovation Private Equity Fund (Limited Partnership)		100,000.00		100,000.00					99.01%	
Guizhou Warmen Pharmaceutical Co., Ltd.		200,104.80		200,104.80						
Guizhou Anda		195,297.49		195,297.49						

Energy Technol ogy Co., Ltd.									
FUNIK Ultrahar d Material Co., Ltd.		63,09 6.08		63,096.08					
Epitop Optoelec tronic Co., Ltd.		26,64 0.67		26,640.67					
Others	1,210, 000.00			1,210,000 .00	1,21 0,00 0.00			1,210,0 00.00	
Total	8,410, 000.00	100,4 85,13 9.04		108,895,1 39.04	1,21 0,00 0.00			1,210,0 00.00	--

Notes: Others respectively refer to RMB510,000 in Chengdu Changwan Diesel Engine Marketing Corp., and RMB290,000 in Wanzhou Changwan Diesel Engine Fitting Corp. and RMB20,000 in Changzhou Economic and Technological Development Co., Ltd., RMB100,000 in Changzhou Tractors Co., Ltd., RMB200,000 in the Industrial Financing Mutual Benefit Association of Changzhou Economic and Information Technology Commission and RMB90,000 in Beijing Engineering and Agricultural Machinery Co., Ltd.. Due to difficulty in recovery, full-amount impairment provisions were made for the aforesaid accounts.

#### (4) Changes of the Impairment of the Available-for-sale Financial Assets during the Reporting Period

Unit: RMB

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Total
Withdrawn impairment balance at the period-begin	1,210,000.00	1,210,000.00
Withdrawal in the Reporting period		
Of which: transferred from other comprehensive income		
Decrease in the Reporting Period		
Of which: reversed due to the increase of fair value after the Reporting Period		
Withdrawn impairment balance at the period-end	1,210,000.00	1,210,000.00



## 9. Long-term Equity Investment

Unit: RMB

Investee	Opening balance	Increase/decrease								Closing balance	Closing balance of impairment provision
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other decrease		
I. Joint ventures											
II. Associated enterprises											
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	21,006,230.03								21,006,230.03		
Beijing Tsinghua Industrial Investment Management Co., Ltd.	44,182.50									44,182.50	44,182.50
Subtotal	21,050,412.53								21,006,230.03	44,182.50	44,182.50
Total	21,050,412.53								21,006,230.03	44,182.50	44,182.50

Notes: The Company held a special meeting of shareholders on August 26, 2016, on which the Proposal on Being Transferred 67% of shares in Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. held by Fuji Heavy Industries was reviewed and approved. After the acquisition, the Company held the whole shares of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd., and the latter became a domestic enterprise from a

sino-foreign joint venture. Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. finished the change procedures of industrial and commercial registration related to the stock transfer on Jan. 20, 2017, from which it began to be recorded into the consolidated financial statements of the Company.

## 10. Investment Property

### (1) Investment Property Adopted the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	construction in progress	Total
I. Original book value				
1. Opening balance	87,632,571.14			87,632,571.14
2. Increased amount of the period				
(1) Outsourcing				
(2) Transfer of inventory\fixed assets\project under construction				
(3)Enterprises merger increase				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4.Closing balance	87,632,571.14			87,632,571.14
II. The accumulative depreciation and accumulative amortization				
1. Opening balance	32,559,881.91			32,559,881.91
2. Increased amount of the period	2,208,340.80			2,208,340.80
(1) The depreciation or amortization	2,208,340.80			2,208,340.80

3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	34,768,222.71			34,768,222.71
III. Impairment provision				
1. Opening balance				
2. Increased amount of the period				
(1) Disposal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance				
IV. Book value				
1. Closing book value	52,864,348.43			52,864,348.43
2. Opening book value	55,072,689.23			55,072,689.23

## 11. Fixed Assets

### (1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Other equipment	Total
I. Original book value					
1. Opening balance	419,008,246.37	853,659,305.64	23,007,178.60	35,579,255.84	1,331,253,986.45
2. Increased amount of the period	26,324,925.35	73,986,607.74	2,438,084.02	10,012,890.62	112,762,507.73
(1) Purchase	665,992.60	2,991,265.91	91,282.06	990,976.13	4,739,516.70
(2) Construction project transfer	11,337,226.11	65,910,481.82	673,059.84	1,919,827.88	79,840,595.65

(3) Enterprises merger increase	14,321,706.64	5,084,860.01	1,673,742.12	7,102,086.61	28,182,395.38
3. Decreased amount of the period	97,348.35	16,965,344.51	2,081,752.62	1,241,979.85	20,386,425.33
(1) Disposal or Scrap	97,348.35	16,965,344.51	2,081,752.62	1,241,979.85	20,386,425.33
4. Closing balance	445,235,823.37	910,680,568.87	23,363,510.00	44,350,166.61	1,423,630,068.85
II. The accumulative depreciation					
1. Opening balance	224,127,801.27	508,354,183.08	16,762,107.06	25,806,818.81	775,050,910.22
2. Increased amount of the period	25,160,349.06	68,623,939.75	3,197,113.98	8,782,382.33	105,763,785.12
(1) Withdrawal	16,872,689.15	65,430,713.16	2,069,990.60	3,608,700.59	87,982,093.50
(2) Enterprise combination and increase	8,287,659.91	3,193,226.59	1,127,123.38	5,173,681.74	17,781,691.62
3. Decreased amount of the period	84,531.37	15,354,550.74	2,055,653.58	1,233,976.30	18,728,711.99
(1) Disposal or Scrap	84,531.37	15,354,550.74	2,055,653.58	1,233,976.30	18,728,711.99
4. Closing balance	249,203,618.96	561,623,572.09	17,903,567.46	33,355,224.84	862,085,983.35
III. Impairment provision					
1. Opening balance		2,524,137.36			2,524,137.36
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		1,030,022.36			1,030,022.36

(1) Disposal or Scrap		1,030,022.36			1,030,022.36
4. Closing balance		1,494,115.00			1,494,115.00
IV. Book value					
1. Closing book value	196,032,204.41	347,562,881.78	5,459,942.54	10,994,941.77	560,049,970.50
2. Opening book value	194,880,445.10	342,780,985.20	6,245,071.54	9,772,437.03	553,678,938.87

The accumulative depreciation in Reporting Period was RMB87,982,093.50; the original value of construction in progress transfer into fix assets was RMB79,840,595.65.

## 12. Construction in Progress

### (1) List of Construction in Progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Trial production workshop project technology center	14,349,461.80		14,349,461.80	4,233,919.80		4,233,919.80
Casting renovation project	396,000.00		396,000.00	396,000.00		396,000.00
Expansion capacity of multi-cylinder (The 2nd Period)	11,217,706.49		11,217,706.49	57,529,623.42		57,529,623.42
Diesel Engine Cylinder Body Flexible Manufacturing Line	20,125,955.51		20,125,955.51	15,110,073.95		15,110,073.95
35KV Substation	1,218,587.83		1,218,587.83			
Equipment to be installed and payment for projects	47,274,277.43		47,274,277.43	12,511,430.04		12,511,430.04
<b>Total</b>	<b>94,581,989.06</b>		<b>94,581,989.06</b>	<b>89,781,047.21</b>		<b>89,781,047.21</b>

**(2) Changes of Significant Construction in Progress**

Unit: RMB

Name of item	Estimated number	Opening balance	Increased amount	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Closing balance	Proportion estimated of the project accumulative input	Project progresses	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period	Capital resources
Trial production workshop project technology center	2,289.63	4,233.91	10,115.542.00			14,349.461.80	62.67%	Incomplete				Self-raised
Expansion capacity of multi-cylinder (The 2nd Period)	7,019.00	57,529.623.42	6,829.699.76	53,141,616.69		11,217.706.49	91.69%	Incomplete				Self-raised
Diesel Engine Cylinder Body Flexible Manufacturing Line	11,604.00	15,110.073.95	5,261.820.66	245,939.10		20,125.955.51	34.23%	Incomplete				Self-raised
35KV Substation			1,218.587.83			1,218.587.83		Incomplete				Self-raised
Total		76,873.617.17	23,425.650.25	53,387,555.79		46,911.711.63						Self-raised

**13. Intangible Assets****(1) Particulars about Intangible Assets**

Unit: RMB

Item	Land use right	Software	Patent	Total
I. Original book value				
1. Opening balance	137,782,945.30	8,795,831.59		146,578,776.89
2. Increased amount of the period	6,987,562.55	2,176,535.22	8,751,862.30	17,915,960.07
(1) Purchase		1,997,011.05	5,488,000.00	7,485,011.05
(2) Enterprises merger increase	6,987,562.55	179,524.17	3,263,862.30	10,430,949.02
3. Decreased amount of the period			3,263,862.30	3,263,862.30
(1) Disposal			3,263,862.30	3,263,862.30
4. Closing balance	144,770,507.85	10,972,366.81	5,488,000.00	161,230,874.66
II. Total accrued amortization				
1. Opening balance	41,303,353.99	5,360,285.28		46,663,639.27
2. Increased amount of the period	3,852,690.24	2,461,464.99	3,721,195.60	10,035,350.83
(1) Withdrawal	2,972,850.26	2,316,333.22	729,321.82	6,018,505.30
(2) Enterprises merger increase	879,839.98	145,131.77	2,991,873.78	4,016,845.53
3. Decreased amount of the period			3,263,862.30	3,263,862.30
(1) Disposal			3,263,862.30	3,263,862.30
4. Closing balance	45,156,044.23	7,821,750.27	457,333.30	53,435,127.80
III. Depreciation reserves				
1. Opening balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
4. Closing balance				

IV. Book value				
1. Book value of the period-end	99,614,463.62	3,150,616.54	5,030,666.70	107,795,746.86
2. Book value of the period-begin	96,479,591.31	3,435,546.31		99,915,137.62

The proportion of the intangible assets formed from the internal R&D through the Company to the balance of the intangible assets at the period-end was 0.00%.

#### 14. Deferred Income Tax Assets/Deferred Income Tax Liabilities

##### (1) Deferred Income Tax Assets Had not Been Off-set

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	6,519,959.41	1,006,953.81	6,074,862.83	911,229.42
Total	6,519,959.41	1,006,953.81	6,074,862.83	911,229.42

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

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of available-for-sale financial assets	605,963,000.00	90,894,450.00	732,998,000.00	109,949,700.00
Consolidated assets evaluation appreciation not under the same controller	6,061,317.56	1,515,329.39		
Total	612,024,317.56	92,409,779.39	732,998,000.00	109,949,700.00



**(3) List of Unrecognized Deferred Income Tax Assets**

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	306,993,027.51	310,615,241.96
Total	306,993,027.51	310,615,241.96

**15. Other Non-current Assets**

Unit: RMB

Item	Closing balance	Closing impairment provision	Opening balance	Opening impairment provision
Entrust loans	14,000,000.00	14,000,000.00	14,000,000.00	14,000,000.00
Total	14,000,000.00	14,000,000.00	14,000,000.00	14,000,000.00

**16. Short-term Loans****(1) Category of Short-term Loans**

Unit: RMB

Item	Closing balance	Opening balance
Mortgage loan	10,000,000.00	5,000,000.00
Guaranteed loan	14,900,000.00	5,000,000.00
Total	24,900,000.00	10,000,000.00

**17. Notes Payable**

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance bill	347,070,500.00	276,090,000.00
Total	347,070,500.00	276,090,000.00

There was no unpaid notes payable due at the Period end.

**18. Accounts Payable****(1) List of Accounts Payable**

Unit: RMB

Item	Closing balance	Opening balance
Loans	616,228,500.18	605,424,726.65
Total	616,228,500.18	605,424,726.65

## (2) Notes of the Accounts Payable Aging Over One Year

Naught

## 19. Advance from Customers

### (1) List of Advance from Customers

Unit: RMB

Item	Closing balance	Opening balance
Loans	40,153,984.91	40,890,620.69
Total	40,153,984.91	40,890,620.69

### (2) Significant Advance from Customers Aging Over One Year

Naught

## 20. Payroll Payable

### (1) List of Payroll Payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	58,549,908.90	285,465,135.70	292,767,931.94	51,247,112.66
II. Welfare after demission - defined contribution plans		40,250,917.57	40,250,917.57	
III. Termination benefits				
Total	58,549,908.90	325,716,053.27	333,018,849.51	51,247,112.66

### (2) List of Short-term Salary

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	50,720,926.61	235,243,296.81	243,183,111.83	42,781,111.59
2. Employee welfare		5,278,623.79	5,101,031.05	177,592.74

3. Social insurance		20,405,748.93	20,405,748.93	
Including: Medical insurance premiums		16,493,117.13	16,493,117.13	
Work-related injury insurance		2,438,815.53	2,438,815.53	
Maternity insurance		1,473,816.27	1,473,816.27	
4. Housing fund		19,607,673.00	19,607,673.00	
5. Labor union budget and employee education budget	7,828,982.29	4,929,793.17	4,470,367.13	8,288,408.33
6. Short-term absence with salary				
7 Short-term profit sharing scheme .				
Total	58,549,908.90	285,465,135.70	292,767,931.94	51,247,112.66

**(3) List of Drawing Scheme**

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic endowment insurance		38,911,738.46	38,911,738.46	
2. Unemployment insurance expense		1,339,179.11	1,339,179.11	
3. Enterprise annuity				
Total		40,250,917.57	40,250,917.57	

**21. Taxes Payable**

Unit: RMB

Item	Closing balance	Opening balance
VAT	257,634.15	972,104.89
Corporate income tax	1,220,803.03	5,537,211.23
Personal income tax	397,114.88	940,612.41
Urban maintenance and construction tax	850,853.05	902,501.60
Education surcharge	14,671.54	51,563.36
The comprehensive fee	1,075,134.76	1,075,134.76

Property tax	173,200.76	143,204.51
Land use tax	21,000.00	
Stamp duty	7,508.61	
<b>Total</b>	<b>4,017,920.78</b>	<b>9,622,332.76</b>

## 22. Dividends Payable

Unit: RMB

Item	Closing balance	Opening balance
Common stock dividends	3,243,179.97	3,243,179.97
Minority shareholder dividends	648,253.86	648,253.86
<b>Total</b>	<b>3,891,433.83</b>	<b>3,891,433.83</b>

Other notes, including the disclosure of unpaid reason as for the significant dividends payable unpaid over one year: Shareholders have not yet taken.

## 23. Other Accounts Payable

### (1) Other Accounts Payable Listed by Nature of the Account

Unit: RMB

Item	Closing balance	Opening balance
Margin and deposit	3,266,453.59	2,700,853.59
Unit current amount	10,838,311.11	11,420,825.32
Personal amount payable	457,465.63	1,067,429.96
Sales discount and three guarantees	142,449,844.40	151,408,043.35
Other	35,082,168.35	37,849,658.34
<b>Total</b>	<b>192,094,243.08</b>	<b>204,446,810.56</b>

### (2) Other Significant Accounts Payable with Aging Over One Year

Other significant accounts payable with aging over one year mainly was temporarily closed and owe payment unsettled.

## 24. Other Current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Sewage charge	54,000.00	200,000.00
Electric charge	1,974,937.59	2,254,381.75
<b>Total</b>	<b>2,028,937.59</b>	<b>2,454,381.75</b>

## 25. Long-term Loan

### (1) Category of Long-term Loan

Unit: RMB

Item	Closing balance	Opening balance
Mortgage loan	2,000,000.00	
Loan on credit	19,500,000.00	
Total	21,500,000.00	

Notes:

The loan on credit of RMB19,500,000.00 at the period-end was borrowing from Changzhou Branch of CMBC by the Parent Company for the technical transformation project at interest rate of 4.75% with period from Sep. 20, 2017 to Sep. 19, 2019.

The mortgage loan at the period-end of RMB2,000,000.00 was borrowing from Gaosuntang Branch of Chongqing Three Gorges Bank by the subsidiary Changchai Wanzhou Diesel Engine Co., Ltd. at interest rate of 6.15% with period from Dec. 14, 2017 to Nov 6, 2020.

## 26. Deferred Income

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Government subsidies	61,057,232.08	1,000,000.00	1,064,373.62	60,992,858.46	Government allocations
Total	61,057,232.08	1,000,000.00	1,064,373.62	60,992,858.46	--

Items involved in government subsidies:

Unit: RMB

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Amount accrued in other income	Amount set off cost expenses	Other changes	Closing balance	Related to the assets/income
Electric control of diesel engine research and development and	1,443,600.00			398,400.00			1,045,200.00	Related to the assets

industrialization allocations								
National major project special allocations	28,770,000.00						28,770,000.00	Related to the assets
Remove compensation	21,843,632.08			665,973.62			21,177,658.46	Related to the assets
Research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use	9,000,000.00	1,000,000.00					10,000,000.00	Related to the assets
<b>Total</b>	<b>61,057,232.08</b>	<b>1,000,000.00</b>		<b>1,064,373.62</b>			<b>60,992,858.46</b>	<b>--</b>

## 27. Share Capital

Unit: RMB

	Opening balance	Increase/decrease (+/-)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	561,374,326.00						561,374,326.00

**28. Capital Reserves**

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	143,990,690.24			143,990,690.24
Other capital reserves	20,337,975.19			20,337,975.19
Total	164,328,665.43			164,328,665.43

**29. Other Comprehensive Income**

Unit: RMB

Item	Opening balance	Reporting Period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
II. Other comprehensive income not reclassified into profits and losses							
Of which: changes in net assets and net liabilities of defined benefit plan due to re-measurement							
Of which: Shares in other comprehensive income shall be not reclassified into profits							

or losses in future in investee entity under the equity method							
II. Other comprehensive income reclassified into profits and losses							
Of which: Shares in other comprehensive income shall be reclassified into profits or losses in future in investee entity under the equity method							
Profits or losses from the change of fair value of available-for-sale financial assets	623,048,300.00	-127,035,000.00		-19,055,250.00	-107,979,750.00		515,068,550.00
Profits or losses from held-to-maturity investment reclassified as available-for-sale financial assets							
Effective profits or losses of cash flow arbitrage							
Balance arising from translation of foreign currency financial statements							
Total of other comprehensive income	623,048,300.00	-127,035,000.00		-19,055,250.00	-107,979,750.00		515,068,550.00

### 30. Special Reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Safety production cost	11,715,417.22	4,161,424.06	2,587,782.07	13,289,059.21
Total	11,715,417.22	4,161,424.06	2,587,782.07	13,289,059.21

### 31. Surplus Reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus	298,723,390.98	1,824,961.28		300,548,352.26



reserves				
Discretionary surplus reserves	13,156,857.90			13,156,857.90
Total	311,880,248.88	1,824,961.28		313,705,210.16

### 32. Retained Profits

Unit: RMB

Item	Reporting Period	Same period of last year
Opening balance of retained profits before adjustments	651,365,935.39	607,859,611.69
Total retained profits at the beginning of the adjustments (“+” means up, “-“ means down)		
Opening balance of retained profits after adjustments	651,365,935.39	607,859,611.69
Add: Net profit attributable to owners of the Company	46,431,302.73	62,539,896.17
Less: Accrued statutory surplus reserve	1,824,961.28	6,121,962.97
Accrued discretionary surplus reserve		
Accrued general risk preparation		
Dividend of common stock payable	16,841,229.78	12,911,609.50
Dividend of common stock transferred as share capital		
Closing retained profits	679,131,047.06	651,365,935.39

### 33. Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	2,393,799,573.65	2,053,982,326.15	2,258,400,410.51	1,849,826,031.76
Other operations	29,259,384.64	18,895,650.62	24,628,445.01	16,791,304.61
Total	2,423,058,958.29	2,072,877,976.77	2,283,028,855.52	1,866,617,336.37

**34. Business Tax and Surcharges**

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	2,565,415.20	2,649,728.73
Education surcharge	1,832,439.41	1,892,413.41
Property tax	4,650,467.91	4,169,245.49
Land use tax	3,659,038.57	2,976,381.90
Vehicle and vessels usage tax	1,920.00	2,280.00
Stamp duty	1,151,693.01	894,177.60
Business tax		7,500.00
Other taxes	43,324.35	413,516.46
<b>Total</b>	<b>13,904,298.45</b>	<b>13,005,243.59</b>

**35. Sales Expenses**

Unit: RMB

Item	Reporting Period	Same period of last year
Office expenses	16,073,409.43	18,933,214.19
Employee's remuneration	30,109,247.54	28,799,684.22
Sales promotional expense	17,037,228.20	9,370,719.41
Three guarantees	28,911,112.28	39,799,196.44
Transport fees	7,199,785.26	6,837,099.50
Other	2,966,930.66	229,664.03
<b>Total</b>	<b>102,297,713.37</b>	<b>103,969,577.79</b>

**36. Administration Expenses**

Unit: RMB

Item	Reporting Period	Same period of last year
Office expenses	15,631,029.11	17,890,984.51
Employee's remuneration	77,283,923.72	97,316,215.78
Depreciation and amortization	16,124,845.01	15,942,006.73
Research and development expense	50,801,135.42	53,319,103.98

Transport fees	2,761,951.21	2,966,033.22
Repair charge	2,036,028.52	4,796,798.73
Safety expenses	4,161,424.06	1,645,670.24
Other	15,750,578.21	13,705,400.79
<b>Total</b>	<b>184,550,915.26</b>	<b>207,582,213.98</b>

### 37. Financial Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expenses	2,119,903.67	1,220,678.60
Less: Interest income	7,613,535.50	5,446,142.49
Exchange net profit or loss	6,421,288.87	-6,491,112.12
Other	-3,218,451.43	-825,589.07
<b>Total</b>	<b>-2,290,794.39</b>	<b>-11,542,165.08</b>

### 38. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss	5,093,473.40	-554,826.22
II. Inventory falling price loss	35,867,310.34	38,035,521.66
<b>Total</b>	<b>40,960,783.74</b>	<b>37,480,695.44</b>

### 39. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method		236,925.27
Investment income received from the disposal of financial assets measured at fair value and the changes included into the current gains and losses		294,760.70
Investment income received from the holding of available-for-sale financial assets	10,709,750.99	2,833,250.00
Investment income received from the		364,000.00

disposal of bank's financial products		
Investment income received from the disposal of securities companies' financial products	654,862.68	399,809.11
Gains or losses arising from the equity held before the purchase date re-measured at fair value for the business combination not under the same control	1,751,203.43	
<b>Total</b>	<b>13,115,817.10</b>	<b>4,128,745.08</b>

#### 40. Return on Disposal of Assets

Unit: RMB

Resources	Reporting Period	Same period of last year
Return on disposal of fixed assets	1,373,236.33	6,433,767.68

#### 41. Other Income

Unit: RMB

Resources	Reporting Period	Same period of last year
Government subsidies	8,456,560.85	

List of government subsidies recorded into other income

Unit: RMB

Item	Reporting Period	Same period of last year	Related to assets/income
Subsidy for the transformation and upgrading of industrial and information sectors	2,070,000.00		Related to income
Trinity subsidy	1,696,000.00		Related to income
Subsidy for stabilizing posts	1,355,883.23		Related to income
Subsidy for the special rectification of coal fired boilers	60,000.00		Related to income
Subsidy for participating in the international brand campaign	300,000.00		Related to income
Commercial development fund	21,700.00		Related to income
Development funds for small and	32,000.00		Related to income

medium-sized enterprises			
Relocation compensation	1,780,757.62		Related to assets/income
R & D and industrialization of off-road diesel engine controlled by electricity	398,400.00		Related to assets
Other rewards and subsidies	110,820.00		Related to income
Appropriation of other technological projects	631,000.00		Related to income
Total	8,456,560.85		

#### 42. Non-operating Gains

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Government subsidies		7,948,135.65	
Insurance compensation	1,453,805.83	357,156.87	1,453,805.83
Penalty incomes	218,421.07	157,649.63	218,421.07
Gains and losses arising from the disposal of current assets	303,456.00	264,992.00	303,456.00
Other	1,007,709.34	428,989.26	1,007,709.34
Negative goodwill arising from the combination not under the same control	19,924,486.12		19,924,486.12
Total	22,907,878.36	9,156,923.41	22,907,878.36

Government subsidies recorded into the current gains and losses:

Unit: RMB

Item	Distribution entity	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Reporting Period	Same period of last year	Related to assets/related income
Project of industrial revitalization and							2,000,000.00	Related to

technical transformation								income
Special fund for industrial development							500,000.00	Related to income
Special fund to industrial economy for steady growth and promoting transformation							1,250,000.00	Related to income
Mayor Quality Prize								
Subsidy for stabilizing posts							1,928,234.75	Related to income
Science and Technology Progress Award								
Talent development fund							80,000.00	Related to income
Appropriation of other technological projects								Related to income
Other rewards and subsidies							615,527.28	Related to income
Relocation compensation							665,973.62	Related to income
Subsidy for famous brands							300,000.00	Related to income
R & D and industrialization of off-road diesel engine controlled by electricity							398,400.00	Related to income
Subsidy as the fund for university-industry cooperation							150,000.00	Related to income
Subsidy from the association							60,000.00	Related to income
Total							7,948,135.65	--

**43. Non-operating Expenses**

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Losses on the disposal of non-current assets	367,435.71	179,739.42	367,435.71
Donation	210,000.00	310,000.00	210,000.00
Losses on the disposal of current assets	7,047,215.23	9,640,304.91	7,047,215.23
Other	168,007.06	587,436.12	168,007.06
<b>Total</b>	<b>7,792,658.00</b>	<b>10,717,480.45</b>	<b>7,792,658.00</b>

**44. Income Tax Expense****(1) Lists of Income Tax Expense**

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	2,030,954.40	11,149,938.42
Deferred income tax expense	-349,287.14	51,301.46
<b>Total</b>	<b>1,681,667.26</b>	<b>11,201,239.88</b>

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

Unit: RMB

Item	Reporting Period
Total profits	48,818,899.73
Current income tax expense accounted by tax and relevant regulations	7,322,834.96
Influence of different tax rate suitable to subsidiary	855,374.42
Influence of non-taxable income	-4,583,262.68
Influence of not deductible costs, expenses and losses	-1,766,118.69
Influence of deductible losses of deferred income tax assets derecognized used in previous period	5,742,161.50
Influence of deductible temporary difference or deductible losses of deferred income tax assets	-11,221.38

derecognized in Reporting Period.	
Tax preference incurred from qualified expense	-323,318.11
Tax preference arising from eligible expenses	-2,303,429.33
Other	-3,251,353.43
Total profits	1,681,667.26

#### 45. Cash Flow Statement

##### (1) Other Cash Received Relevant to Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Subsidies and grants	8,003,187.23	6,883,762.03
Cash received from other current account	5,034,680.92	2,742,256.68
Interest income	7,665,735.50	5,446,142.49
Total	20,703,603.65	15,072,161.20

##### (2) Other Cash Paid Relevant to Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Sale expense paid into cash	42,623,103.17	50,525,203.20
Management expense paid into cash	42,894,223.56	48,853,500.64
Commission Expenses	797,242.10	585,735.15
Other	1,786,264.01	876,066.51
Total	88,100,832.84	100,840,505.50

#### 46. Supplemental Information for Cash Flow Statement

##### (1) Supplemental Information for Cash Flow Statement

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	47,137,232.47	63,716,669.27



Add: Provision for impairment of assets	40,960,783.74	37,480,695.44
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	90,190,434.30	81,826,261.97
Amortization of intangible assets	6,018,505.30	4,942,465.02
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by "-")	-1,373,236.33	-6,254,028.26
Losses on the scrapping of fixed assets (gains by "-")	367,435.71	
Losses on the changes in fair value (gains by "-")		
Financial expenses (gains by "-")	2,119,903.67	1,220,678.60
Investment losses (gains by "-")	-13,115,817.10	-4,128,745.08
Decrease in deferred income tax assets (increase by "-")	-95,724.39	51,301.46
Increase in deferred income tax liabilities (decrease by "-")	-253,562.75	
Decrease in inventory (increase by "-")	-16,207,075.64	-134,791,967.74
Decrease in accounts receivable from operating activities (increase by "-")	-255,524,512.29	-70,568,271.81
Increase in payables from operating activities (decrease by "-")	15,592,612.02	138,226,784.07
Other	-37,486,258.10	-12,247,898.90
Net cash flows generated from operating activities	-121,669,279.39	99,473,944.04
2. Investing and financing activities that do not involving cash receipts and payment:		--
Debt transferred as capital		
Convertible corporate bond due within one year		
Fixed assets from financing lease		
3. Net increase in cash and cash equivalents		--
Closing balance of cash	325,263,654.43	583,278,129.09
Less: Opening balance of cash	583,278,129.09	526,716,238.21
Add: Closing balance of cash equivalents		

Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-258,014,474.66	56,561,890.88

**(2) Net Cash Paid of Obtaining the Subsidiary**

Unit: RMB

	Amount
Cash or cash equivalents paid in the Reporting Period for the business combination occurring in the Current Period	26,280,000.00
Of which: Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	26,280,000.00
Less: cash and cash equivalents held by subsidiaries on the purchase date	22,007,649.01
Of which: Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	22,007,649.01
Add: cash or cash equivalents for the business combination occurring in previous period	
Of which:	
Net cash paid of obtaining the subsidiary	4,272,350.99

**(3) Cash and Cash Equivalents**

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	325,263,654.43	583,278,129.09
Including: Cash on hand	466,356.31	314,905.29
Bank deposit on demand	324,781,747.27	582,963,123.80
Other monetary fund on demand	15,550.85	100.00
Accounts deposited in the central bank available for payment		
Deposits in other banks		
Accounts of interbank		
II. Cash equivalents		
Of which: bond investment expired within three months		
III. Balance of cash and cash equivalents	325,263,654.43	583,278,129.09
Of which: cash and cash equivalents with restriction in use for the Parent Company or subsidiaries of the Group		

**47. The Assets with the Ownership or Use Right Restricted**

Unit: RMB

Item	Closing book value	Reason for restriction
Monetary capital	105,041,713.28	Margin of bank acceptance bill and L/C
Houses and buildings	9,597,056.53	Pledge for bank loans
Land use right	18,940,882.28	Pledge for bank loans

**48. Foreign Currency Monetary Items****(1) Foreign Currency Monetary Items**

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance of converting to RMB
Monetary capital	--	--	
Including: USD	6,798,219.88	6.5342	44,420,928.34
HKD	218,624.13	0.83591	182,750.10
SGD	54,427.95	4.8831	265,777.12
JPY	3,451.00	0.057883	199.75
Accounts receivable	--	--	
Including: USD	7,600,123.97	6.5342	49,660,730.04

**VIII. Changes of Merger scope****1. Business Merger not under Same Control****(1) Business Merger not under Same Control in Reporting Period**

Unit: RMB

Name of acquiree	Time and place of gaining the stock rights	Cost of gaining the stock rights	Proportion of stock rights	Way to gain the stock rights	Purchase date	Recognition basis of purchase date	Income of acquiree during the purchase date to period-end	Net profits of acquiree during the purchase date to period-end
Changzhou Fuji	01/20/2017	26,280,000.00	67.00%	Acquisition in cash	01/20/20	The whole accounts of	160,850,613.34	5,642,002.58

Changchai Robin Gasoline Engine Co., Ltd.					17	stock acquisition had been paid; the change procedure of industrial and commercial registration had been conducted; the controlling rights had been acquired.		
---	--	--	--	--	----	---	--	--

**(2) Combined Cost and Goodwill**

Unit: RMB

Combined cost	Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.
--Cash	26,280,000.00
--Fair value of non-cash assets	
--Fair value of liabilities issued or undertaken	
--Fair value of equity securities issued	
--Fair value of contingent consideration	
--Fair value of equity held before the purchase date on the purchase date	22,757,433.46
--Other	
Total combination cost	49,037,433.46
Less: Shares of fair value of recognizable net assets obtained	68,961,919.58
Amount of shares of fair value recognizable net assets obtained minus goodwill/combination cost	19,924,486.12

**(3) The Identifiable Assets and Liabilities of Acquiree on Purchase Date**

Unit: RMB

	Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	
	Fair value on purchase date	Book value on purchase date
Assets:	87,293,684.29	80,218,115.74
Monetary capital	22,007,649.01	22,007,649.01

Accounts receivable	14,218,423.93	14,218,423.93
Inventory	33,860,583.74	33,860,583.74
Fixed assets	7,697,441.16	10,400,703.76
Intangible assets	2,041,797.54	6,414,103.49
Liabilities	18,331,764.71	16,562,872.57
Loans	0.00	0.00
Accounts payable	16,562,872.57	16,562,872.57
Deferred income tax liabilities	0.00	1,768,892.14
Net assets	68,961,919.58	63,655,243.17
Less: Minority shareholders equity		
Net assets obtained	68,961,919.58	63,655,243.17

#### (4) The Profit or Loss from Equity Held before the Acquisition Date Re-measured at Fair Value

Whether there is a transaction that through multiple transaction step by step to realize enterprises merger and gaining the control during the Reporting Period

Yes  No

Unit: RMB

Name of acquiree	Book value of stock rights held before the purchase date on the purchase date	Fair value of stock rights held before the purchase date on the purchase date	Gains or losses arising from stock rights held before the purchase date re-measured at fair value	Determination method for the fair value of stock rights held before the purchase date on the purchase date and main assumptions	Amount of investment income transferred from other comprehensive income related to stock rights held before the purchase date
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	21,006,230.03	22,757,433.46	1,751,203.43	Continue to calculate the fair value on the purchase date based on the fair values of assets and liabilities assessed on June 30, 2017-the base date of assets evaluation.	-

**IX. Equity in Other Entities****1. Equity in Subsidiary****(1) The Structure of the Enterprise Group**

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

**(2) Significant Non-wholly-owned Subsidiary**

Unit: RMB

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Changchai Wanzhou Diesel	40.00%	703,685.46		19,102,633.03

Engine Co., Ltd.				
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	5.00%	2,244.28		370,523.28

**(3) The Main Financial Information of Significant not Wholly Owned Subsidiary**

Unit: RMB

Name	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Changchai Wanzhou Diesel Engine Co., Ltd.	51,977.2	27,423.6	79,390.8	29,635.0	2,000.00	31,635.0	43,464.2	27,673.8	71,138.0	25,138.8		25,138.8
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	38,597.23	346,526.83	38,943,951.06	31,533,485.51		31,533,485.51	29,743,164.98	372,868.70	30,116,033.68	22,750,453.64		22,750,453.64

Unit: RMB

Name	Reporting Period	Same period of last year
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	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Changchai Wanzhou Diesel Engine Co., Ltd.	64,348,508.86	1,759,213.66	1,759,213.66	6,032,875.55	66,035,872.53	2,684,535.81	2,684,535.81	5,461,701.22
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	15,715,166.92	44,885.51	44,885.51	-10,230,832.08	20,425,666.48	2,059,175.66	2,059,175.66	1,114,872.81

## 2. Equity in the Structured Entity not Included in the Scope of Consolidated Financial Statements

Related notes to structured entity not included in the scope of consolidated financial statements:

On October 18, 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment, of which, RMB1 million was invested by the general partner- Synergetic Innovation Fund Management Co., Ltd., and RMB100 million was invested by the limited partner-Changchai Co., Ltd. In accordance with the *Partnership Agreement*, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

## X. The Risk Related Financial Instruments

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

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

### (I) Credit risk

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

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



Company conduct the following methods.

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

#### (II) Liquidity Risk

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

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

#### (III) Market risk

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

##### 1. Interest rate risk

Interest rate risk was referred to risk of the fair value or future cash flow of financial instrument changed due to the change of market interest risk.

##### 2. Foreign exchange risk

Foreign exchange rate risk is referred to the risk incurred form the change of exchange rate. The export sales of the Company had a certain credit term, if the RMB appreciates against the dollar, the company's accounts receivable will incur foreign currency exchange loss.

## XI. The Disclosure of the Fair Value

### 1. Closing Fair Value of Assets and Liabilities Calculated by Fair Value

Unit: RMB

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(II) Available-for-sale financial assets	685,837,500.00			685,837,500.00
(1)Debt instrument investment				

(2) Equity tool investment	685,837,500.00			685,837,500.00
Total of assets consistently measured by fair value	685,837,500.00			685,837,500.00

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

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

## XII. Related Party and Related Transaction

### 1. Information Related to the Parent Company

Name of Parent Company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Changzhou Government State-owned Assets Supervision and Administration Commission	Changzhou			30.43%	30.43%

Notes: Information on the parent company:

The actual controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission. At Dec. 31, 2017, it held 30.43% shares of the Company (state owned shares).

Final control of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission.

### 2. Subsidiaries of the Company

Refer to Note IX for details.

### 3. Information on Other Related Parties of the Company

Name	Relationship
Synergetic Innovation Fund Management Co., Ltd.	The Company serves as the senior executive of that company

#### 4. List of Related-party Transactions

##### (1) Other Related-party Transactions

On October 18, 2017, the Company set up Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) through investment together with Synergetic Innovation Fund Management Co., Ltd., of which, RMB1 million was invested by the general partner-Synergetic Innovation Fund Management Co., Ltd., and RMB0.1 billion was invested by the limited partner-Changchai Co., Ltd.

### XIII. Commitments and Contingency

#### 1. Significant Commitments

Significant commitments on the balance sheet date

As of 31 Dec. 2017, there were no significant commitments to be disclosed.

#### 2. Contingency

##### (1) Significant Contingency on Balance Sheet Date

Previous litigations continuing to the Reporting Period the Company involved:

Name of the entity	Date of accepted	Name of the litigation or arbitration institutions	Amount involved (RMB'0,000)	Remark
Shandong Hongli Group Co., Ltd.	06/27/2001	Changzhou Intermediate People's Court	1,436.00	Under the bankruptcy and liquidation

Notes to the case:

About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April, 2002. Currently, the defendant has started the bankruptcy procedure. The aforesaid payment has arranged for the full provision for bad debts.

### XIV. Events after Balance Sheet Date

#### 1. Profit Distribution

Unit: RMB

Profits or dividends planned to be allocated	16,841,229.78
Reviewed and approved Profits or dividends allocation	

## XV. Other Significant Events

### 1. Segment Information

#### (1) Reasons Should Be Given when the Company Has no Segment, or the Total Assets and Total Liabilities of Various Segments Could Not Be Disclosed

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

#### (2) Other Notes

### 2. Other Important Transactions and Events Having an Impact on Investors' Decision-making

As of the approval issue date of financial statements, the Company did not complete the liquidation procedures of 2017 annual enterprise income tax.

## XVI. Notes of Main Items in the Financial Statements of the Parent Company

### 1. Accounts Receivable

#### (1) Accounts Receivable Classified by Category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	35,274,603.67	6.52%	30,401,000.85	86.18%	4,873,602.82	37,894,677.8	7.17%	31,210,576.96	82.36%	6,684,100.82
Accounts receivable withdrawal of bad debt	505,142,981.60	93.30%	190,129,532.72	37.64%	315,013,448.88	490,383,771.93	92.78%	188,267,201.85	38.39%	302,116,570.08

provision of by credit risks characteristics:										
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	974,986.14	0.18%	974,986.14	100.00%		276,298.29	0.05%	276,298.29	100.00%	
Total	541,392,571.41	100.00%	221,505,519.71	40.91%	319,887,051.70	528,554,748.00	100.00%	219,754,077.10	41.58%	308,800,670.90

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

√ Applicable □ Not applicable

Unit: RMB

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer 1	1,902,326.58	1,902,326.58	100.00	Difficult to recover
Customer 2	6,215,662.64	6,215,662.64	100.00	Difficult to recover
Customer 3	2,347,839.17	2,175,177.75	92.65	Estimated difficult to recover
Customer 4	3,279,100.00	3,279,100.00	100.00	Estimated difficult to recover
Customer 5	2,068,377.01	2,068,377.01	100.00	Estimated difficult to recover
Customer 6	5,359,381.00	5,359,381.00	100.00	Difficult to recover
Customer 7	2,584,805.83	2,584,805.83	100.00	Difficult to recover

Customer 8	1,563,741.28	1,563,741.28	100.00	Difficult to recover
Customer 9	1,161,700.00	580,850.00	50.00	Estimated difficult to recover
Customer 10	8,791,670.16	4,671,578.76	53.14	Estimated difficult to recover
Total	35,274,603.67	30,401,000.85	--	--

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

Applicable  Not applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Subtotal within 1 year	310,936,203.59	6,218,724.06	2.00%
1 to 2 years	8,955,873.22	447,793.66	5.00%
2 to 3 years	1,307,816.38	196,172.46	15.00%
3 to 4 years	872,139.62	261,641.89	30.00%
4 to 5 years	164,370.37	98,622.22	60.00%
Over 5 years	182,906,578.42	182,906,578.42	100.00%
Total	505,142,981.60	190,129,532.72	

Notes of the basis for the determination of the group:

In the groups, accounts receivable adopting balance percentage method to accrue bad debt provision:

Applicable  Not applicable

Unit: RMB

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB7,242,507.82; the amount of the reversed or collected part during the Reporting Period was of RMB4,011,804.95.

## (3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
Wuxi Combine Harvester Co., Ltd.	148,840.10

Shanghe Xiyanghong Agricultural Machinery Trading Company	510,972.30
Xinxiang Yituo Co., Ltd.	681,150.48
FAW Harbin K-CAR Co., Ltd.	138,297.38
Total	1,479,260.26

#### (4) Top Five of Account Receivable of Closing Balance Collected by Arrears Party

The total amount of top five of account receivable of closing balance collected by arrears party was RMB 218,623,071.69, 40.38% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB9,673,874.34.

## 2. Other Accounts Receivable

### (1) Other Account Receivable Classified by Category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	2,853,188.02	6.83%	2,853,188.02	100.00%		2,853,188.02	8.56%	2,853,188.02	100.00%	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	36,815,664.59	88.14%	25,017,453.19	67.95%	11,798,211.40	27,799,389.26	83.40%	24,104,715.33	86.71%	3,694,673.93
Other accounts receivable with	2,099,382.0	5.03%	2,099,382.0	100.00%		2,679,801.13	8.04%	2,679,801.13	100.00%	

insignificant single amount for which bad debt provision separately accrued	2		2			1.13				
Total	41,768,234.63	100.00%	29,970,023.23	71.75%	11,798,211.40	33,332,378.41	100.00%	29,637,704.48	88.92%	3,694,673.93

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

Applicable  Not applicable

Unit: RMB

Other accounts receivable (by unit)	Closing balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Changchai Group Import & Export Co., Ltd.	2,853,188.02	2,853,188.02	100.00%	Difficult to recover
Total	2,853,188.02	2,853,188.02	--	--

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

Applicable  Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Subtotal within 1 year	11,257,923.82	225,158.47	2.00%
1 to 2 years	445,822.98	22,291.15	5.00%
2 to 3 years	106,930.77	16,039.62	15.00%
3 to 4 years	60,114.33	18,034.30	30.00%
4 to 5 years	522,357.60	313,414.56	60.00%
Over 5 years	24,422,515.09	24,422,515.09	100.00%
Total	36,815,664.59	25,017,453.19	

Notes of the basis for the determination of the group:

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



Applicable  Not applicable

Note: fill in the accurate name of the group.

Notes of the basis for the determination of the group:

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

Applicable  Not applicable

Notes: explain the basis for the determination of the group, the closing balance of various other accounts receivable, the closing balance of bad debt provision and the withdrawal proportion of bad debt provision.

## (2) Bad Debt Provision Withdraw, Reversed or Collected during the Reporting Period

The amount of bad debt provision was RMB332,318.75, the amount of reversed or recovered bad debt provision in the Reporting Period RMB0.00.

## (3) Particulars of the Actual Verification of Other Accounts Receivable during the Reporting Period

Naught

## (4) Other Accounts Receivable Classified by the Nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Guarantee and cash pledge	4,200.00	4,200.00
Intercourse accounts among units	25,497,534.34	16,917,626.21
Petty cash & employee borrowing	912,133.46	1,056,185.37
Other	15,354,366.83	15,354,366.83
Total	41,768,234.63	33,332,378.41

## (5) Top 5 of the Closing Balance of the Other Accounts Receivable Collected according to the Arrears Party

Unit: RMB

Name of units	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	Intercourse accounts	7,161,832.25	Within 1 year	17.15%	143,236.65
Changzhou Compressor Co., Ltd.	Intercourse accounts	2,940,000.00	Over 5 years	7.04%	2,940,000.00

Changchai Group Import & Export Co., Ltd.	Intercourse accounts	2,853,188.02	Over 5 years	6.83%	2,853,188.02
Changzhou New District Accounting Center	Intercourse accounts	1,626,483.25	Over 5 years	3.89%	1,626,483.25
OEM Group Settlement Center	Intercourse accounts	1,140,722.16	Over 5 years	2.73%	1,140,722.16
Total	--	15,722,225.68	--	37.64%	8,703,630.08

### 3. Long-term Equity Investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	231,752,730.03		231,752,730.03	184,466,500.00		184,466,500.00
Investment to joint ventures and associated enterprises	44,182.50	44,182.50		21,050,412.53	44,182.50	21,006,230.03
Total	231,796,912.53	44,182.50	231,752,730.03	205,516,912.53	44,182.50	205,472,730.03

#### (1) Investment to the Subsidiary

Unit: RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Changchai Wanzhou Diesel Engine Co., Ltd.	51,000,000.00			51,000,000.00		
Changzhou Changchai Benniu Diesel Engine	96,466,500.00			96,466,500.00		

Fittings Co., Ltd.						
Changzhou Housheng Investment Co., Ltd.	30,000,000.00				30,000,000.00	
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	7,000,000.00				7,000,000.00	
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.			47,286,230.03		47,286,230.03	
<b>Total</b>	<b>184,466,500.00</b>		<b>47,286,230.03</b>		<b>231,752,730.03</b>	

**(2) Investment to Joint Ventures and Associated Enterprises**

Unit: RMB

Investee	Opening balance	Increase/decrease								Closing balance	Closing balance of impairment provision
		Additonal investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	21,006,230.03		21,006,230.03								
Beijing Tsinghua Xingye	44,182.50									44,182.50	44,182.50

Industrial Investment Management Co., Ltd.											
Subtotal	21,050,412.53		21,006,230.03							44,182.50	44,182.50
Total	21,050,412.53		21,006,230.03							44,182.50	44,182.50

**(3)Other Notes****4. Revenues and Operating Costs**

Unit: RMB

Item	Reporting Period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	2,208,546,755.61	1,913,570,161.64	2,238,155,721.58	1,856,049,114.70
Other operations	27,259,235.38	18,109,162.04	23,268,342.48	16,348,177.30
Total	2,235,805,990.99	1,931,679,323.68	2,261,424,064.06	1,872,397,292.00

**5. Investment Income**

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method		236,925.27
Investment income received from holding of available-for-sale financial assets	10,709,750.99	2,673,250.00
Investment income received from the disposal of financial products		364,000.00
Total	10,709,750.99	3,274,175.27

**XVII. Supplementary Materials****1. Non-recurring Gains and Losses during this Reporting Period**

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses on the disposal of non-current assets	1,005,800.62	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents		
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	8,456,560.85	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses	1,200,592.21	
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments	19,924,486.12	In case of the negative goodwill resulting from non-identical control after the merger of FCR, Changchai decided to complete the transfer of shares of Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd. on January 20, 2017. So FCR has incorporated into Changchai company's consolidated statement since January 20, 2017. Then the difference of identifiable net assets share less the combined cost was included in the current profit and loss as 19.9245 million yuan.
Gain/loss on non-monetary asset swap		
Gain/loss on entrusting others with investments or asset management		
Asset impairment provisions due to acts of God such as natural disasters		
Gains and losses from debt restructuring		
Expenses on business reorganization, such as		

expenses on staff arrangements, integration, etc.		
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices		
Current net gains and losses of subsidiaries acquired in business combination under the same control from period-begin to combination date		
Profits or losses incurred from contingency of non-operating business.		
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	654,862.68	
Reverse of bad debt provision of account receivable individually conducting impairment test		
Gain/loss on entrustment loans		
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method		
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations		
Custody fee income when entrusted with operation		
Other non-operating income and expenses other than the above	-4,441,830.05	
Project confirmed with the definition of non-recurring gains and losses and losses		
Gains or losses arising from the re-measurement of the original stock rights held before the purchase date by fair value for the business combination not under the same control	1,751,203.43	
Less: Income tax effects	951,629.77	
Minority interests effects	-12,821.48	
Total	27,612,867.57	--

Notes: Items of non-recurring gains and losses were listed in line with the pretax amount.

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

Applicable  Not applicable

## 2. Return on Equity (ROE) and Earnings Per Share (EPS)

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	2.00	0.08	0.08
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	0.81	0.03	0.03

## Part XII Documents Available for Reference

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

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

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

The Board of Directors

Changchai Company, Limited

April 13, 2018