

Chongqing Jianshe Motorcycle Co., Ltd.

Annual Report 2016

2017-012

April 2017

I. Important Prompts, Table of Contents, and Definitions

The Board of Directors, The Supervisory Committee, the supervisors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

Mr. Lv Hongxian, The Company leader, Mr. Xue Gangyi, the Financial Officer, Ms.Niu Yanli, the manager of accounting department, hereby declare: the truthfulness and completeness of the Financial Report are guaranteed.

All directors presented the Board Meeting at which this report was examined:

Prospective statements carried in this report, such as business plans for future are not constituting any substantial commitment to the investors. Please be cautious to the risks. This report is prepared both in English and Chinese. When there is any conflict in understanding, the Chinese version shall prevail.

The company had concretely described the existed factors of risks of the company in the report, of which please refer to the contents in the Report of directors concerning the possible facing risk factors in the company's future development. The company's business plan and business goal of the year do not represent the 2017-annual earnings forecast made by the company, hence whether those can be realized depending on many factors such as the market circumstance and the extent of hard working of the management team, thus there is a large extent of uncertainty, please be aware of the investment risks.

The Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period.

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Definition

Terms to be defined	Defined as	Definition
Company, the Company, Jianmo Stock	Defined as	Chongqing Jianshe Motorcycle Co., Ltd.
Shenjianmo	Defined as	Shenzhen North Jianshe Motorcycle Co., Ltd. (predecessor of the Company)
Military Equipment Group	Defined as	China Military Equipment Group Co., Ltd. (China Southern Industry Group Co., Ltd.)
Southern Group	Defined as	China Southern Industry Group Co., Ltd.
Military Finance Co.	Defined as	Military Equipment Group Finance Co., Ltd.
Southern Motorcycle	Defined as	Chongqing Southern Motorcycle Co., Ltd.
Southern Motorcycle R&D Co., Ltd.	Defined as	Chongqing Southern Motorcycle Technologies Development Co., Ltd.
Jianshe Industry	Defined as	Chongqing Jianshe Industry Co., Ltd. – former State-owned Jianshe Machinery Factory, Jianshe Industry (Group) Co., Ltd.
Jianshe Group	Defined as	Jianshe Industrial (Group) Co., Ltd.
Jianshe Machinery	Defined as	Chongqing Jianshe Machinery Co., Ltd.
Jianshe Mechanical and Electric	Defined as	Chongqing Jianshe Mechanical and Electric Co., Ltd.
China Jialin	Defined as	China Jialin Industry Co., Ltd. (Group)
Jinan Qingqi	Defined as	Jinan Qingqi Motorcycle Co., Ltd.
Changan Auto	Defined as	Chongqing Changan Automobile Co., Ltd.
Luoyang Northern	Defined as	Luoyang Northern Enterprise Group Co., Ltd.
Sales Co.	Defined as	Chongqing Jianshe Sales Co., Ltd.
Vehicle air conditioner	Defined as	Chongqing Jianshe Automobile Air-conditioner Co., Ltd.
Import & Export Co.	Defined as	Chongqing Northern Jianshe Import & Export Co., Ltd.
Shanghai Jianshe	Defined as	Shanghai Jianshe Motorcycle Co., Ltd.
Slaes Company	Defined as	Chongqing Jianshe Motorcycle Sales Co., Ltd.
Chongqing Jianya	Defined as	Chongqing Jianshe YAMAHA Motorcycle Co., Ltd.
Zhuzhou Jianya	Defined as	Zhuzhou Jianshe YAMAHA Motorcycle Co., Ltd.
Pingshan Taikai	Defined as	Chongqing Pingshan Taikai Carburetor Co., Ltd.
Jianxing Machinery	Defined as	Chongqing Jianxing Machinery Co., Ltd.
Tongsheng Construction	Defined as	Chongqing Tongsheng Jianshe Industry Co., Ltd.
Fuyeda	Defined as	Chongqing Fuda Property Management Co., Ltd.

Jiangmen Qingqi	Defined as	Jiangmen Qingqi South China Motorcycle Co., Ltd.
Changan SUZUKI	Defined as	Chongqing Chang'an SUZUKI Automobile Co., Ltd.
Changhe SUZUKI	Defined as	Jiangxi Changhe SUZUKI Automobile Co., Ltd.
Hebei Changan	Defined as	Hebei Changan Automobile Co., Ltd.
Hefei Changan	Defined as	Hefei Changan Auto Co., Ltd.
Hafei Automobile	Defined as	Harbin Hafei Automobile Co., Ltd.
Changan Ford ,Harbin Branch	Defined as	Changan Ford Automobile Co., Ltd. Harbin Branch
Harbin Dongan Auto Engine	Defined as	Harbin Dongan Auto Engine Co., Ltd.
South Air International	Defined as	South Air International Co., Ltd.
Nanjing Changan	Defined as	Nanjing Changan Automobile Co., Ltd.
Major asset restructuring	Defined as	The company has made an agreement to sale the 100% stake of Jianshe Mechanical and Electric Company-the company's subsidiary funded by the liabilities and the motorcycle business related assets held by the company to Military Equipment Group.

II. Basic Information of the Company and Financial index

I .Company Information

Stock ID	Jianmo B	Stock Code	200054
Stock Exchange Listed in	Shenzhen Stock Exchange		
Company Name in Chinese	重庆建设摩托车股份有限公司		
Short form of Company Name in Chinese	建设摩托		
Company Name in English	CHONGQING JIANSHE MOTORCYCLE CO.,LTD.		
Short form of Company Name in English	JSMC-B		
Legal representative:	Lv Hongxian		
Registered address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing		
Postal code of the Registered Address	400054		
Office Address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing		
Postal code of the office address	400054		
Internet Web Site	http://www.jianshe.com.cn		
E-mail	cqjismc@jianshe.com.cn		

II .Contact person and contact manner

	Secretary of the Board	Representative of Stock Affairs
Name	Xue Gangyi	Liu Hongyu
Address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing
Tel.	023-66295333	023-66295333
Fax.	023-66295333	023-66295333
Email.	cqjismc@jianshe.com.cn	cqjismc@jianshe.com.cn

III. Information disclosure and placed

Newspapers selected by the Company for information disclosure	Securities Times and Hongkong Commercial Daily.
Internet website designated by CSRC for publishing the Annual report of the Company	http://www.cninfo.com.cn
The place where the Annual report is prepared and placed	Secretarial office of the Board

IV.Changes in Registration

Organization Code	915000007474824231
Changes in principal business activities since listing (if any)	In 2015, the company implemented the major asset restructuring, stripped the main assets and liabilities involved in the motorcycle business, completed the structural adjustment of the main business and the vehicle air-conditioning business has become the company's main business.
Changes is the controlling shareholder in the past (is any)	(a) The company was set up by Jianshe Group and China North Industries Corp Shenzhen Company in July 1995, of which the Jianshe Group was the company's controlling shareholder that holds 71.13% stake of the company. (b) On August 31, 2005, the 71.13% stake of the company held by Jianshe Group was transferred to Military Equipment Group in an agreement, thus the Military Equipment Group. has become the company's controlling shareholder. © On March 2, 2016, according to Agreement of Share Transfer in Zero Price signed between Military Equipment Group and Jianshe Mechanical and Electric, Military Equipment Group shall transfer its 71.13% stake of the company to Jianshe Mechanical and Electric in zero price, thus the Jianshe Mechanical and Electric will become the company's controlling shareholder.

V. Other Relevant Information**CPAs engaged**

Name of the CPAs	BDO China Shu Lun Pan Certified Public Accountants LLP
Office address:	Address: 4/F 61 Nanjing Rd. East, Huangpu, Shanghai
Names of the Certified Public Accountants as the signatories	Li Shunli, Chen Jia

The sponsor performing persistant supervision duties engaged by the Company in the reporting period.

☐ Applicable ☒ Not applicable

The Financial advisor performing persistant supervision duties engaged by the Company in the reporting period

☒ Applicable ☐ Not applicable

Financial advisor Name	Office address	Representatives	Period of supervision and guide
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China Securities	No.4 Building, No.66 Anli Road, Chaoyang District , Beijing	Liu Lei, Xi Guangyi	2016 -2017
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VI.Summary of Accounting data and Financial index

May the Company make retroactive adjustment or restatement of the accounting data of the previous years due to change of the accounting policy and correction of accounting errors.

☐ Yes ☒ No

	2016	2015	Changed over last year (%)	2014
Operating Gross income (RMB)	873,286,486.75	1,341,331,910.93	-34.89%	1,763,619,804.97
Net profit attributable to the shareholders of the listed company (RMB)	12,267,006.14	240,735,112.20	-94.90%	-133,593,949.98
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (RMB)	12,908,428.98	-255,602,553.80	-105.06%	-153,898,341.02
Cash flow generated by business operation, net (RMB)	108,619,119.02	82,306,010.61	31.97%	94,598,651.91
Basic earning per share(RMB/Share)	0.103	2.017	-94.89%	-1.119
Diluted gains per share(RMB/Share)(RMB/Share)	0.103	2.017	-94.89%	-1.119
Net asset earning ratio (%)	4.68%	175.35%	-170.67%	-158.82%
	End of 2016	End of 2015	Changed over last year (%)	End of 2014
Gross assets (RMB)	1,559,334,881.03	1,550,615,831.44	0.56%	2,389,211,010.43
Net assets attributable to shareholders of the listed company (RMB)	268,383,091.65	256,116,085.51	4.79%	17,321,196.61

VII.The differences between domestic and international accounting standards

1. Simultaneously pursuant to both Chinese accounting standards and international accounting standards disclosed in the financial reports of differences in net income and net assets.

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS

(International Accounting Standards) or Chinese GAAP(Generally Accepted Accounting Principles) in the period.

2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards.

☐ Applicable ☒ Not applicable

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

VIII.Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	208,588,488.00	259,588,803.88	222,817,415.03	182,291,779.84
Net profit attributable to the shareholders of the listed company	4,399,465.72	4,103,379.70	4,314,063.61	-549,902.89
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	4,348,808.65	4,012,998.17	5,164,583.47	-617,961.31
Net Cash flow generated by business operation	24,195,604.08	37,744,133.71	34,576,909.96	12,102,471.27

Whether significant variances exist between the above financial index or the index with its sum and the financial index of the quarterly report as well as semi-annual report index disclosed by the Company.

☐ Yes ☒ No

IX.Items and amount of non-current gains and losses

☒ Applicable ☐ Not applicable

In RMB

Items	Amount (2016)	Amount (2015)	Amount (2014)	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	-3,646.70	2,992,485.20	-328,218.08	
Government subsidy recognized in current gain and loss(excluding those closely related to the Company's business and granted under the state's policies)	1,223,200.00	3,643,800.00	2,875,800.00	
Other non-business income and expenditures other than the above	-1,919,510.10	490,389,196.17	17,756,677.38	

Less: Influenced amount of income tax	-29,247.81	694,349.76		
Influence on minority shareholders' equity (after tax)	-29,286.15	-6,534.39	-131.74	
Total	-641,422.84	496,337,666.00	20,304,391.04	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No.1 on information disclosure for Companies Offering their Securities to the Public-Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No.1 on information Disclosure for Companies offering their securities to the public-non-recurring Gains and losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

☐ Applicable ☒ Not applicable

None of Non-recurring gain /loss items recognized as recurring gain /loss/items as defined by the information disclosure explanatory Announcement No.1- Non –recurring gain/loss in the report period.

III. Outline of Company Business

I .Main Business the Company is Engaged in During the Report Period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

At the end of 2015, the company completed the major asset restructuring of stripping motorcycle business, thus realized a major adjustment of industrial structure, so the company has become the auto parts manufacturing enterprise and mainly engaged in automotive air-conditioning compressor production and sales. The products include rotary vane iron type and aluminum type compressor, piston swashplate fixed displacement compressor, piston swashplate variable displacement compressor and electric compressor, covering 32cc to 480cc displacement. The main products won the "China famous brand", "High quality products of French science and technology quality supervision and evaluation committee ", "China enters WTO Recommended Products" and so on. The strategic customers of the products are the manufacturing enterprises with vehicle production and sales in the top list, and the strategic customers include Chang'an Automobile, Peugeot, Dongfeng Nissan, Chang'an Suzuki and Great Wall Automobile, and the sales ranks in top three in the industry.

II .Major Changes in Main Assets

1.Major Changes in Main Assets

Main assets	Major changes
Fixed assets	2016 for the rental of housing from the fixed assets of the divestiture, a separate reflection.
Construction in process	Completed to carry forward the fixed assets, the company under construction project from 40,435,429.90 yuan reduced to 2,438,832.43 yuan.
Monetary Fund	The increase of monetary funds mainly because come-and-go funds received from mechanical and electrical company, the Company's monetary funds increased from RMB 259,802,758.76 to RMB514,414,822.57.
Real estate investment	2016 for the rental of housing from the fixed assets of the divestiture, a separate reflection.
Inventories	Air conditioning company business volume increased, turnover increased by 37.48%

2. Main Conditions of Overseas Assets

☐ Applicable ☒ Not applicable

III.Analysis On core Competitiveness

Whether the company needs to comply with the disclosure requirements of the particular industry

No

The company has the enterprise technology center which recognized by Chongqing City, established the rotary vane technology platform and the piston technology platform and formed the three series products of iron, aluminum and electric-driven. Through continuous independent innovation and introduction, the company has shaped a strong R&D capability of automotive air conditioner compressor, and the products are mature and cost-effective with stable performance. In the rotary vane compressor market, the company's product has constantly gained a stable market share. The advanced equipment which introduced from countries including the United States, Germany, Switzerland and Japan accounts for more than 80%, enabling the company to have precision manufacturing capacity. In the last two years, the company increased the investment in technological transformation, so the company has realized the production and sales scale of 2.3 million per year, and the company has made a comprehensive improvement on on-line testing ability, quality testing ability and R&D capability and experimental capability.

IV. Management's Discussion and Analysis

I. General

The year of 2016 is a year for the company's independent operation that features the main business of automotive air conditioning compressor. The total production of vehicle air conditioning compressor in the year was 2.369 million units, a year-on-year growth of 31.3%; the total sales was 2.157 million units, a year-on-year growth of 16.1%; the realized revenue was RMB 870 million and the profit was RMB 12.267million. The main work carried out in the year was as follows:

The aspect of adjustment of market structure: firstly, strengthened the management and development of large customers. To the year, the company realized the sales to GEELY. The company has become the supplier to the top three brands (Chang'an, Great Wall, Geely) of Chinese independent automobile brand; through increasing the proportion of high-quality customers, the sales to top ten strategic customers reached 93%, thus the company preliminarily shaped a reasonable echelon customer structure. Secondly, the company actively explored the new energy market. It has set up the new energy division and initially started the professional operation (including large displacement compressor).

The aspect of R & D capability enhancement: firstly, it has set up the technology center of Chongqing municipal level, and established the rotary vane technology platform and the piston technology platform and formed the three series products of iron, aluminum and electric-driven. Secondly, the experimental capability was further enhanced. The construction project for test ability was fully completed and the semi anechoic chamber was put into use, which has obtained low temperature capability recognition by CNAS (China National Accreditation Committee for Conformity Assessment). Thirdly, the project development capabilities for customers and the basic research level were further enhanced.

The aspect of manufacturing capacity: firstly, the capacity-expansion work for 0.5 million units was completed, thus formed the annual production capacity of 2.3 million units; secondly, the company promoted the just-in-time system, so the production efficiency has been continuously improved; thirdly, the company continuously optimized the quality management system, introduced STA (supplier technical support system) in the front end of industrial chain and established professional after-sales department for the customers, thus realized the whole process management of quality.

II. Main business analysis

1. General

For the year, the company planned to sell 2 million units of automotive air conditioning compressor, and the actual sales was 2.157 million units, which is 108% of the planned sales by the beginning of the year. The company realized the annual operating income of RMB 873 million, which is 111% of the planned annual operating goal.

1. Income of the main business

Since the completion of the major asset restructuring in 2015, the company's main business structure has been significantly changed. For the income of the main business, the proportion of the income of the automotive

air-conditioning business rose to 99% from 59% before the restructuring last year, so automotive air-conditioning business actually has become the main business; in the year, the automotive air-conditioning business realized the sales revenue of RMB 845 million, a year-on-year increase of 12.58%. Due to the costs transmission by the price competition of main engine plants, the operating costs increased in the reporting period, thus the gross margin of the product declined 3.12%.

The motorcycle business after the completion of the major asset restructuring is mainly operated by the share-controlled subsidiary-Shanghai Construction, and the realized income of motorcycle business in the year was RMB 8.335 million, which accounts for 1% of the income of main business.

The income classified by region: the domestic sales income was RMB 818 million, which accounts for 93.68% of the annual business income; while the overseas sales income was RMB 55.168 million, accounting for 6.32% of the annual income.

The income classified by customer: the company's top five customers include Great Wall automobile, Changan Automobile and its affiliated enterprises and Shenlong Automobile, and the company's sales to those top five customers was RMB 521 million, which accounts for 59.66% of the annual income.

2. Costs of the main business

For the year, the costs of main business was RMB 704 million. Concretely: the direct materials accounts for 79.63%, the fuel and power accounts for 1.86%, the staff salaries accounts for 4.17% and the manufacturing costs accounts for 10.51%.

3. Expenses

Because the major asset restructuring had stripped the motorcycle business, the various costs has dropped significantly.

The sales expenses occurred in the year was RMB 27.4296 million, a year-on-year decline of 63.93%.

The management expenses occurred in the year was RMB 77.041 million, a year-on-year decline of 54.99%.

The financial expenses occurred in the year was RMB 36.5955 million, a year-on-year decline of 56.20%.

2. Revenue and cost

(1) Component of Business Income

In RMB

	2016		2015		Increase /decrease
	Amount	Proportion	Amount	Proportion	
Total operating revenue	873,286,486.75	100%	1,341,331,910.93	100%	-34.89%
Industry					
Main operating	853,753,015.06	97.76%	1,273,920,141.82	94.97%	8.28%
Other operating	19,533,471.69	2.24%	67,411,769.11	5.03%	-23.77%
On products					
Motorcycle and parts	8,335,299.07	0.95%	522,989,115.46	38.99%	-98.41%
Vehicle air conditioner	845,417,715.99	96.81%	750,931,026.36	55.98%	12.58%

Other	19,533,471.69	2.24%	67,411,769.11	5.03%	-71.02%
On Area					
Domestic	818,118,204.80	93.68%	1,231,140,033.05	91.78%	-33.55%
Overseas	55,168,281.95	6.32%	110,191,877.88	8.22%	-49.93%

(2) Situation of Industry, Product and District Occupying the Company's Business Income and Operating Profit with Profit over 10%

√ Applicable □ Not applicable

Whether the company needs to comply with the disclosure requirements of the particular industry

No

In RMB

	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
On Industries						
Industry	873,286,486.75	712,724,948.38	18.39%	-34.89%	-43.07%	53.28%
On products						
Motorcycle and parts	8,335,299.07	8,800,544.94	-5.58%	-98.41%	-98.47%	4.28%
Vehicle air conditioner	845,417,715.99	695,073,042.85	17.78%	12.58%	17.02%	-3.12%
On Area						
Domestic	818,118,204.80	665,285,408.43	18.68%	-33.55%	-41.94%	11.75%
Overseas	55,168,281.95	47,439,539.95	14.01%	-49.93%	-55.31%	10.34%

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

□ Applicable √ Not applicable

(3) Whether the Company's Physical Sales Income Exceeded Service Income

√ Yes □ No

Classification	Items	Unit	2016	2015	Changes
Motorcycle	Sales	piece	0	677,504	-100.00%
	Production	piece	0	675,968	-100.00%
	Stock	piece	0	20,340	-100.00%
Vehicle air conditioner	Sales	Piece	2.1568 million	1.8584 million	16.06%
	Production	Piece	2.3687 million	1.8038 million	31.32%

	Stock	Piece	472,700	252,600	87.13%
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Explanation for a year-on-year change of over 30%

√ Applicable □ Not applicable

1. In Each item of motorcycle products decreased by 100%, which was due to the company carried out the major asset restructuring in 2015 leading to stripping the motorcycle assets and liabilities and the company's main business structure was adjusted to be production and sales of automotive air conditioning compressor.
2. Every item of automotive air conditioning compressor products gained year on year growth, which was due to the further development of the company's main business of automotive air conditioning compressor.

(4) Degree of Performance of the Significant Sales Contract Signed up to this Report Period

√ Applicable □ Not applicable

No

In 2016, the Company entered into the basic contract for the sales of finished products and parts respectively with Chang'an and its affiliated enterprises in China. The Company organized the production of the products according to its orders and completed the sales of RMB 264.49 million for China's Changan and its affiliated enterprises. Has been organized by order and production and sales.

(5) Component of business cost

Industry and product classification

In RMB

Industry	Items	2016		2015		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Industry	direct material	560,491,734.98	79.63%	788,007,390.07	62.94%	-28.87%
Industry	Fuel and energy	13,086,910.37	1.86%	23,169,559.06	1.85%	-43.52%
Industry	Staff salary	29,736,236.87	4.17%	32,899,024.64	2.63%	-9.61%
Industry	Manufacturing cost	73,962,682.45	10.51%	89,256,277.65	7.13%	-17.13%

In RMB

Classification of products	Items	2016		2015		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Vehicle air conditioner		703,873,587.79	100.00%	582,452,510.72	47.00%	20.85%
Motorcycle	JYM125-8	0.00	0.00%	95,528,389.14	8.00%	-100.00%

Motorcycle	JYM110-A	0.00	0.00%	32,244,371.76	3.00%	-100.00%
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Notes

(6)Whether Changes Occurred in Consolidation Scope in the Report Period☐ Yes ☒ No**(7)Relevant Situation of Significant Changes or Adjustment of the Business, Product or Service in the Company's Report Period**☐ Applicable ☒ Not applicable**(8)Situation of Main Customers and Main Supplier**

Information of the Company's top 5 customers

Total sales amount to top 5 customers (RMB)	520,978,417.01
Proportion of sales to top 5 customers in the annual sales(%)	59.66%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	26.43%

Information of the Company's top 5 customers

No	Name	Amount (RMB)	Proportion
1	Great wall Automobile Co., Ltd. Tianjing Hafu Office	184,922,355.26	21.18%
2	Chongqing Changan Automobile Co., Ltd.	115,635,653.38	13.24%
3	Shenlong Automobile Co.,Ltd.	105,264,618.68	12.05%
4	Chongqing Chang'an SUZUKI Automobile Co., Ltd.	70,035,928.75	8.02%
5	Nanjing Changan Automobile Co., Ltd.	45,119,860.94	5.17%
Total	--	520,978,417.01	59.66%

Other explanation :

☒ Applicable ☐ Not applicable

Among the above customers, Chongqing Changan Automobile Co., Ltd, Chongqing Changan Suzuki Automobile Co.,Ltd, Nanjing Changan Automobile Co., Ltd, which have relations with the company, are the subsidiary of the company's actually controller- Military Equipment Group or the joint venture companies of the subsidiaries of the company's actual controller. The company's directors, supervisors, senior management personnel and key technical personnel and the shareholders with more than 5% shares of the company have no direct or indirect interests in the major customers of the above-said customers.

Principal suppliers

Total purchase of top 5 Suppliers (RMB)	435,611,002.40
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	49.52%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	8.66%

Information about the top 5 suppliers

No	Name	Amount (RMB)	Proportion
1	Anhui Haofang Mechanical and Electric Co., Ltd.	191,086,469.03	21.72%
2	Chongqing North Jianshe Import & export Trade Co., Ltd.	76,196,004.25	8.66%
3	Chongqing Jinchen Machinery Manufacturing Co., Ltd.	61,574,137.86	7.00%
4	Chongqing Mingxin Machinery Manufacturing Co., Ltd.	58,284,353.82	6.63%
5	Chongqing Yujiang Casting Co., Ltd.	48,470,037.44	5.51%
Total	--	435,611,002.40	49.52%

Other explanation :

√ Applicable □ Not applicable

Among the above-said suppliers, Chongqing North Construction Import & Export Trading Co., Ltd, which has relations with the company, is the subsidiary of the company's controlling shareholder. The company's directors, supervisors, senior management personnel and key technical personnel have no direct or indirect interests in the major suppliers of the above-said suppliers.

3.Expenses

In RMB

	2016	2015	Increase/Decrease(%)	Notes
Sale expenses	27,429,578.93	76,054,125.60	-63.93%	Recombination stripping motorcycle business
Administration expenses	77,041,000.34	171,145,874.26	-54.99%	Recombination stripping motorcycle business
Financial expenses	36,595,522.33	83,560,026.12	-56.20%	Financing scale decline

4.R& D Expenses

√ Applicable □ Not applicable

In 2016, the company's projects of "380cc swashplate compressor", "120cc general rotary vane compressor", "low speed electric compressor and pure electric compressor," 140cc iron compressor" and " 120cc aluminum compressor" realized small batch production; the projects of "electric compressor for passenger bus" and "Vortex electric" completed the trial-manufacture of prototype; and the project of "Nissan 341 project" has finalized the design. The R & D investment of the year was RMB 13.1494 million, which accounts for 1.51% of the operating revenue.

Situation of Research and Development Input by the Company

	2016	2015	Increase/Decrease(%)
Number of Research and Development persons (persons)	55	30	83.33%
Proportion of Research and Development persons	6.23%	5.25%	0.98%
Amount of Research and Development Investment (In RMB)	13,149,362.02	63,248,003.92	-79.21%
Proportion of Research and Development Investment of Operation Revenue	1.51%	4.72%	-3.21%
Amount of Research and Development Investment Capitalization (In RMB)	0.00	33,342,603.05	-100.00%
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	52.72%	-52.72%

Notes to the year-on-year change of the relevant data

√Applicable □ Not applicable

Notes to the big difference between cash flow from operating activities and net profit in the reporting year

□Applicable √ Not applicable

5.Cash Flow

In RMB

Items	2016	2015	Increase/Decrease(%)
Subtotal of cash inflow received from operation activities	511,396,166.41	945,396,153.37	-45.91%
Subtotal of cash outflow received from operation	402,777,047.39	863,090,142.76	-53.33%

activities			
Net cash flow arising from operating activities	108,619,119.02	82,306,010.61	31.97%
Subtotal of cash inflow received from investing activities	3,332,000.00	36,205,492.45	-90.80%
Subtotal of cash outflow for investment activities	19,363,354.60	85,019,024.57	-77.22%
Net cash flow arising from investment activities	-16,031,354.60	-48,813,532.12	-67.16%
Subtotal cash inflow received from financing activities	1,864,082,041.12	2,966,982,830.44	-37.17%
Subtotal cash outflow for financing activities	1,706,544,798.97	3,013,073,639.22	-43.36%
Net cash flow arising from financing activities	157,537,242.15	-46,090,808.78	441.80%
Net increase in cash and cash equivalents	250,125,242.65	-11,912,069.25	-2,199.76%

Notes to the year-on-year change of the relevant data

√Applicable □ Not applicable

1. The inflow and outflow of operating cash declined from the previous year, which was due to the major asset restructuring leading to stripping motorcycle business and the sales scale of the company declined from the previous year.
2. The inflow and outflow of cash of investing activities declined, which was due to the major asset restructuring leading to stripping motorcycle business thus reduced the long term equity investment to Chongqing Jianya and Zhuzhou Jianya.
3. The net cash flow from financing activities increased, which was due to that the company's controlling shareholder of Construction Electromechanical returned the funds of RMB 213.99 million occupied by the financial liabilities formed by the uncompleted transfer procedure in the process of the major asset restructuring.

Notes to the big difference between cash flow from operating activities and net profit in the reporting year

□ Applicable√ Not applicable

III. Analysis of Non-core Business

√ Applicable □Not applicable

In RMB

	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)
Investment incme	3,128,796.18	20.43%	On the joint venture Pingshan Taikai investment	Yes

			income	
Impairment of assets	341,283.56	2.23%	Provision for bad debts of accounts receivable	No
Non-operating income	1,259,915.28	8.23%	Received government grants	No
Non-operating expenses	1,959,872.08	12.80%		No

IV. Condition of Asset and Liabilities

1. Condition of Asset Causing Significant Change

In RMB

	End of 2016		End of 2015		Proportion increase/decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)	Amount	Proportion in the total assets(%)		
Monetary fund	514,414,822.57	32.99%	302,660,758.76	19.52%	13.47%	Notes margin increase
Accounts receivable	255,587,439.92	16.39%	217,759,208.43	14.04%	2.35%	
Inventories	201,207,030.54	12.90%	146,350,934.34	9.44%	3.46%	
Investment real estate	115,326,025.61	7.40%			7.40%	Rental housing divestiture from fixed assets, separate accounting
Long-term equity investment	83,178,112.31	5.33%	83,381,316.13	5.38%	-0.05%	
Fixed assets	325,843,861.71	20.90%	395,975,005.27	25.54%	-4.64%	Rental housing divestiture from fixed assets, separate accounting
Construction in process	2,438,832.43	0.16%	40,435,429.90	2.61%	-2.45%	
Short-term loans	224,500,000.00	14.40%	217,000,000.00	13.99%	0.41%	
Long-term loans	48,590,000.00	3.12%	128,490,000.00	8.29%	-5.17%	Converted to non-current liabilities due within one year

2. Asset and Liabilities Measured by Fair Value

□Applicable √Not applicable

3. Restricted asset rights as of the end of this Reporting Period

Not applicable

V. Investment situation**1. General**

√ Applicable □ Not applicable

Investments made in the Reporting Period (RMB)	Investments made in the prior year (RMB)	Increase/Decrease(%)
6,090,000.00	95,410,000.00	-93.62%

2. Condition of Acquiring Significant Share Right Investment during the Report Period

□ Applicable √ Not applicable

3. Situation of the Significant Non-equity Investment Undergoing in the Report Period

√ Applicable □ Not applicable

In RMB

Project name	Invest method	Fixed assets investment	Project industry	Investment during the reporting period	Cumulative amount of investment by the end of reporting period	Source of funds	Project schedule	expected income	Cumulative income by the end of reporting period	Reasons of the unreach ed project progress and expected profit	Disclosure date	Disclosure Index
Technical Renovation Project of Automotive Rotary-vane Air Condition Compressor (New	Self-construction	Yes	Automotive Air Condition Compressor Industry	6,090,000.00	90,900,000.00	Self-raised, Bank Loan	100.00%	14,666,600.00	14,666,600.00	The project has been fully put into operation, is expected to put into production after the first year of producti	August 5, 2014	See on www.cninfo.com.cn company announcement on August 4, 2014, Announcement No. 2014-06

500,000 of Expendi ng Capacity)										on rate of 50%, the actual yield of 64.22%, has achieved investme nt expectati ons.		
Total	--	--	--	6,090,00 0.00	90,900,0 00.00	--	--	14,666,6 00.00	14,666,6 00.00	--	--	--

4. Investment of Financial Asset

(1) Securities investment

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period

(2) Investment in Derivatives

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period

5. Application of the raised capital

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period

VI. Significant Asset and Right Offering

1. Situation of Significant Asset Sale

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period

2. Situation of Substantial Stake Sale

☒ Applicable ☐ Not applicable

Counter party	Sold equities	Sold date	Transaction price(RMB'000)	Net profits contributed by the equities to the listed companies from the period-begin to the sold date (RMB'000)	Influence of the selling of the Company	Proportion of the net profits of the contributed amount of the equities selling to the listed companies to the total amount of the net profits	Pricing principles of the equities selling	Whether was the related transaction	Relationship with the counter party	Whether the involved equities all completed the ownership transfer	Whether execute as scheduled and if failed, should state the reasons and the adopted measurements of the company	Disclosure date	Disclosure Index
Military Equipment Group	100% share rights of Jianshe Mechanical and Electric	August 31, 2015	29.58		See details in the "Revised Draft of the Report (Draft) of Significant Asset Sales and Related Transaction" published by the Company November 11, 2015.		According to Zhuoxin huada Comment (2015) NO.1080 "Assessment Report of Chongqing Jianshe Motorcycle Co., Ltd's Planned Transfer of Chongqing	Yes	Controlling shareholder	Yes	As of December 31, 2016, the company has well fulfilled the Agreement of Asset and Liability Injection Arrangement that's signed by the company and	October 29, 2015	See details in Section 5 Index of Other Significant Related Transaction of 16. Significant Related Transaction in Chapter 5

							Jianshe Mechanical and Electric Co., Ltd.'s Share Right Assessment Items issued by Zhuoxin huada, August 31, 2015 is taken as the assessment value of the assessment's base date				Jianshe Machinery.		
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VII. Analysis of the Main Share Holding Companies and Share Participating Companies

√ Applicable □ Not applicable

Situation of Main Subsidiaries and the Joint-stock Company with over 10% net profit influencing to the Company

In RMB

Company Name	Company type	Sectors engaged in	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net Profit
Air Conditioner Co.	Subsidiaries	Manufacturing and sales of auto air-conditioners	160,000,000	1,189,557,676.55	250,941,169.07	849,219,953.28	12,516,222.14	10,527,761.29
Shanghai Jianshe	Subsidiaries	Domestic sales of motorcycles and parts	16,000,000	13,426,170.39	2,490,379.07	14,652,907.39	1,657,499.32	895,210.15
Pingshan		Production	158758676	195,592,867.	169,751,249.	121,504,742.	7,946,444.23	6,613,730.25

Taikai	Shareholding company	and sales of motorcycles and parts		81	57	74		
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Acquirement and disposal of subsidiaries in the Reporting period

☐ Applicable ☒ Not applicable

Notes

VIII.Special purpose vehicle controlled by the Company

☐ Applicable ☒ Not applicable

IX.Prospect for future development of the Company

1. The Development Trend of the Industry

In recent years, China's automobile industry has been fast developed, and it has become an important pillar industry of the national economy. According to statistics and analysis by China Automobile Industry Association, the automobile industry continued to maintain the growth in 2106, and the production and sales respectively were 28.119 million and 28.028 million, a year-on-year increase of 14.5% and 13.7% respectively. Viewing from the law of industrial development stage of mature automobile market, China's automobile market is entering the transition period from the fast growing period to saturation period, and the market will have a more flat growth. While, China's auto parts industry developed steadily in the same period, which not only brings opportunities for the automobile parts manufacturing enterprises, but also pushes the competition, thus making the enterprises face pressure of R&D investment, product quality and competitiveness of core products and face the challenges of small space in reducing manufacturing costs and decline of product price.

The development of the company's automobile air-conditioning compressor business has been closely following the pace of the automotive industry development, and since 2010, the sales of the product has got an average annual growth of 11.85%, ranking top three in the industry. Upon the reliable technology sources, sophisticated manufacturing capabilities and many advantages such as high performance-price ratio, the company has established competitive advantages in the domestic independent brand automobile market.

2.Problems that the company is facing or potential risks

1. The policy impact on the automotive industry. In 2016, due to the main reasons of stimulus policies for the automobile industry, it realized a relatively high year-on-year growth of 13.7%. However, in 2017, with the preferential car purchase tax rate narrowed to gradually fade out, it's expected that the growth rate of the industry will slowly return to the normal level.

2. Pressure from the competition. With the flat growth of the automobile sales and the capacity release of the newly-completed plants of the main engine plants, the price competition of the main engine manufactures will transfer the costs pressure to the matching components companies, thus the competition in automotive industry chain will be further intensified.

3. The company once again faces the capacity bottleneck. In recent years, the company's vehicle air-conditioning compressor business has gained continuous annual growth as the automobile industry has been well developed. In order to closely follow the market demand, the company has made twice capacity expansion

during that period, and the company's capacity reached 2.36 million units by 2016, which already is the saturation capacity.

4. Risk of relying on single customer. The company's sales to the company's top five customers accounted for 59.7% of the company's annual sales, so there was a large extent of relying on larger customers.

5. The uncertainties of overseas development environment will bring challenges for the overseas business breakthrough.

6. Competition risk brought by single product. The company's main product is rotary vane compressor, which is a small-type compressor, thus it does not have advantages in terms of B-class or above type vehicle.

3. The Company's development strategy

Facing the difficulties or problems brought by the above-said policies and factors of the industry and the company itself, the company will actively adapt to the demand of the automobile industry development and greatly promote the development in the automotive air conditioning industry to continue lead the market. Firstly, introduce new technology and new system, and establish the complete automotive thermal management system industry chain; secondly, explore new business filed, continuously optimize and improve rotary vane compressor and snatch the market share of new-energy automotive air conditioning market; thirdly, increase high-quality customers and expand overseas market, increase the sales scale and maintain the leading position in the industry; fourthly, build future-oriented technologies and product reserves.

4. The key work in 2017

For 2017, the company planned to realize the sales of 2.3 million air conditioning compressors and sales revenue of RMB 880 million. In order to achieve the business goal, the company will focus on the following works:

(1) Speed up the introduction of technology. The company will shape future-oriented advanced compressors (fixed/variable/electric), air conditioning systems, engine cooling systems and other product series, thus to establish a complete automotive thermal management system industry chain.

(2) Strengthen the strategic customer development and expand overseas market. Firstly, promote the realization of sales to potential large customers and realize the supply for the newly expanded market; secondly, soundly expand the electric market, ensure making breakthroughs in the electric passenger bus and get certain market share in the low-speed electric market.

(3) Strengthen the product development and the construction of core competence. Speed up the new projects development for Nissan, Geely, Great Wall and Changan etc; accelerate the engineering, industrialization and mass supply for electric compressors used for passenger bus and passenger automobile; focus on promoting the engineering of blade and rotor of aluminum compressor, realize the 100% china-made of 96 aluminum compressor and form small batch production capacity; realize the low speed performance optimization of iron machine, carry out the market promotion of NVH optimized technology and strength the competitiveness of products.

(4) Strengthen the manufacturing capability and improve the management. Accelerate the use of social resources, implement the 0.3million capacity expansion and technical innovation, promote the end-product type supply for components and improve the operation quality of the assets. Comprehensively promote the advanced management methods and VA/VE activities, improve the product quality, and promote the enhancement of whole

industrial chain manufacturing capacity and improve the efficiency.

5. Financial demand and application plan for year 2017

To achieve the annual sales goal of the company, that the estimated funds demanded in the year of 2017 are RMB 870 million, of which the capital expenditures are RMB 10 million. Mainly are small technical-improvement projects. The funds demand, which will combine the company's operating and financing environment, mainly relies on self-owned funds and bank loans etc to solve.

X.Particulars about researches, visits and interviews received in this reporting period

1.Particulars about researches, visits and interviews received in this reporting period

√ Applicable □ Not applicable

Reception time	Way of reception	Types of visitors	Basic index
January 12,2016	By phone	Individual	Q: When will the Company issue the earnings pre-announcement? A: The earnings pre-announcement of 2015 will be completed by the end of this month.
January 29,2016	By phone	Individual	Q:Has the implementation of the Company's significant asset reorganization completed? A:Up to now, the Company has completed the changes procedure in registration of Jianshe Mechanical and Electrical and has received the deal payment from Military Equipment Group. The asset transfer and the transfer of creditor's rights and liability related with this reorganization are being orderly promoted.
February 1,2016	By phone	Individual	Q: What's the progress of CRSC's application for exempting the tender offer obligation of Jianshe Mechanical and Electrical? A: On January 26, 2016, Jianshe Mechanical and Electrical received "Reply on Approving Exempting Chongqing Jianshe Mechanical and Electrical Co., Ltd.'s tender offer obligation of Chongqing Jianshe Motorcycle Co., Ltd."from CSRC, see details at the announcement published by the Company on January 29, 2016.
February 16,2016	By phone	Individual	Q: At this sales of significant asset, all

			motorcycle capital was offered for sales, but why Shangjian Jianshe was kept? A: At present, Shanghai Jianshe has engaged in the production and sales of moped, moreover, the Company has a plan of disposing the holding share rights of Shanghai Jianshe, thus which has not been included in the reorganization scope.
April 11, 2016	By phone	Individual	Q: Is the company in the first quarter profitable? A: The company recently released results notice, so stay tuned
May 5, 2016	By phone	Individual	Q: Why does the company did not disclose the sales announcement? A: The company production and sales information will be disclosed in the periodic reports.
July 28, 2016	By phone	Individual	Q: What is the company's main business? A: After the company restructuring, the main business for the automotive air conditioning compressor production and sales..
December 22, 2016	Other	Individual	Q: Since many of the subordinate companies of Military Equipment Group are listed companies, so what's the company's mission in the future development strategy of Military Equipment Group ? A: Military Equipment Group's mission is to service the army and the country, as well as to be a stronger enterprise to benefit the people. Our company has paid close attention the market and the industry development, and always strives to do a good job in operation, protecting the interests of shareholders and staff and improving the value of the company.
November 22, 2016	Other	Individual	Q: On November 18, 2016, Jianshe Motorcycle B's Announcement on Adjustment of Organizational Structure stated the newly established special machine workshop, and it said "it's

			responsible for production of swash-plate large displacement type compressor and electric compressor”. A: The swash-plate large displacement is a kind of automotive air conditioning compressor. The oil pan assembly is a component of automobile engine.
November 22,2016	Other	Individual	Q: What technology is led by the company in the industry? A: automotive air-conditioning compressor products. After more than 20 years of introduction, digestion, absorption and independent innovation, the product is mature, cost-effective and having high-performance, and the rotary vane compressor has a stable market share. The advanced equipment which introduced from countries including the United States, Germany, Switzerland and Japan accounts for more than 80%, enabling the company to have sophisticated manufacturing capacity. In the last two years, the company increased the investment in technological transformation, so the company has realized the production and sales scale of 2.0 million per year, and the company has made a comprehensive improvement on on-line testing ability, quality testing ability and R&D capability and experimental capability.
November 22,2016	Other	Individual	Q: how about the salary and welfare of the staff? A: The company strictly conforms to the relevant provision of the national labor employment system and the company combined the industry standards to set up the salary and welfare level.
Reception times		29	
Reception agency amount		2	
Reception personal number		27	
Others		0	

Whether to disclose, reveal or disclose non-public material information	Undisclosed and unacknowledged significant information.
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V. Important Events

I Specification of profit distribution of common shares and capitalizing of common reserves

Formulation, implementation and adjustment of profit distribution policy of common shares especially cash dividend policy during the reporting period

√ Applicable □ Not applicable

According to " notice of related matters about further implementation of the listed company's cash dividend ([2012] No. 37)"issued by China Securities Regulatory Commission.On July 26th, 2012,the company's the sixth board of directors made some supplements and revisions about profit distribution policy stipulated in articles of association its seventh meeting,which confirms the specific policies in terms of profit allocation forms, specific conditions and proportion of dividend distributions and using principles of undistributed profits,and commits deliberation and permission of first extraordinary general meeting in 2012,convened on August 30, 2012. Board of directors maps out the annual per-arranged planning about distribution of profits,which conforms to the regulations of articles of association under the consent issued by independent director.Per-arranged planning about distribution of profits that has been examined and approved by the company's general meeting of shareholders has been already completed by board of directors.

Special cash dividend policy description	
Whether meets the requirements of the provisions of the articles of association or shareholders' meeting resolutions:	Yes
Whether dividends standard and proportion are clear	Yes
Whether decision making and supervision mechanism for profit distribution are completed	Yes
Whether independent directors perform their duties responsibly and play its due role:	Yes
Whether the Minority shareholders have adequate opportunity to express their views and aspirations and Their legitimate rights and interests have been fully protected	Yes
Whether the Cash dividend policy to adjust or change the conditions and procedures are compliant and transparent	Yes

The profit distribution preplan or proposal and the preplan or proposal of conversion of the capital reserve into share capital in the past three years(with the reporting period inclusive):

As the accumulated undistributed profits are under the standard during the year of 2014 and 2016, the company has never carried out the policies of increasing capital stock by profit allocation and capital accumulation funds.

Dividend distribution of the latest three years

In RMB

Year	Cash dividend (Including Tax)	Net profit attributable to the over of the parent company in the consolidated financial statements	Ratio in net profit attributable to the parent company in the consolidated financial statements	Amount of cash dividends from cash offer to repurchase shares of the funds	Proportion of cash dividends from cash offer to repurchase shares of the funds
2016	0.00	12,267,006.14	0.00%	0.00	0.00%
2015	0.00	240,735,112.20	0.00%	0.00	0.00%
2014	0.00	-133,593,949.98	0.00%	0.00	0.00%

In the reporting period, both the Company's profit and the parent company's retained earnings were positive however not cash dividend distribution proposal has been put forward.

√ Applicable □ Not applicable

In the reporting period, it was profitable and the profits distributed among common shareholders were positive, but the reason for the profit-sharing scheme by cash was not proposed.	Purpose of and plans to use undistributed profits.
Accumulated undistributed profits are all under the standard	Net operating profits after tax are used to less prior year deficiency this current year.

II.Profit distribution plan and capitalizing of common reserves plan for the Period

□ Applicable √ Not applicable

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

III.Commitments to fulfill the situation

1.The fulfilled commitments in the reporting period and under-fulfillment commitments by the end of the reporting period made by the company, shareholder, actual controller, acquirer, director, supervisor, senior management personnel and other related parties.

√ Applicable □ Not applicable

Commitment	Commitment maker	Type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes						
Commitment made upon the assets replacement	Jianshe Mechanical and Electric, Air-conditione	Commitments on horizontal competition, related	The reason why listed companies offer external	October 20, 2015	To July 24,2017	As of December 31, 2016, the above-mentio

	r Co	transaction and capital occupation	guarantee is that the conditioning company,as the subsidiary corporation of Jianshe stock , provided credit guarantee 186 million yuan for its parent company’ bank loan. And as the relevant liabilities of Jianshe stock’s motorbike business has been transferred into Jianshe Mechanical and Electrical , corresponding secured party should be Jianshe Mechanical and Electrical .Mo reover,Jianshe Stock provided credit guarantee 30 million yuan for the wholly-owned subsidiary,the sales			ned borrowings have been actually repaid by Jianshe Machinery thus the corresponding guarantee liability has been lifted. For undue bank loans, the repayment has also been made in advance by Jianshe Mechanical and Electric and at this point, the borrowings under the guarantee have been repaid and the corresponding guarantee liability has been eliminated. The Sales Company’s loans from Shanghai Pudong Development Bank loan have been paid off, thus he corresponding
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			company,after this transaction, Jianshe Mechanical and Electrical ,whose' sales company is subsidiary corporation of Construction and Mechanical and Electrical , will be wholly-owned subsidiaries under Military Equipment Group control.Above-mentioned the guarantees formed the external guarantees of the conditioning company, which has gained the permission from the company' s general meeting of stockholders. Jianshe stock and the conditioning company has made promise			guarantee has been lifted.
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			respectively on October 20, 2015, after guarantee expires in the guarantee period, above financing guarantee will be lifted. For the Jianshe stock's guarantee for the sales company, Mechanical and Electrical has promised that it will ensure the debtor to repay its creditors to protect listed company's legal interests, and if there are any loss for the listed company, Jianshe Mechanical and Electrical will give first dollar coverage for Jianshe stock. And Jianshe Mechanical and Electrical has presented Commitment to provide counter			
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			guarantee after the reorganization about above related-party guarantee.1, after the sales of substantial assets and the relevant matters of related-party guarantee provided by Jianshe stock, which has been approved by general meeting of stockholders of Jianshe stock the company will provide the equal counter guarantee for Jianshe stock 2.If the company violates the above pledge and caused any damages or negative effects for Jianshe stock,the Company will assume full financial responsibility and liability.			
Equity incentive commitment						

Other commitments made to minority shareholders						
Executed timely or not?						
If the commitments failed to complete the execution when expired, should specifically explain the reasons of unfulfillment and the net stage of the working plan	Yes					

2.The existence of the company's assets or projects earnings forecasts and earnings reporting period is still in the forecast period, the company has assets or projects meet the original profit forecast made and the reasons explained

☐Applicable ☒ Not applicable

IV.Particulars about the non-operating occupation of funds by the controlling shareholder

☒Applicable ☐ Not applicable

In RMB'0000

Shareholder sorassociate sname	Time occupied	Reasons	Amount at the beginning	The newly increased occupancy amount	The total amount of reimbursem ent in the reimbursem ent	Amount at the end of period	Expected repayment method	Expected amountof payment	Expected payback time(month)
Import and Export Co.	2015.12.31	Business and financial dealings	62.17	0	62.17	0		0	
Jianshe mechanical and electrical	2015.12.31	Financial dealings	3,461.67	0	3,461.67	0		0	
Jianshe mechanical and electrical	2015.12.31	Financial debt restructurin g process is not yet completed the procedures for	21,399.2	0	24,544.16	-3,144.96		0	

		transferring formed							
Total	24,923.04	0	28,068	-3,144.96	--	0	--		
The end of the latest issue of the total value of accounts audited net assets ratio	-11.72%								
Relevant decision-making procedures	Not applicable								
Add the current major shareholder and its affiliated non-operating capital occupation reasons, the case be held responsible and the Board has developed a description of measures taken.	The company implemented the major asset restructuring in 2015, that is, the company stripped the main assets and liabilities involved by motorcycle business to Jianshe Mechanical and Electric. Because the work amount for the transfer of assets and liabilities involved in the major asset restructuring was relatively huge, as of the disclosure date of the company's "2015 annual report", the total assets and liabilities have not been transferred were RMB 214 million, which was temporarily accounted as other receivables account. According to the stipulation of Agreement of Asset and Liability Injection Arrangement signed by the company and Jianshe Mechanical and Electric (for details, please see the relevant announcement about the major asset restructuring disclosed on Cninfo), both parties shall complete the transfer of the assets and liabilities no later than December 31, 2016, and the afore-said liabilities are undue liabilities, the company does not need to make repayment and the financial institutions have not pressed for repayment, thus not formed the fund flow, and there is no situation that the company acting on behalf of Jianshe Mechanical and Electric to pay for the liabilities, so the accounting treatment does not constitute a substantial non-operating funds occupation to Jianshe Mechanical and Electric. As of December 31, 2016, the company has completed the transfer of liabilities, thus the above-said funds occupation has been lifted.								
Failed to explain measures planned liquidation of non-operating capital occupation reasons, conditions and accountability of the Board of Directors proposed action	Not applicable								
Disclosure date for specific approval opinion on fund occupation from CPA	April 28, 2017								
Disclosure index for specific approval opinion on fund occupation from CPA	Refer to www.cninfo.com.cn on April 28, 2017, Announcement No. 2017-031 ,Chongqing Jianshe Motorcycle Co., Ltd. the Statement of Special Auditing on Capital Appropriation by Holding Shareholder or Related Parties								

V.Explanation of the Supervisory Committee and Independent Directors (If applicable)on the Qualified Auditor's Report Issued by the CPAs.

☐ Applicable ☒ Not applicable

VI.Explain change of the accounting policy, accounting estimate and measurement methods as compared with the financial reporting of last year.

✓ Applicable ☐ Not applicable

1. Changes in significant accounting policy

Implementation of VAT Accounting Treatment

On December 3, 2016, Ministry of Finance issued the "VAT Accounting Treatment" (No. 22-[2016] Accounting), which is applicable to the relevant transactions occurred from May 1, 2016. The main impact of the company's implementation of the provision is as follows:

The contents and reasons of accounting policy changes	Approval procedure	Affected item name and amount in the report
(1) The "Business taxes and surcharges" in the profit statement is adjusted to be "Taxes and surcharges" item.	National uniform accounting system changes	Taxes and surcharges
2) The property tax, land use tax, vehicle and vessel usage tax and stamp tax incurred from the business activities since May 1, 2016 are reclassified into "Taxes and surcharges" item from the previous "management fees" item, but such taxes occurred before May 1, 2016 will not be adjusted. And The comparative data will not be adjusted.	National uniform accounting system changes	Adjustment of increasing RMB 2,217,753.53 in taxes and surcharges, while reducing RMB 2,217,753.53 for the year's management fees.

2. Changes in significant accounting estimates

There are no changes in significant accounting estimates for the company in the current year.

VII.Explain retrospective restatement due to correction of significant accounting errors in the reporting period

☐ Applicable ✓ Not applicable

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

VIII.Explain change of the consolidation scope as compared with the financial reporting of last year.

☐ Applicable ✓ Not applicable

Nil

IX. Engagement/Disengagement of CPAs

CPAs currently engaged

Domestic CPA	BDO China Shu Lun Pan Certified Public Accountants LLP
Reward for domestic CPA (RMB0'000)	40
Successive years the domestic CPA has been	5 years

providing service to the Company	
Name of CPAs from the domestic CPA firm	Li Shunli ,Chen Jia

Has the CPAs been changed in the current period

☐ Yes ☒ No

Description of the CPAs, financial adviser or sponsor engaged for internal control auditing

☒ Applicable ☐ Not applicable

1.The Company paid RMB200 thousand to BDO China Shu Lun Pan Certified Public Accountants LLP for its internal auditing service of one year.’

X.Situation of Facing Listing Suspension and Listing Termination after the Disclosure of the Yearly Report

☐ Applicable ☒ Not applicable

XI.Bankruptcy reorganization

☐ Applicable ☒ Not applicable

No bankruptcy reorganization for the Company in reporting period.

XII.Significant lawsuits and arbitrations of the Company

☐ Applicable ☒ Not applicable

Nil

XIII.Situation of Punishment and Rectification

☐ Applicable ☒ Not applicable

Nil

XIV.Credit Condition of the Company and its Controlling Shareholders and Actual Controllers

☐ Applicable ☒ Not applicable

XV.Implementation Situation of Stock Incentive Plan of the Company, Employee Stock Ownership Plan or Other Employee Incentive Measures

☐ Applicable ☒ Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

XVI. Material related transactions

1. Related transactions in connection with daily operation

√Applicable □ Not applicable

Related parties	Relationship	Type of trade	Subjects of the related transactions	Principle of pricing the related transactions	Price of trade	Amount of trade RMB'000	Ratio in similar trades	Trading limit approved (RMB'0000)	Whether over the approved limited or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure
Jianxing Machinery	Controlling shareholder	Purchase of goods	Spare parts	Fair Market Price	3,106	3,106	6.23%	4,000	No	Cash	3,106	October 31, 2016	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn on April 30, 2016 and October 31, 2016 (Annou

													ncement No.:2016-027a nd 2016-071).
North Import & export	Subsidiary of the controlling shareholder	Purchase of goods	Spare parts	Fair Market Price	5,759	5,759	11.54%	7,300	No	Cash	5,759	October 31,2016	The same as above
Jianxing Machinery	Controlling shareholder	Purchase of goods	Lease production site	Fair Market Price	226	226	100.00 %	250	No	Cash	226	October 31,2016	The same as above
China Changan and subsidiaries	Under same control	Sales of goods	Sales of finished parts	Fair Market Price	26,449	26,449	30.29%	31,747	No	Cash	26,449	October 31,2016	The same as above
Jianxing Machinery	Controlling shareholder	Sales of goods	Warehouse rental	Fair Market Price	929	929	100.00 %	1,000	No	Cash	929	October 31,2016	The same as above
Jianshe Industry	Under same control	Services	Spare parts	Fair Market Price	190	190	0.38%	200	No	Cash	190	October 31,2016	The same as above
Chongqing Jianya	Joint venture of controlling shareholder	Services	Spare parts	Fair Market Price	0.4	0.4	0.00%	5	No	Cash	0.4	October 31,2016	The same as above
Fuyeda	Joint venture of controlling	Services	Transportation	Fair Market Price	49	49	0.10%	0	Yes	Cash	49	October 30,2016	The same as above

	shareholder												
China Changan and subsidiaries	Under same control	Services	Acceptance of repairing service	Fair Market Price	366	366	0.73%	450	No	Cash	366	October 31, 2016	The same as above
Total				--	--	37,074.4	--	44,952	--	--	--	--	--
Details of any sales return of a large amount				Nil									
Give the actual situation in the report period where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period(if any)				Upon the approval by the company's 2015 annual shareholders' meeting, the estimated total amount of the daily related transactions for 2016 is RMB 388.12 million(For details, please see the announcement on April 30, 2016, with Announcement No.: 2016-027). According to the operation situation in 2016, upon the approval by the fourteenth meeting of the seventh session board of directors, the increase of the estimated amount of the daily related transactions for 2016 is RMB 77.5 million. After the increase, the total amount of the daily related transactions for 2016 is expected not to exceed RMB 465.62 million. As of December 31, 2017, the actual amount occurred was RMB 370.744 million.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				Not applicable									

2. Related-party transactions arising from asset acquisition or sold

☐Applicable ☒ Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period.

3. Related-party transitions with joint investments

☐Applicable ☒ Not applicable

No main related transactions of joint investment outside for the Company in reporting period.

4. Contact of related credit and debt

☒ Applicable ☐ Not applicable

Whether there is non operating related debt and debt

☒ Yes ☐ No

Claim receivable from related party

Related party	Relationship	Causes	Whether has non-business capital	Balance at period-begin	Current newly added	Current recovery RMB'0000	Interest rate	Current interest RMB'0000	Balance at period-end RMB'0000
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			occupying or not	RMB'0000	RMB'0000				
Import &export Company	Subsidiary of the controlling shareholder	Business and financial dealings	Yes	62.17	0	62.17			0
Jianshe Mechanical and electrical Co.	controlling shareholder	Financial dealings	Yes	3,461.67	0	3,461.67			0
Jianshe Mechanical and electrical Co.	controlling shareholder	Financial debt restructurin g process is not yet completed the procedures for transferring formed.	Yes	21,399.2	0	24,544.16			-3,144.96
Influence on business performance and financial status of the Company from related liabilities		Jianshe Mechanical and Electric and import and export companies Other receivables, the total is RMB 35.238 million business and financial dealings is established after the Jianshe Mechanical and Electric to equity settlement date between December 31, 2015 the Company and Jianshe Mechanical and Electric, import and export companies occurred, which by the construction was repaid in full in cash electromechanical April 26, 2016; the Jianshe Mechanical and Electric and Mechanical company's other receivables RMB213.992 million original controlling shareholder of the company's current military equipment group to sell major assets motorcycle business 100% stake in the Jianshe Mechanical and Electric the major asset restructuring, the financial debt is not yet completed procedures for the transfer of accounts under the process for the formation of capital transactions.							

Debts payable to related party

Related party	Relationship	Causes	Balance at period-begi n RMB'0000	Current newly added RMB'0000	Current recovery RMB'0000	Interest rate	Current interest RMB'0000	Balance at period-end RMB'0000

5. Other significant related-party transactions

√Applicable □Not applicable

The company implemented a momentous asset restructuring this year, not only to improve assets quality and profitability, but also safeguard the interests of shareholders, especially the minority shareholders. Under the sale agreement with the Bingzhuang Group Corporation, the company took August 31, 2015 as the base date to sell the 100% stock equity of Jianshe Mechanical and Electric Corporation.

According to Agreement of Asset and Liability Injection Arrangement which was signed by the company and Jianshe Mechanical and Electric and based on the resolution of seventh meeting of the seventh session board of directors to contribute funds to set up Jianshe Mechanical and Electric (namely the company uses the assets and liabilities related to the motorcycle business to fund and set up the wholly-owned subsidiary- Jianshe Mechanical and Electric), as of December 31, 2016, the company has properly fulfilled the Agreement of Asset and Liability Injection Arrangement, thus the transaction of the major asset has been completed. The independent financial adviser CITIC has issued CITIC Independent Financial Advisor's Reviewing Opinion on the Implementation Status of Chongqing Jianshe Motorcycle Co.,Ltd's Major Asset Sales and the Related Transaction, and Chongqing Suotong Law firm issued the Chongqing Suotong Law Firm's Legal Opinion (Two) on the Implementation Status of Chongqing Jianshe Motorcycle Co.,Ltd's Major Asset Sales and the Related Transaction.

For details, please refer to the company announcements published on Securities Times, Hong Kong Commercial Daily, and the Cninfo Network (cninfo.com.cn).

Website for temporary disclosure of the connected transaction

Announcement	Date of disclosure	Website for disclosure
Announcement of 7 th meeting of the seventh board of directors	August 29,2015	http://www.cninfo.com.cn . Announcement 2015-0054
Announcement on the establishment of the wholly-owned subsidiary	August 29,2015	http://www.cninfo.com.cn . Announcement 2015-059
Announcement of 8 th meeting of the seventh board of directors	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-080
Plan on the Company's Significant Asset Sales and Related Transaction	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-082
Announcement on the "Asset Sales Agreement" with Valid Condition Signed by the Company	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-083
The Report of Significant Asset Sales and Related Transaction(Draft)	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-084
Summary (Draft) of the Report of Significant Asset Sales and Related Transaction	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-085
Independent Financial Adviser Report of China Securities Co, Ltd. on Chongqing Jianshe Motorcycle Co., Ltd.'s Significant Asset Sales and Related Transaction	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-086
Commitment on the Relevant Issues of Significant Asset Sales	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-089
Audit Report and Proforma Financial Statement of Chongqing Jianshe Motorcycle Co., Ltd.	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-092
Assessment Report of Chongqing Jianshe	October 29,2015	http://www.cninfo.com.cn . Announcement

Motorcycle Co., Ltd.'s Planned Transfer of Chongqing Jianshe Mechanical and Electric Co., Ltd.'s Share Right Assessment Items		2015-094
Legal Opinion of Chongqing Solton & Parents Law Office on Chongqing Jianshe Motorcycle Co., Ltd.'s Significant Asset Sales and Related Transaction	October 29,2015	http://www.cninfo.com.cn . Announcement 2015-098
Announcement on the Significant Asset Sales related with the Changes from Internal Guarantee to External Guarantee	November 7,2015	http://www.cninfo.com.cn . Announcement 2015-104
Announcement on Disclosing the Significant Asset Sales Report's Revised Draft and the Resumption of the Company's Share	November 11,2015	http://www.cninfo.com.cn . Announcement 2015-106
Written Reply on the Inquiry Letter of Reorganization	November 11,2015	http://www.cninfo.com.cn . Announcement 2015-108
Revised Draft of the Significant Asset Sales and Related Transaction Report (Draft)	November 11,2015	http://www.cninfo.com.cn . Announcement 2015-109
Summary's Revised Draft of the Significant Asset Sales and Related Transaction Report (Draft)	November 11,2015	http://www.cninfo.com.cn . Announcement 2015-110
Announcement of Resolutions of the first provisional shareholders' general meeting	November 18,2015	http://www.cninfo.com.cn . Announcement 2015-114
Announcement about the progress in the implementation of the major asset restructuring (Completed the change of business registration)	December 9,2015	http://www.cninfo.com.cn . Announcement 2015-117
Announcement about the progress in the implementation of the major asset restructuring(Received transaction payment)	December 11,2015	http://www.cninfo.com.cn . Announcement 2015-118
CITIC's continuous supervision report of 2015 for the Implementation Status of Chongqing Jianshe Motorcycle Co.,Ltd's Major Asset Sales and the Related Transaction	May 4,2016	http://www.cninfo.com.cn . Announcement 2016-048
Announcement about the progress in the implementation of the major asset restructuring(completion status of the transfer of assets and liabilities and the placement of workers)	December 31,2016	http://www.cninfo.com.cn . Announcement 2016-083
Announcement on commitments related to the major asset restructuring	January 10,2017	http://www.cninfo.com.cn . Announcement 2017-001

Suggestive Announcement on the implementation of the Major Asset Sales and the Related Transaction	January 10,2017	http://www.cninfo.com.cn . Announcement 2017-002
Report on the implementation of the major asset sales and the related transaction	January 10,2017	http://www.cninfo.com.cn . Announcement 2017-003
CITIC Independent Financial Advisor's Reviewing Opinion on the Implementation Status of Chongqing Jianshe Motorcycle Co.,Ltd's Major Asset Sales and the Related Transaction	January 10,2017	http://www.cninfo.com.cn . Announcement 2017-004
Chongqing Suotong Law Firm's Legal Opinion on the Implementation Status of Chongqing Jianshe Motorcycle Co.,Ltd's Major Asset Sales and the Related Transaction	January 10,2017	http://www.cninfo.com.cn . Announcement 2017-005

XVII.Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

☐Applicable ☒ Not applicable

No trusteeship, contract or leasing for the Company in reporting period.

(2) Contract

☐ Applicable ☒ Not applicable

No any contract for the Company in the reporting period.

(3) Lease

☐Applicable ☒ Not applicable

No any lease for the Company in the reporting period..

2.Guarantees

☒Applicable☐Not applicable

(1) Guarantees

In RMB

Guarantee of the Company for the controlling subsidiaries (Exclude controlled subsidiaries)								
Guarantee provided to	Amount of	Amount of	Actual date of	Actual	Type of	Term	Complete	Related

	guarantee and date of disclosure	the guarantee	occurring (signing date of agreements)	amount of guarantee	guarantee		d or not	guarantee
Sales Co.	November 7,2015	3,000	July 1,2015	3,000	Joint liabilities	9 months	Yes	Yes
Jianshe Mechanical and Electric(The original Jianmo B of the transfer of loans)	November 7,2015	2,000	March 31,2014	2,000	Joint liabilities	30 months	Yes	Yes
Jianshe Mechanical and Electric(The original Jianmo B of the transfer of loans)	November 7,2015	2,000	April 13,2014	2,000	Joint liabilities	29 months	Yes	Yes
Jianshe Mechanical and Electric(The original Jianmo B of the transfer of loans)	November 7,2015	200	July 25,2014	200	Joint liabilities	31 months	Yes	Yes
Jianshe Mechanical and Electric(The original Jianmo B of the transfer of loans)	November 7,2015	2,100	March 31,2014	2,100	Joint liabilities	37 months	Yes	Yes
Jianshe Mechanical and Electric(The original Jianmo B of the transfer of loans)	November 7,2015	2,100	April 14,2014	2,100	Joint liabilities	36 months	Yes	Yes
Jianshe Mechanical and Electric(The original Jianmo B of the transfer of loans)	November 7,2015	300	July 25,2014	300	Joint liabilities	37 months	Yes	Yes
Total of external guarantee approved in the report term (A1)		43,600		Total of external guarantee actually occurred in the report term (A2)		0		
Total of external guarantee approved as of end of report term (A3)		43,600		Total of external guarantee actually occurred as of end of report term (A4)		0		
Guarantee of the company for its subsidiaries								
Guarantee provided to	Amount of guarantee and date of disclosure	Amount of the guarantee	Actual date of occurring (signing date of agreements)	Actual amount of guarantee	Type of guarantee	Term	Complete d or not	Related guarantee
Vehicle air conditioner	April 30,2016	7,000	February 4,2015	7,000	Joint liabilities	12 montss	Yes	No
Vehicle air conditioner	April 30,2016	4,000	June 1,2015	4,000	Joint liabilities	9 months	Yes	No
Vehicle air conditioner	April	2,000	August 31,2015	2,000	Joint	6 months	Yes	No

	30,2016				liabilities			
Jianmo B	April 30,2016	100	April 12,2014	100	Joint liabilities	23 months	Yes	No
Jianmo B	April 30,2016	100	March 31,2014	100	Joint liabilities	23 months	Yes	No
Jianmo B	April 30,2016	2,500	September 24,2015	2,500	Joint liabilities	6 months	Yes	No
Jianmo B	April 30,2016	2,500	September 29,2015	2,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,450	October 8,2015	2,450	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,849	October 10,2015	2,849	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,000	October 19,2015	2,000	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,800	November 12,2015	2,800	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,550	November 17,2015	2,550	Joint liabilities	6 months	Yes	No
Jianmo B	April 30,2016	2,400	May 22,2013	2,400	Joint liabilities	37 months	Yes	No
Vehicle air conditioner	April 30,2016	2,500	December 24,2015	2,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,500	December 25,2015	2,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	1,701	January 4,2016	1,701	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,450	January 13,2016	2,450	Joint liabilities	6 months	Yes	No
Jianmo B	April 30,2016	50	July 25,2014	50	Joint liabilities	24 months	Yes	No
Vehicle air conditioner	April 30,2016	2,000	February 22,2016	2,000	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	3,000	September 25,2015	3,000	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 30,2016	2,450	April 8,2016	2,450	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,849	April 12,2016	2,849	Joint liabilities	6 months	Yes	No

Vehicle air conditioner	April 30,2016	1,200	October 30,2015	1,200	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 30,2016	3,000	November 4,2015	3,000	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 30,2016	3,000	November 6,2015	3,000	Joint liabilities	12 months	Yes	No
Vehicle air conditioner	April 30,2016	1,120	May 16,2016	1,120	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	1,430	May 18,2016	1,430	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,500	June 3,2016	2,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	2,500	June 8,2016	2,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 30,2016	3,500	February 3,2016	3,500	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	3,500	February 4,2016	3,500	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	3,500	February 16,2016	3,500	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	3,500	February 18,2016	3,500	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	2,800	May 12,2016	2,800	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	1,700	July 4,2016	1,700	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	3,000	September 21,2016	3,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	3,000	October 8,2016	3,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	2,450	October 10,2016	2,450	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	2,850	October 13,2016	2,850	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	4,200	October 17,2016	4,200	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 30,2016	5,000	December 5,2016	5,000	Joint liabilities	12 months	No	No

Total of guarantee to subsidiaries approved in the report term (B1)		92,000		Total of guarantee to subsidiaries actually occurred in the report term (B2)		58,000		
Total of guarantee to subsidiaries approved as of the report term (B3)		92,000		Total of balance of guarantee actually provided to the subsidiaries as of end of report term (B4)		39,000		
Guarantee of the subsidiaries for the controlling subsidiaries								
Guarantee provided to	Amount of guarantee and date of disclosure	Amount of the guarantee	Actual date of occurring (signing date of agreements)	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related guarantee
Total guarantee quota to the subsidiaries approved in the reporting period (C1)		0		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)		0		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)		0		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)		0		
The Company's total guarantee(i.e.total of the first three main items)								
Total guarantee quota approved in the reportingperiod (A1+B1+C1)		135,600		Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)		58,000		
Total guarantee quota already approved at theendof the reporting period (A3+B3+C3)		135,600		Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)		39,000		
The proportion of the total amount of actually guarantee in the netassetsof the Company (that is A4+B4+C4) %				145.31%				
Including:								
Amount of guarantee for shareholders, actual controller and its associated parties (D)				0				
The debts guarantee amount provided for the Guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E)				39,000				
Proportion of total amount of guarantee in net assets of the company exceed 50% (F)				25,580.85				
Total guarantee Amount of the abovementioned guarantees (D+E+F)				39,000				
Explanations about joint and several liability for repayment in				Nil				

respect of undue guarantee(if any)	
Explanation about external guarantee violating established procedure if any)	Nil

Description of the guarantee with complex method

(2) Illegal providing of external guarantees

☐ Applicable ☒ Not applicable

No illegal providing of external guarantees in the report period.

3.Situation of Entrusting Others for Managing Spot Asset

(1)Situation of Entrusted Finance

☐ Applicable ☒ Not applicable

Nil

(2)Situation of Entrusted Loans

☐ Applicable ☒ Not applicable

Nil

4. Other significant contract

☐ Applicable ☒ Not applicable

Nil

XVIII.Social responsibilities

1.Overview of the annual targeted poverty alleviation

(1) Overview of the annual targeted poverty alleviation

Nil

(2) Information of the listed company's annual work in targeted poverty alleviation

Index	Measurement unit	Quantity / Status
I. General situation	——	——
II.Itemized investment	——	——
1.Industrial development for getting rid of poverty	——	——
2.Transferred to employment to get rid of poverty	——	——
3.Relocation to get rid of poverty	——	——
4.Education to get rid of poverty	——	——

5.Improving Health to get rid of poverty	——	——
6.Ecological protection to poverty alleviation	——	——
7.Bottom-line Safeguard	——	——
8.Social poverty alleviation	——	——
9.Other items	——	——
III.Awards (content, level)	——	——

(3) Subsequent targeted poverty alleviation program

2. Information of performance of other social responsibilities

(I) Protection of Investors' Interests

1. The company had formed the decision-making, supervision and management system with the main structure composed of a shareholders meeting, board of directors, board of supervisors and management level since the listing, through constantly perfecting the governance structure abiding by the laws, regulations and rules, regulating corporate operation, and strengthening on internal control since . Meanwhile, company create conditions to attract the small and medium shareholders participating in the company's major decisions. During the reporting period, it provided investors with a combination of on-site voting and online voting to convene the 2015 Annual General Meeting, the shareholders attending the shareholders' meeting accounted for 76.34% of company's valid voting shares. This fully protected all shareholders, enjoying equal status and exercising their rights, especially the small and medium shareholders.
2. The company is committed to building an active and healthy governance culture, focusing on investor relations. During the reporting period, the company has complied with the disclosure of information eighty-three times, provided investors with consulting twenty-one passengers in Chongqing jurisdiction listed company investor online collective reception day activities one time, responded to the eight-one questions from investors and the recovery rate of 98.8%.

(II) Protection of Workers' Rights and Interests

1. Protect the Employees' Legitimate Rights and Interests According to Law

According to the Labor Law and Labor Contract Law and other laws and regulations, the Company has established a sound human resources management system including Labor Contract Management Measures, Salary Management System and Staff Training and Management Measures. In addition, the Company also has established and improved the compensation system, the appraisal system, the incentive mechanism and the employment mechanism. The company is based on the management system to ensure that employees enjoy the right to work and fulfill their obligations according to the law. The company adheres to the principle of legality, fairness, equality and voluntariness, to sign labor contracts with employees.

2. Strengthen the Intrinsic Safety, and Effectively Protect the Safety and Health of Employees

Setting up a safety technology system, laying the foundation for security and stability; Establish a two-level security fire problem database, further enhance the ability to troubleshoot; Improving the fire safety of performance evaluation system, and further enrich the fight against "three violations" means; Carrying out special security checks of oil and gas pipelines and dust explosion, electrical wiring, hazardous work safety and so on, so that the security risks are managed; Carrying out safety education trainings for 10 times, training technical safety personnel for 150 passengers. Through the efforts, the company achieved results : no death, serious injuries, minor injuries in a whole year.

3. Refine Training Management, Strengthen Training and Supervision

The company emphasized on employee skills training and completed 325 production operations staff / transfer training and evaluation, and grant them posts operating certificate (2 Technician , 13 Senior engineer); A total of 9 pairs of technical personnel mentoring is clearly decided, and then established mentoring contract to enhance the skills of training employees; In line with the company to rectify the improvement activities, a total of 412 staffs including training machine installation, assembly and testing, the training hours are up to 248 hours and the pass rate reached 96%.

Further improve the basic training system. The company built skills training platform, formulated Using and Temporary Management Method for Skills Room, Completed the composition of Training Manual for Skill Room and it was used for eight times in a whole year; which provided a comprehensive training skills support for new employees; The company issued the *Operational Guidance for Operator Operations*, Organized and supplied the identification of assessment standards of the motor workers, adjust workers and maintenance jobs; The company modified and implemented the Training Procedures Documents and Management Approach of the Internal Trainer, improved the basic training system.

Continue to standardize and train daily management .The company organized and carried out the No.14 new staff training, job evaluation were carried out on 71 functional staffs ; Standardizing the company's external training, in accordance with the method of external training strictly to strengthen the management of external training , and signed an agreement on external training with 9 foreign training personnel in the year. The effectiveness evaluation of the company's internal training was carried out in the form of on-site communication, examination and questionnaire, and the pass rate exceed 90% ; The new staff training are carried out three level training and post assessment tracking management, training pass rate is up to 94%, 667 employees received quality assessment totally, 22 new recruits (4 quit).

(III) Environmental Protection and Sustainable Development

The vehicle air-conditioning compressor production base has been strictly abiding by the national environmental laws and regulations since the relocation to the Jiulongpo Industrial Park in Jiulongpo District of Chongqing in 2007, it has been adhered to legitimate sewage and paid the sewage charges according to the law. The establishment of environmental management agencies ,enterprise environmental management system and on-site environmental management practices, no dripping water, running water, water leakage phenomenon, complete environmental protection archives, and strive to make contribution to environmental protection and ecological civilization work to Chongqing. The company was selected as "Environmental Protection Demonstration Enterprises" by Chongqing Jiulongpo.

1. Environmental Protection Facilities Investment Construction and Operation

(1)In 2007, the company invested 2.63 million yuan and built a sewage treatment station, which uses physical biochemical process technology and its processing capacity is 33 cubic meters / hour. The treated sewage is discharged to the municipal pipe network after reaching the first grade standard of GB8978-1996. The company has carried out a standardized rectification of the discharge of waste water, with environmentally friendly graphic signs, and installed with automatic online monitoring device.

(2)In 2008, the company invested 300,000 yuan in the new phosphate production line and built a set of acid mist exhaust gas purification facilities, which uses acid-base neutralization process to neutralize the hydrochloric acid mist, and the treated flue gas is discharged through the standardized sewage outlet discharge.

(3)In 2009, the company invested 200,000 yuan in the new spraying production line and built a set of sand gas purification facilities, which uses water washing and filtration treatment, and the treated flue gas emissions is discharged through the standardized sewage outlet discharge.

(4)In 2009, the company invested 500,000 yuan in the PTFE coating production line and built two sets of

purification facilities, which uses activated carbon adsorption treatment and the treated flue gas emissions is discharged through the standardized sewage outlet discharge.

(5) In 2009, the company invested 500,000 yuan in the chemical tinning line production line and built two sets of purification facilities, which uses acid-alkali neutralization process to treat the waste gas, and the treated flue gas emissions is discharged through the standardized sewage outlet discharge.

(6) In 2012, the company invested 300,000 yuan in the expansion phosphating production line and built a set of acid waste gas purification facilities, which uses neutralization process of hydrochloric acid mist neutralization treatment, and the treated flue gas emissions is discharged through the standardized sewage outlet discharge.

(7) In 2016, according to the requirements of organic waste treatment Chongqing Environmental Protection Bureau, the company invested 200,000 yuan in the Teflon coating production line of the existing purification process, adding new purification process facilities to ensure organic waste gas treatment up to 90% of the standard.

In the production process of hazardous waste, the company commissioned a special collection and disposal of qualified units responsible for recycling. The transfer was performed during the transfer of hazardous waste manifest, established the hazardous waste management ledger, built a temporary capacity of 30 cubic meters of hazardous waste, and take "Three Measures" to prevent the loss of hazardous waste.

2. Enterprise Internal Environmental Management

The company passed the ISO14001 environmental management system, OHSAS18001 occupational health and safety management system in 2009. Strictly in accordance with the system requirements to carry out various activities, focusing on process control. In particular, after the implementation of the new environmental law, the company carried out a series of special activities, and strive to environmental protection work in line with the provisions of the new environmental law.

3. Cleaner Production, Pollution Control

In 2012, the company passed the clean production audit work of the Chongqing Municipal Environmental Protection Bureau, and has been in accordance with the idea of sustainable development, the selection of low energy consumption and pollution of small products, technology, equipment, raw materials, and always adhere to the "low carbon, environmental protection, energy saving, recycling, green development concept.

4. Comprehensive Utilization of Waste Classification

The workshop is equipped with recyclable, non-recyclable general industrial solid waste collection tanks and hazardous waste collection tanks. The company separately constructed the hazardous waste dumping site and carried out "three prevention" measures. Hazardous waste of the company were all commissioned by a qualified unit for safe transfer and disposal. a total of 56.56 tons of hazardous waste disposa in 2016.

5. Factory Environment and Office System

The factory area is neat, the workshop and the office .functional area are clearly distinguished, the 6S management is strictly enforced, and the plant green area is up to 587.26 million square meters. It has standardized the discharge of waste gas and water, the pollution and the factory noise discharge are also standardized, and the air quality is good.

In order to advocate "green office" and "paperless office", the company introduced the OA office system and bought a complete set of office software, the paperless office is achieved. All of the tools which are equipped with Company's production workshop take environmental friendly, green as prerequisite. For example, staff's hand sanitizer and logistics supplies are non-phosphorus, green, natural and does not cause secondary pollution to the environment. At the same time energy-saving wind is the prevalence of the entire factory, by breaking the office cost indicators, from office lighting, office supplies and so on, strictly limit the energy consumption every year.

Listed company and its subsidiary belongs to the key pollution enterprise listed by Department of Environmental

Protection

Whether released Social Responsibility Report

☐ Yes ☒ No**XIX. Major issues of subsidiary**☒ Applicable ☐ Not applicable

1. Military Equipment Group , the controlling shareholder of the company, signed the agreement of free share transfer with Jianshe Mechanical and Electric Corporation on December 10th, 2015. According to the agreement, Military Equipment Group gratuitously transferred 84,906,250 state-owned corporate shares, which occupied 71.13% of company's general capital, to Jianshe Mechanical and Electric Corporation. The share transfer registers and formalities were successfully completed at China Securities Depository and Clearing Limited Liability Company, Shenzhen subsidiary on March 2, 2016. After the completion of equity transfer, the Military Equipment Group no longer held share of the company, instead Jianshe Mechanical and Electric Corporation became the controlling shareholder which held 84,906,250 share with 71.13% stock-keeping ratio, and the property of stock system was state-owned initiator. The actual controller of the company was not changed, and the state-owned Assets Supervision and Administration Commission was still in power. Detailed information was posted in Securities Times, Hong Kong Commercial Daily, and Cninfo Network (cninfo.com.cn) from December 15th, 2015 to March 8th, 2016, where the Construction of Chongqing Motorcycle co., Ltd. Purchase Report and other company announcements were also published.

2. April 13, 2017, the company received the shares frozen data of the Chinese Securities Registration Limited Company and Shenzhen branch, and found that 5,000,000 shares held by the Jianshe Mechanical and Electric Company were frozen Chongqing District People's Court of justice, Specific details are as follows:

Verified by the Jianshe Mechanical and Electric Company, the frozen shares were contract dispute between Chongqing Yong Xing Industrial Co. Ltd. (hereinafter referred to as "Xing Yong") and the Jianshe Mechanical and Electric Company. The applicant, Xing Yong Company, proposed the request of property preservation before litigation Chongqing District of Banan City People's Court issued 2017 Chongqing 0113 persistent protection No. 258 Document of Ruling, the applicant decided to freeze RMB5.1 million or seizure other corresponding value of the property of Jianshe Mechanical and Electric Company and carry out in April 12, 2017.

As of this announcement, the Jianshe Mechanical and Electric Company holds 84,906,250 shares of the Company, accounting for 71.13% of the total share capital of the Company. Its holdings of the Company's shares were frozen up to 5,000,000 shares, accounting for 4.19% of the total share capital of the Company.

Shares held by the Jianshe Mechanical and Electric Company is subject to judicial freeze, which will not affect the production and operation of the company. If its frozen shares was judicial disposal, which will not have an impact on the company's control. At present, Jianshe Mechanical and Electric Company actively consult with XingYong company to resolve the litigation as soon as possible.

XX. Material issues of the subsidiaries☐ Applicable ☒ Not applicable

VI. Change of share capital and shareholding of Principal Shareholders

I. Changes in share capital

1. Changes in share capital

In Shares

	Before the change		Increase/decrease (+, -)					After the Change	
	Amount	Proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	Proportion
I. Shares with trade restriction conditions	89,375,000	74.87%	0	0	0	0	0	89,375,000	74.87%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person shares	84,906,250	71.13%	0	0	0	0	0	84,906,250	71.13%
3. Other domestic shares	4,468,750	3.74%	0	0	0	0	0	4,468,750	3.74%
Incl. Shares held by domestic legal persons	1,750,000	1.46%	0	0	0	0	0	1,750,000	1.46%
Domestic natural person shares	2,718,750	2.28%	0	0	0	0	0	2,718,750	2.28%
4. Share held by foreign investors	0	0.00%	0	0	0	0	0	0	0.00%
Incl. Shares held by foreign legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Foreign natural person shares	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares without trading limited conditions	30,000,000	25.13%	0	0	0	0	0	30,000,000	25.13%
1. Common shares in RMB	0	0.00%	0	0	0	0	0	0	0.00%
2. Foreign shares in domestic market	30,000,000	25.13%	0	0	0	0	0	30,000,000	25.13%
3. Foreign shares in overseas market	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total of capital shares	119,375,000	100.00%	0	0	0	0	0	119,375,000	100.00%

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Reasons for share changed

☐Applicable ☒ Not applicable

Approval of Change of Shares

☐Applicable ☒ Not applicable

Ownership transfer of share changes

☐Applicable ☒ Not applicable

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

☐Applicable ☒ Not applicable

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

☐Applicable ☒ Not applicable

II .Issuing and listing

1.Explanation of the Situation of the Security Issue(No Preferred Shares) in the Report Period

☐Applicable ☒Not applicable

2.Change of asset and liability structure caused by change of total capital shares and structure

☐Applicable ☒Not applicable

3.About the existing employees' shares

☐Applicable☒Not applicable

III.Shareholders and actual controlling shareholder

1. Number of shareholders and shareholding

In Share

Total number of common shareholders at the end of the reporting period	8,350	Total shareholders at the end of the month from the date of disclosing the annual report	8,371	The total number of preferred shareholders voting rights restored at period-end(if any)(See Notes 8)	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report(if any)(See Notes 8)	0
Particulars about shares held above 5% by shareholders or top ten shareholders							

Shareholders	Nature of shareholder	Proportion of shares held (%)	Number of shares held at period-end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Chongqing Jianshe Mechanical and Electric Co., Ltd.	State-owned legal person	71.13%	84,906,250	84,906,250	84,906,250	0		
Gu Zuocheng	Domestic natural person	1.89%	2,261,000	0	2,218,750	42,250		
Anhui Hengsheng Economic Development Group Co., Ltd.	Domestic non-state-owned legal person	1.47%	1,750,000	0	1,750,000	0		
Liu Dan	Domestic natural person	0.88%	1,054,001	-222000	0	1,054,001		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Overseas legal person	0.60%	716,920	562945	0	716,920		
Yu Lingfeng	Domestic natural person	0.52%	623,621	273096	0	623,621		
Chen Xinqiang	Domestic natural person	0.51%	612,400	-50852	0	612,400		
Xu Yuanhui	Domestic natural person	0.51%	610,789	70800	0	610,789		
Zhang Meilan	Domestic natural person	0.43%	513,560	6300	0	513,560		
Feng Yonghui	Domestic natural person	0.42%	500,000	0	500,000	0		
Explanation on associated relationship among the aforesaid shareholders		There isn't any associated relationship between the sponsoring shareholder and the other shareholders among the top-10 list. None of them are regarded as 'Acting in concert' in accordance with 'The rules of information disclosure on change of shareholding.' Foreign shareholders are unknown for their condition of 'Associated relationship' and 'Acting in concert'.						
Top 10 holders of unconditional shares								
Name of the shareholder		Amount of unconditional shares held at end of period				Category of shares		
						Category of shares		Amount
Liu Dan		1,054,001				Foreign shares placed in domestic exchange		1,054,001
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED		1,054,001				Foreign shares placed in domestic exchange		1,054,001

Yu Lingfeng	623,621	Foreign shares placed in domestic exchange	623,621
Chen Xinqiang	612,400	Foreign shares placed in domestic exchange	612,400
Xu Yuanhui	610,789	Foreign shares placed in domestic exchange	610,789
Zhang Meilan	513,560	Foreign shares placed in domestic exchange	513,560
CREDIT SUISSE (HONG KONG) LIMITED	489,160	Foreign shares placed in domestic exchange	489,160
Chen Houping	344,000	Foreign shares placed in domestic exchange	344,000
Liu Guosheng	280,000	Foreign shares placed in domestic exchange	280,000
Liang Qinhuai	262,700	Foreign shares placed in domestic exchange	262,700
Action-in-concert among top 10 non-restricted current share holders, top 10 non-restricted current share holders and top 10 shareholders	There isn't any associated relationship between the sponsoring shareholder and the other shareholders among the top-10 list. None of them are regarded as 'Acting in concert' in accordance with 'The rules of information disclosure on change of shareholding.' Foreign shareholders are unknown for their condition of 'Associated relationship' and 'Acting in concert'.		

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

☐ Yes ☒ No

The top ten common shareholders or top ten common shareholders with un-restrict shares held of the Company

have no buy –back agreement dealing in reporting period.

2. Controlling shareholder

Nature of Controlling Shareholders: Central state owned holding

Type of Controlling Shareholders: Legal person

Name of the Controlling shareholder	Legal representative/Leader	Date of incorporation	Organization code	Principal business activities
Chongqing Jianshe Mechanical and Electric Co., Ltd.	Li Huaguang	August 28, 2015	915001133556474283	R & D, manufacturing and sales of motorcycles, automobiles and machinery products
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	Nil			

Change of holding shareholder

✓ Applicable ☐ Not applicable

Name of new controlling shareholder	Chongqing Jianshe Mechanical and Electric Co., Ltd.
Change date	Marh 2, 2016
Web index	www.cninfo.com.cn, Announcement No.: 2016-011
Date of disclosure	March 8, 2016

3. Information about the controlling shareholder of the Company

Actual controller nature: Central state owned Assets Management t

Actual controller type: Legal person

Name of the controlling shareholder	Legal representative/person in charge	Date of establishment	Organization code	Principal business activities
State-owned Assets Supervision and administration Commission of the State Council	Not applicable		Not applicable	Not applicable
Situation of domestic and abroad holding listed companies	Not applicable			

Changes of the actual controller in the reporting period

☐Applicable ☒Not applicable

No Changes of the actual controller in the reporting period

Block Diagram of the ownership and control relations between the company and the actual controller



The actual controller controls the company by means of trust or managing the assets in other way

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

5.Situation of Share Limitation Reduction of Controlling Shareholders, Actual Controllers, Restructuring Party and Other Commitment Subjects

☐Applicable ☒Not applicable

VII. Situation of the Preferred Shares

☐ Applicable ☒ Not applicable

The Company had no preferred shares in the reporting period.

VIII. Information about Directors, Supervisors and Senior Executives

I. Change in shares held by directors, supervisors and senior executives

Name	Positions	Office status	Sex	Age	Starting date of tenure	Expiry date of tenure	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Shares held at the year-end (share)
Lv Hongxian	Chairman	In office	Male	47	Marh 18, 2016		0	0	0	0	0
Zhou Yongqian g	Director	In office	Male	44	May 25, 2016		0	0	0	0	0
Ye Yuxin	Director	In office	Male	49	May 25, 2016		0	0	0	0	0
Yu Wenbiao	Director	In office	Male	50	May 25, 2016		0	0	0	0	0
Fan Aijun	Director, GM	In office	Male	45	May 25, 2016		0	0	0	0	0
Hao Lin	Director	In office	Male	54	April 29, 2008		0	0	0	0	0
Deng Gang	Employee supervisor	In office	Male	39	Marh 10, 2016		0	0	0	0	0
Li Dingqing	Independent Director	In office	Male	53	May 23, 2014		0	0	0	0	0
Wang Jun	Independent director	In office	Male	54	May 25, 2016		0	0	0	0	0
Peng Jue	Independent Director	In office	Female	62	May 23, 2014		0	0	0	0	0
Liu Zhiqiang	Independent director	In office	Male	36	May 23, 2014		0	0	0	0	0

Lv Cuiwei	Chairman of the supervisory committee	In office	Female	48	May 25, 2016		0	0	0	0	0
Tao Xuqian	Supervisor	In office	Male	51	May 25, 2016		0	0	0	0	0
Wu Haiwen	Supervisor	In office	Male	40	May 25, 2016		0	0	0	0	0
Xu Dongxia	Employee Supervisor	In office	Female	43	March 10, 2016		0	0	0	0	0
Wang Mao	Employee Supervisor	In office	Male	39	Marh 10, 2016		2,700	0	0	0	2,700
Zhang Xiangdong	Deputy GM	In office	Male	42	March 18, 2016		0	0	0	0	0
Xue Gangyi	Deputy GM, CFO, secretary of the Board	In office	Male	35	March 18, 2016		0	0	0	0	0
Zhang Guofeng	Deputy GM	In office	Male	51	March 18, 2016		0	0	0	0	0
Deng Xianming	Deputy GM	In office	Male	51	March 18, 2016		0	0	0	0	0
Cao Bing	Deputy GM	In office	Male	45	Marh 18, 2016		0	0	0	0	0
Li Huaguang	Chairman	Resigned	Male	51	November 27, 2009	May 25, 2016	0	0	0	0	0
Yan Xuechuan	Director, secretary general of CCP committee, chairman of trade	Resigned	Male	53	November 27, 2009	May 25, 2016	0	0	0	0	0

	union										
Ni Erke	Director	Resigned	Male	43	May 25,2012	May 25,2016	0	0	0	0	0
Teng Feng	Director, vice general manager, CFO, secretary of the Board	Resigned	Male	45	April 29,2008	May 25,2016	0	0	0	0	0
Tang Wenquan	Employee Director	Resigned	Male	47	May 30,2011	March 10,2016	0	0	0	0	0
Liu Yulin	Independent Director	Resigned	Female	50	May 22,2015	May 25,2016	0	0	0	0	0
Cha Changli	Chairman of the supervisory committee	Resigned	Male	51	May 25,2012	May 25,2016	0	0	0	0	0
Tan Mingxian	Supervisor	Resigned	Male	42	May 25,2012	May 25,2016	0	0	0	0	0
Mou Jun	Supervisor	Resigned	Female	51	November 17,2015	May 25,2016	0	0	0	0	0
Wen Hong	Deputy GM	Resigned	Male	50	April 29,2008	March 18,2016	0	0	0	0	0
Yu Jiang	Deputy GM	Resigned	Male	45	April 29,2008	March 18,2016	0	0	0	0	0
Total	--	--	--	--	--	--	2,700	0	0	0	2,700

II. Change in shares held by directors, supervisors and senior executives

✓ Applicable ☐ Not applicable

Name	Positions	Types	Date	Reason
Li Huaguang	Chairman, Director , Director and member of the strategy	Resigned	May 25,2016	Because of job changes, apply for resignation

	committee, member of the audit committee, Member of Nomination committee and Member of Remuneration and assessment committee.			
Yan Xue Chuan	Director	Resigned	May 25,2016	Because of job changes, apply for resignation
Ni Erke	Director	Resigned	May 25,2016	Because of job changes, apply for resignation
Teng Feng	Director, Member of the audit committee, Deputy General Manager ,CFO and secretary of the Board	Resigned	May 25,2016	Because of job changes, apply for resignation
Tang Wenquan	Employee Director	Resigned	March 10,2016	Because of job changes, apply for resignation
Cha Changli	Chairman of the supervisory committee, Supervisor	Resigned	May 25,2016	Because of job changes, apply for resignation
Tan Mingxian	Supervisor	Resigned	May 25,2016	Because of job changes, apply for resignation
Mou Jun	Supervisor	Resigned	May 25,2016	Because of job changes, apply for resignation
Lv Cuiwei	Employee Supervisor	Resigned	March 10,2016	Because of job changes, apply for resignation
Tao Xuqian	Employee Supervisor	Resigned	March 10,2016	Because of job changes, apply for resignation
Lv Hongxian	GM	Dismiss	September 18,2016	Because of job changes, apply for resignation
Wen Hong	Deputy GM	Dismiss	March 18,2016	Because of job changes, apply for resignation
Yu Jiang	Deputy GM	Dismiss	March 18,2016	Because of job changes, apply for resignation
Yu Wenbiao	Deputy GM	Dismiss	March 18,2016	Because of job changes, apply for resignation
Fan Qijun	Deputy GM	Dismiss	March 18,2016	Because of job changes, apply for resignation

III. Status of service

Working experiences of current directors, supervisors, and executives in the past five years

The situation by the end of 2016:

Lv Hongxian: Male, Born in 1969 April, MBA, senior engineer, senior economist. Once worked for Jianshe Industrial (Group) Co., Ltd. (Jianshe Group) as vice head of promotion dept., head of CCP office, head of HR division of CCP committee, assistant to the general manager, vice chief secretary of CCP committee, director, chief secretary of CCP committee, and chairman of the union; for the Company as chief secretary of the CCP committee, chairman of the Supervisory Committee, and director; for Jinan Qinqi as general manager and Chairman. At present he's the general manager and director of Jianshe Mechanical and Electric, He served as Chairman of the Company.

Mr. Zhou Yongqiang, male, was born in December 1972, bachelor degree in engineering management, senior economist. He had served in China Jialing Group in posts of section chief of investment management section, section chief of Investment Planning Section, deputy director of investment management department, Assistant Minister of planning department and Assistant Minister of development department; he had served as Vice Minister (executive) of enterprise development department of China Jialing Group, deputy general manager of Chongqing Jiufang Foundry Co.,Ltd and general manager of Chongqing Jiufang Foundry Co.,Ltd; he had served as general manager assistant with concurrent post of minister of development planning, and deputy general manager of China Jialing Group, and minister of capital operation of Military Motorcycle. Currently, he serves as director of corporate development department of motorcycle division of Military Equipment Group, deputy chief economist and minister of development operation department of Military Motorcycle, director of Luoyang North Enterprise Group, director of Ji'nan Qingqi Co., Ltd, director of Jianshe Mechanical and Electric Company and director of the company.

Mr. Ye Yuxin, male, was born in May 1967, master degree of Business Administration, senior accountant. He had served as accountant in financial department of Sichuan Tianxing Instrument Factory, deputy director in financial department of Chengdu Tianxing Instrument (Group) Co., Ltd, deputy finance minister and section chief of finance department, assistant general manager in Chengdu Tianxing Instrument (Group) Co., Ltd, vice president, financial controller and finance minister, director of Chengdu Tianxing Instrument Co., Ltd, delegated chief accountant of Tianxing (Group), CFO of Shenzhen Yan Xing Investment Co., Ltd, deputy general manager, chief accountant, director, and secretary of the board of directors of China Jialing Group. Currently, he serves as chief accountant and director of Jianshe Mechanical and Electric Company, and the director of the company.

Mr. Yu Wenbiao, male, was born in November 1966, bachelor degree in mechanical engineering automation, senior engineer. He had served as deputy superintendent of 61 workshop, section chief of quality assurance section of firearms company, deputy director of Institute of Firearms, deputy minister of development planning department, director of the Beijing Office, section chief of economic operation section of development planning department, vice minister(executive) of development planning department, minister of development planning department, minister of joint venture management department, general manager assistant, minister of assets operation department of Jianshe Group; he had served as secretary of the board of the company, vice general manager of Zhuzhou Jianya, and vice general manager of the company; currently, he serves as vice general manager of Jianshe Mechanical and Electric Company, and he is a director of the company.

Mr. Fan Ai'jun, male, was born in July 1971, postgraduate degree of business management, engineer. He had served as workshop technician, office secretary, deputy director of general administration, and deputy chief of

staff of Construction Group; he had served as vice general manager of Pan India Construction Co., Ltd, section chief of overseas business section of Chongqing Jianya, deputy chief, and section chief of matching section, and section chief of matching section of automobile division of the company; he had served as vice general manager, and general manager of automotive air-conditioner compressor division, and he had served as vice general manager of the company; currently, he serves as deputy party secretary of Jianshe Mechanical and Electric Company, and he is the general manager and director of the company.

Hao Lin: Male, born in 1963, Master. At present he's Chairman of Chongqing Tongkang Technologies Co., Ltd., and Director of the Company. He served as Director of the Company.

Mr. Deng Gang, male, was born in September 1977, bachelor degree of mechanical design and manufacture, political engineer, economist, certified quality engineer, senior administrator of human resources management. He had served as deputy leader of technical team of the eighth workshop of Jianshe Group, and minister of technical quality of Spring Company; he had served as minister of technical quality of the company's Components Manufacturing Company, director of committee cadre management office, and deputy minister of technical quality assurance department of Jianshe Group; he had served as minister of personnel administration of Automotive Conditioning, senior manager of Southern Motorcycle, and minister of comprehensive management department of Automotive Conditioning; currently, he is the minister of business planning department and employee director of the company.

Li Dingqing: Male, born in 1963 May, Master, Professor of Accounting once vice head of financial office of Chongqing Business School; vice chief of Accounting Dept. of Chongqing Business School; vice dean of Accounting Dept.; dean of Technical Dept. At present he's the dean of Accounting Dept. of Chongqing University of Business; independent director of the Company, Yushanxia A, and Gaojin Food.

Mr. Wang Jun, male, was born in August 1962, bachelor degree. He had served as technical head of the fifth workshop, and deputy head of supply and marketing section of Chongqing TongJunGe Pharmaceutical Co.,Ltd; he had served as manager of Shanghai Wanguo Securities Co., Ltd Chongqing Sales Office, manager of Shenyin Wanguo Securities Co., Ltd Chongqing Sales Office, general manager of Chongqing investment banking of Investment Banking Division of Shenyin Wanguo Securities Co., Ltd and Shenyin Wanguo Securities Co., Ltd Chongqing Sales Office; he had served as independent director of the company, independent director of China Jialing, independent director of Chongqing Water, secretary general of Chongqing Securities Association, consultant of Chongqing capital operation and asset restructuring leading group, and expert advisor for Mayor of Chongqing Municipal People's Government. Currently, he serves as general manager of Chongqing Branch Shenwan Hongyuan Securities Co., Ltd, council member of Chongqing securities and Futures Industry Association, independent director of Chongqing Yuxin Group Co., Ltd, outside director of Chongqing Yu Fu Asset Management Group Co., Ltd, and independent director of the company.

Peng Jue: female, born in 1954, Doctor of Management, Professor of Accounting Once he was accountant of Supply & Sales Dept of Chengdu Coal Industry Administration; assistant professor of History School of Chongqing Normal University; lecturer of Southwestern University of Agriculture. At present he's the head of Business & Management School of Southwestern University; independent director of the Company, Tongjunge, and Southwestern Pharmacy. She served as independent Director of the Company.

Liu Zhiqiang: Male, born in 1981 September, JD, finance postdoctoral. Once he was the clerk of Shanghai Bureau of Finance and Chongqing International Trade Commission; assistant of the head of Chongqing Beibei Tiansheng Community Office. Currently he's associated professor of Southwestern University Politics and Law; partner of Taihetai Law Firm, and independent director of the Company and Taihe Health and the Company.

Lv Cuiwei: Female, born in 1968 July, Bachelor degree, senior economist. once secretary of Youth Party of Jianshe Group, office manager of CCP office, PR director of CCP party of Jianshe Industry, vice dean of party school, director of PR office of CCP committee. At present she's the director of Auditing and Legal department, employees' supervisor of the Company. She served as secretary of Jianshe Mechanical and Electric Company, Chairman of the board of supervisors of the Company.

Tao Xuqian: Male, born in 1965 May, Bachelor degree, senior economist. Once worked for Jianshe Group as vice director of discipline office, vice head of supervisory division; for Jianshe Industry as vice director of discipline office, and vice head of supervisory division; for the Company as vice head of CCP public relationship division, head of supervisory division. At present he's the vice chief secretary of discipline division of Jianshe Mechanical and Electric Company, office manager of discipline division and head of supervisory division, supervisor of the Company.

Mr. Wu Haiwen, male, was born in September 1976, master degree of human resource development and management, political engineer, senior administrator of human resources management. He had served as director of party committee cadre management Office, deputy director of Components Factory, and deputy head of the fifth workshop of Firearms division of Construction Group; he had served as deputy section chief of material supply section, vice minister of material purchasing department, and minister of human resources of the company; he had served as minister of human resources of Jianshe Machinery. Currently, he serves as minister of business planning department of Jianshe Mechanical and Electric Company, and he is a supervisor of the company.

Ms. Xu Dongxia, female, was born in August 1973, Bachelor of information technology, engineer, political engineer title. She had served as technician of Sichuan Jindu Photoelectric Instrument Factory, section chief of office information management of Construction Group, served in Construction Industry Development Planning Department for responsible of statistics and operation management; she had served as practice section chief of warehouse center of Chongqing Jianshe, deputy director of logistic center, deputy minister of marketing department of sales company, deputy minister of marketing department, and deputy minister of business planning department of the company, and she served as deputy minister of business planning department of Jianshe Mechanical and Electric Company. Currently, she serves as minister of party supervision department and employee-supervisor of the company.

Mr. Wang Mao, male, was born in June 1977, college degree of economic management, technician, certified assistant safety engineer. He had served in the twentieth workshop of Construction Group, and worked in processing section of automotive air-conditioning; he had served as technical safety officer of the manufacturing department of automotive air-conditioning. Currently, he is the chief of the third section of processing line of workshop of automotive air-conditioning manufacturing, and he is an employee-supervisor of the company.

Mr. Zhang Xiangdong, male, was born in May 1974, master degree of ideological education, with title of economist. He had served as technician of the 34th workshop, head of technical room of technical department of Foundry Factory, and chief of third section of processing line of casting department of Foundry Factory of Construction Group; he had served as officer of company union, salesman of sales company, head of company union office, and deputy minister of democratic management department of company union of the company; he had served as deputy leader of the preparatory group of Construction Industry Union, and served as the vice chairman of the union, and vice chairman (executive) of company union; he had served as party general branch secretary of Automotive Air-conditioning, and vice general manager of Automotive Air-conditioning; currently, he serves as secretary of the party committee, secretary of the Commission for Inspecting Discipline, and vice general manager of the company.

Mr. Xue Gangyi, male, was born in April 1981, Master of Business Administration , assistant accountant title. He had served as director of budget office of financial department, and office secretary of Jianshe Group; he had served as deputy minister of finance department of the company, minister of finance department of Automotive Air-conditioning, and deputy minister of finance department of Jianshe Mechanical and Electric Company. Currently, he serves as vice general manger, chief financial officer, and secretary of the board in the company.

Mr. Zhang Guofeng, male, was born in August 1965, bachelor degree in mechanical engineering, senior engineer. He had served as associate supervisor of the 44th workshop, supervisor of the 45th workshop, deputy director of the fifth factory, and assistant manager of Tool Manufacturing Company in Construction Group; he had served as vice general manager of sales company, section chief of sales section of automotive air-conditioning, minister of customer management department and vice general manager. Currently, he serves as the company's vice general manager.

Mr. Deng Xianming, male, was born in August 1965, bachelor of business management, engineer title. He had served as chief of the eighth factory room, assistant manager of automotive air-conditioning, technical chief of technical section, minister of manufacturing department, and deputy minister of production guarantee department in Construction Group; he had served as chief of the office of safety and environmental protection committee of the company, minister of environmental security department of the company, and vice general manager of automotive air-conditioning. Currently, he serves as the company's vice general manager.

Mr. Cao Bing, male, was born in March 1971, bachelor degree in refrigeration and air conditioning, engineer title. He had served as technician of the eighth factory of Construction Group, salesman of the sales company, salesman of automotive air-conditioning, deputy section chief of the sales section, minister of customer management department and vice general manager. Currently, he serves as the company's vice general manager.

Office taking in shareholder companies

√Applicable □Not applicable

Names of the persons in office	Names of the shareholders	Titles engaged in the shareholders	Sharting date of office term	Expiry date of office term	Does he /she receive remuneration or allowance from the shareholder
Lv Hongxian	Jianshe Mechanical and Electric(Controlling shareholder)	GM, Director	December 30,2015		Yes
Zhou Yongqiang	Southern Motorcycle (subsidiary of the holding shareholder)	Deputy chief economist and Minister of development and operations	July 1,2013		Yes
Ye Yuxin	Jianshe Mechanical and Electric(Controlling shareholder)	Chief accountant	January 4,2016		Yes
Yu Wenbiao	Jianshe Mechanical and	Deputy GM	January 4,2016		Yes

	Electric(Controlling shareholder)				
Lv Cuiwei	Jianshe Mechanical and Electric(Controlling shareholder)	Director of audit Dept	September 1,2015		Yes
Tao Xuqian	Jianshe Mechanical and Electric(Controlling shareholder)	Deputy Secretary of the Commission for Discipline Inspection, director of the office of the Director of supervision	September 1,2015		Yes
Wu Haiwen	Jianshe Mechanical and Electric(Controlling shareholder)	Director of operations Dept	February 1,2016		Yes

Offices taken in other organizations

√Applicable □Not applicable

Names	Name of the parties	Positions	Job started	Job ended	Take remunerations from the party
Hao Lin	Chongqing Tongke Technology Co., Ltd.	Chairman	January 1,2001		Yes
Li Dingqing	Chongqing Technology and Business University School of Accountancy	DEAN	December 31, 2012		Yes
Wang Jun	Shenwan Hongyuan Securities Co., Ltd. Chongqing Office	General manager	August 1,2015		Yes
Peng Jue	Southwest University School of Economics and Management	Department head	May 7,2014		Yes
Liu Zhiqiang	Tahota Law firm	Partner	May 31,2012		Yes

Punishments to the current and leaving board directors, supervisors and senior managers during the report period by securities regulators in the recent three years

□ Applicable √Not applicable

IV. Remuneration to directors, supervisors and senior executives

Decision-making procedures, basis for determination and actual payment of the remuneration to directors , supervisors and senior executives

The Company gives rewards to executives on annual basis which consist of basic annual rewards and performance rewards. Basic annual rewards are paid on monthly basis and performance rewards are distributed basing on the annual assessment on their performances and duties as well as democratic assessment.

Remuneration of directors, supervisors, and executives in the report period

In RMB'0000

Name	Positions	Sex	Age	Office status	Total remuneration received from the shareholder	Remuneration actually received at the end of the reporting period
Lv Hongxian	Board chairman	Male	47	In office	10.2	Yes
Zhou Yongqiang	Director	Male	44	In office	0	Yes
Ye Yuxin	Director	Male	49	In office	0	Yes
Yu Wenbiao	Director	Male	50	In office	7.3	Yes
Fan Aijun	Director, General manager	Male	45	In office	29.6	No
Hao lin	Director	Male	54	In office	0	Yes
Deng Gang	Employee Director	Male	39	In office	21.2	No
Li Dingqing	Independent director	Male	53	In office	3	No
Wang Jun	Independent director	Male	54	In office	1.5	No
Peng Jue	Independent director	Female	62	In office	3	No
Liu Zhiqiang	Independent director	Male	36	In office	3	No
Lv Cuiwei	Chairman of the supervisory committee	Female	48	In office	3.6	Yes
Tao Xuqian	Supervisor	Male	51	In office	4.8	Yes
Wu Haiwen	n Supervisor	Male	40	In office	4.6	Yes
Xu Dongxia	Employee Supervisor	Female	43	In office	16.7	No
Wang Mao	Employee Supervisor	Male	39	In office	8.5	No
Zhang Xiangdong	Deputy GM	Male	42	In office	25.2	No
Xue Gangyi	Deputy GM, CFO, secretary of the Board	Male	35	In office	14.5	No
Zhang Guofeng	Deputy GM	Male	51	In office	20.7	No
Deng Xianming	Deputy GM	Male	51	In office	20.8	No
Cao Bing	Deputy GM	Male	45	In office	20.7	No
Li Huaguang	Chairman	Male	51	Retired	0	Yes

Yan Xuechuan	Director, secretary general of CCP committee, chairman of trade union	Male	53	Retired	9.9	Yes
Ni Erke	Director	Male	43	Retired	0	Yes
Teng Feng	Director, vice general manager, CFO, secretary of the Board	Male	45	Retired	0	Yes
Tang Wenquan	Employee Director	Male	47	Retired	5	Yes
Liu Yulin	Independent Director	Female	50	Retired	1.5	No
Cha Changli	Chairman of the supervisory committee	Male	51	Retired	9.4	Yes
Tan Mingxian	Supervisor	Male	42	Retired	0	Yes
Mou Jun	Supervisor	Female	51	Retired	0	Yes
Wen Hong	Deputy GM	Male	50	Retired	7.3	Yes
Yu Jiang	Deputy GM	Male	45	Retired	7.3	Yes
Total	--	--	--	--	259.3	--

Incentive equity to directors, supervisors or/and senior executives in the reporting period

☐Applicable√Not applicable

V. Particulars about employees.

1. Staff jobs, education, job title number and proportion refer to the following pie chart:

Number of in-service staff of the parent company (person)	509
Number of in-service staff of the main subsidiaries (person)	378
Total number of the in-service staff (person)	887
Total number of staff receiving remuneration in the current period (person)	887
The number of the parent company and the main subsidiary's retired staffs who need to bear the cost (person)	1
Professional	
Classified according by Professions	Number of persons (person)

Production	539
Sales	28
Technical	190
Financial	13
Administrative	117
Total	887
Education	
Classified according by education background	Number of persons (person)
Mid-school or below	449
Colleges or above	200
Universities or above	224
Postgraduate or above	14
Total	887

2. Remuneration policies

The mode of piecework wage for production personnel was carried out. Sales commissions are employed to sales personnel. Other employees will enjoy the basic broadband salary.

3. Training plan

In 2016, there were totally 24 projects of internal training with 69 training programs according to the annual training plan. However, there were total 31 projects of internal training with 89 training programs being finished actually with totally 2758 employees being trained within 2187 training hours. The per capita training hour was 3.3 hours averagely which promoted the full completion of company's annual training plan.

4. Outsourcing situation

☐ Applicable ☒ Not applicable

IX. Administrative structure

I. Basic state of corporate governance

In 2015, our company has finished major assets restructuring. Our company had built a sound structure of corporate governance, strengthened company's operation and enhanced the information disclosure on the basis of Corporation Law, Securities Law, Corporate Governance Standards For Listed Companies and following regulations of Articles of Associations before the restructuring. Rules of procedures were fully followed by the general meeting of shareholders, board of directors and board of supervisors.

After the implementation of the major assets reorganization which is in accordance with the requirements of the normative documents, the company held The first session of the thirty-two representatives of workers, the seventh meeting of the board of directors of the tenth, the seventh meeting of the board of supervisors of the tenth and 2015 annual general meeting and completed the change of directors, supervisors and senior members in March and May 2016. In the future company will continue to maintain effective operation and in line with the Articles of Association provisions of the governance structure, continue to improve corporate governance and information disclosure quality, protect the interests of shareholders, especially small and medium shareholders.

The specific management structure is as follows:

I Shareholders and Shareholders' Meeting

In strict accordance with the Articles of Associations, shareholders will enjoy their equal status on the basis of their shares and undertake corresponding obligations. Strictly following the regulations and requirements of the Rules for the General Assemblies of Shareholders of Listed Companies, the Rule of Procedure of Shareholders Meeting, our company calls for shareholders to attend the shareholders' meeting in an attempt to protect the legal rights and interests of all shareholders, especially of the minority shareholders. Our company will always treat all shareholders equally.

II Controlling Shareholders and Listed Company

Our controlling shareholder is Military Equipment Group, and the actual controller is the State-owned Assets Supervision and Administration Commission. Neither the controlling shareholder nor the actual controller, beyond the shareholders' meeting, has directly or indirectly intervene in decisions or operation activities of company. Our company has independent and complete business with capacity of independent operation. Our business, employees, assets, organizations and finance are all independent from the controlling shareholder. Our board of directors, board of supervisors and internal organizations all enjoy their independent operations.

III Directors and Board of Directors

Board composition, director qualifications and selection process are all in accordance with relevant laws, regulations and the rules of the Articles of Associations. All directors could carry out their work, attend the meetings of board and shareholders and diligently undertake their duties and obligations on the basis of the Rules of Procedures for Board of Directors and the Independent Director System. Meanwhile, they also actively participate in relevant trainings and are familiar with relevant laws and regulations.

IV Supervisors and Board of Supervisors

Composition of board of supervisors, supervisor qualifications and selection process are all in accordance with relevant laws, regulations and the rules of the Articles of Associations. All supervisors could seriously undertake their duties according to the requirements of the Rules of Procedures for Board of Supervisors. Effective supervisions for major issues, related transactions, financial status and the performance of duties of directors as well as managers have been undertaken by supervisors.

V Information Disclosure and Transparency

The secretary to the board of directors appointed by our company is responsible for the information disclosure,

coordinating relations between company and investors and receiving shareholders and their consultations. The secretary should disclose real, accurate, complete and real-time information in strict accordance with some relevant laws and regulations and rules of Information Disclosure Management Method, and make sure that all shareholders are capable of acquiring information with equal chance. During the report period, information of financial data and production-sales-stock statement related to motorcycles and air condition compressors was sent to the Chongqing Economic and Information Commission, the Statistical Bureau of Banan District and the controlling shareholder. According to the Regulation System of External Information Submission and Utility and the Registration and Regulation System of Internal Information Insiders, external personnel in relevant external organizations will be registered as insiders for further reference by our company. Those external personnel will be reminded to undertake the responsibility of keeping secret. At the same time, our company tries to persist in the equal principle of information disclosure to ensure that all investors have equal access to the same information. Our company always appoints specific media to voluntarily disclose the information of production and sales of main products when we report relevant information monthly. In the report period, no case of undisclosed information leaked which caused the abnormal price and volume movement occurred.

Does there exist any difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC,

☒Yes ☐No

There exist no difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC.

II. Independence and Completeness in business, personnel , assets, organization and finance

The Company is completely separate from the holding shareholder in aspects of business, asset, finance, and organization. It has its independent business operation.

1. Business: The Company has independent and complete development, purchase, production and marketing system. The Company is capable to perform business operation independently.
2. Personnel: The Company established independent functional department responsible for labor, personnel and wage management and formed labor, personnel and wage management system.
3. Asset: The Company's assets are independent and complete. The assets are registered, booked, accounted, and administrated independently.
4. Organization: The Company has established an organizational structure that is independent of its controlling shareholder. The organs of the Company are able to exercise their functions independently.
5. Finance: The Company has set up independent finance department, formed independent financial accounting system, established and perfected financial control system and internal control measures, opened independent bank accounts and paid taxes independently.

III. Competition situations of the industry

☐ Applicable ☒ Not Applicable

IV. Annual General Meeting and Extraordinary Shareholders' Meetings in the Reporting Period

1. Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Disclosure date	Disclosure index
Annual Genral Meeting of 2015	Annual General Meeting	1.89%	May 25,2016	May 26,2016	For details please find the Resolutions of Shareholders' Meeting 2015, Announcement 2016-050 at http://www.cninfo.co

					m.cn dated May 23, 2015
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2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

☐ Applicable ☒ Not applicable

V. Responsibility performance of independent directors in report period

1. The attending of independent directors to board meetings and shareholders' general meeting

The attending of independent directors						
Independent Directors	Number of Board meetings necessary to be attended in the reporting period	Number of spot attendances	Number of meetings attended by Communication	Number of attendances by representative	Number of absence	Failure to personally attend board meetings successively twice (Yes/No)
Li Dingqing	6	4	2	0	0	No
Peng Jue	6	3	2	1	0	No
Wang Jun	4	3	1	0	0	No
Liu Zhiqiang	6	4	2	0	0	No
Liu Yulin	2	1	1	0	0	No
Number of general meetings attended by independent directors as non-voting delegates		1				

Notes to failure to personally attend Board Meetings Successively Twice

2. Objection of independent directors on some relevant issues

Objection of independent directors on some relevant issues

☐ Yes ☒ No

Independent directors proposed no objection against the relevant matters in the reporting period.

3. Other notes to duty performance of independent directors

Has an independent director's advice to the Company been accepted

☒ Yes ☐ No

Explanation on acceptance of or failure to accept an independent director's advice to the Company.

In 2016, the independent directors of our company paid attention to the credit and debt, performance of commitments, corporate governance as well as construction of internal control which are related to the major assets restructuring and provided professional advices and management suggestions from their respective professional fields after their field visits, consultation of company's documents, listening to reports and acquaintance of company's operation. Their suggestions and advices are, for example, the updating and upgrading of products, financial expense reduction and improvement of the rate of assets. Seriously adopting their advices and suggestions, our company increasingly improves and enhances its management capacity.

VI. Duty Performance of Special Committees under the Board of Directors in the Reporting Period

Fulfilling of duties of the committees from the date of previous annual report to the date before this report:

(I) The Auditing Committee held two meetings according to the Auditing Committee Working Criteria and Auditing Committee Annual Report Working Procedures. They were:

1. The Auditing Committee held its 1st meeting of 2017 on January 19, 2017. The financial statements of 2016 provided by the accounting department was examined at the meeting. The Auditing Committee deems the financial statements were complying with the Enterprise Accounting Standard, the accounting policies and estimations were reasonable, and they were reflecting the situations regarding assets, business performance, and cash flow in the report term. It is approved to submit to the CPA.

2. The Auditing Committee conducted communication with the CPAs in the auditing process. On April 15, 2017, the CPA provided initial opinions to the Company. April 15, 2017, the Auditing Committee convened the 2nd meeting of 2017, and examined again on the financial statements, and deemed: Preparing of the financial statements were complying with the Enterprise Accounting Standard, expenses were reasonable, recognition of gains, expenses and profit were complying with the laws, regulations and relative rules, and frankly, completely reflecting the financial situation, business performance and cash flow of the Company. It was approved to be submitted to the Board of Directors.

The meeting also summed up the audit work conducted by the accounting firm in 2016. It believed that Lixin Certified Public Accountants was diligent and responsible for the financial and internal control auditing of the Company in 2016, and could comply with the requirements of the China Certified Public Accountant's Auditing Standards and abide by the accounting firm Of the professional ethics, objective and impartial comments on the company's financial statements.

(II)The company's strategic committee held its first meeting on April 15, 2017. The meeting analyzed the overall economic environment, industry trends, their own advantages and problems, in addition, the meeting discussed and put forward the development trend of the air conditioner compressor industry in the next three years and the work focus of 2017.

(II) According to the rules and regulation requirements from Working Instruction of The Strategic Committee, the strategic committee of the board of directors held three meetings in total. The Content of these meetings were as follows:

1. The strategic committee of the company held the second session of 2015 annual meeting on August 20,2015. Combining the management and development requirements, the meeting agreed to take the prime assets involved in motorcycle business (including the right of land use, building construction, current assets, other intangible assets and receivable account.etc.) and

(III)The Company's Remuneration and Appraisal Committee held its first meeting in 2017 on April 15, 2017. The meeting formed the following opinion:

1. In accordance with the company's provisions Evaluation and Reward Incentive System of Senior Management , according to the company's production and operation and work assessment of senior management. The Company believes that the remuneration level of directors and senior executives in the year 2016 conforms to the relevant regulations and actual conditions of the company.

2. According to the document provision of China Securities Regulatory Commission on Guidance on the establishment of an independent director system in listed companies (SFC issued[2001]NO.102), the company agree to the allowance for independent directors is RMB 30,000 per person per year.

(IV)According to the Requirements of the Working Rules of the Nominating Committee, Company Board Nomination Committee Held Two Meetings Specifically:

1. The company nomination committee held its second meeting in November 10, 2016 and examined the proposed appointment of Xue Gangyi the secretary of the board of directors. The meeting decided that Xue Gangyi served as the secretary of the board of directors meet the relevant provisions and agreed to submit to the board of directors for consideration.

2. The company nomination committee held its first meeting in April 15th, 2017 and examined the candidates for the 8th board directors. The meeting decided that the candidates Lv Hongxian, Zhou Yongqiang, Ye Yuxin, Yu Wenbiao, Fan Aijun, Hao Lin and independent directors candidates Li Dingqing, Wang Jun, Peng Jue, Liu Zhiqiang does not exist Company Law Article 147 of the provisions of the situation and there is no situation that be punished administrative lastly, being less than three years, by the China Securities Regulatory Commission ; What's more, there is no someone who was publicly condemned in the last three years by the stock exchange or the situation that was criticized more than three times. The above candidates who shall be the directors or independent directors of the Company are in accordance with the Rules for the Listing of Stocks of Shenzhen Stock Exchange, the Guidance on the Establishment of Independent Director System in Listed Companies and the Articles of Association of the Company. The meeting agree to submit to the board of directors for consideration.

VII. Work of the supervisory Committee

Did the supervisory Committee find any risk existing in performing the supervision activities in the reporting period

☐ Yes ☒ No

The supervisory Committee has no objection against any matters under supervision in the reporting period

VIII. Assessment and incentive Mechanism for Senior executives

The Company gives rewards to executives on annual basis which consist of basic annual rewards and performance rewards. Basic annual rewards are paid on monthly basis and performance rewards are distributed basing on the annual assessment on their performances and duties as well as democratic assessment.

IX. Internal control situations

1. Specific situations on major defects of internal control discovered during report period

☐ Yes ☒ No

2. Self-evaluation report on internal control

☐ Yes ☒ No

Disclosure date of appraisal report on internal control	April 28,2017	
Disclosure index of appraisal report on internal control	Juchao Website: (http://www.cninfo.com.cn), Announcement No.2017-014	
Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company	76.00%	
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of the company	97.00%	
Standards of Defects Evaluation		
Category	Financial Report	Non-financial Report
Qualitative criteria	General defects: ① Minor financial loss; ② Minor misstatement or omission of statement in terms of financial statement; ③ Minor damage of reputation caused by its negative influence in some regions. Serious defects: ① Bring some financial loss to company; ② Cause moderate misstatement or omission of statement in terms of financial statement; ③ Serious damage of reputation caused by its comparatively large-scale influence in some regions. Significant defects: ① Bring significant financial loss to company; ② Significant misstatement or omission of statement in terms of financial statement; ③ The significantly negative influence has attracted large-scale attention by the public and	Indicator 1: General defects in company's daily operation. It's almost impossible that some specific business fails to operate normally. Other business activities and achievement of business goals will not be affected. Serious defects: It's reasonably possible that normal operations of some business may be influenced but it will not affect the sustainable operation of our company. Significant defects: it's reasonably possible that operation capacity of some business may be lost and it will endanger the company's sustainable operation. Indicator 2: Financial loss. General defects: It's almost impossible that minor financial losses may be led to company. Serious defects: It's reasonably possible that moderate financial losses may be led to company. Significant defects: It's possible that significant financial losses may be led to company. Indicator 3:

	unrecoverable losses have been brought to company.	Reputation of company. General defects: It's almost impossible that the negative information popular in some regions will be caused, which may further affect company's reputation. Serious defects: It's reasonably possible that the negative information popular in some regions will be caused, which may lead moderate influence to company's reputation. Significant defects: It's reasonably possible that the negative information popular in some regions will be caused, which may lead significant influence to company's reputation.
Qualitative criteria	Indicator: The proportion of misstatement in the overall assets. General defects: It's almost impossible that the amount of misstatement accounting for 0.05% of the overall assets or less will occur. Serious defects: It's reasonably impossible that the amount of misstatement accounting 0.05% to 1% of the overall assets will occur. Significant defects: It's reasonably possible that the amount of misstatement accounting for 1% of the overall assets or more will occur.	Indicator: The proportion of financial losses in the overall assets. General defects: It's almost impossible that the amount of financial losses accounting for 0.05% of overall assets or less will occur. Serious defects: It's reasonably possible that the amount of financial losses accounting for 0.05% to 1% of the overall assets will occur. Significant defects: It's reasonably possible that the amount of financial losses accounting for 1% of the overall assets or more will occur.
Number of major defects in financial reporting (a)		0
Number of major defects in non financial reporting (a)		0
Number of important defects in financial reporting (a)		0
Number of important defects in non financial reporting (a)		0

X. Internal Control audit report

☒ Applicable ☐ Not applicable

Review opinions in the internal control audit report	
We acknowledge that Chongqing Jianshe Motorcycle Co., Ltd. has been conducting effective internal control in all material aspects complying with "Fundamental Rules of Enterprise Internal Control" up to December 31, 2016.	
Disclosure date of audit report of internal control (full-text)	Disclosure
Index of audit report of internal control (full-text)	April 28, 2017
Internal audit report's opinion	Juchao Website: (http://www.cninfo.com.cn), Announcement No.2017-030
Type of audit report on internal control	Unqualified auditor's report
Whether there is significant defect in non-financial report	No

Has the CPAs issued a qualified auditor's report of internal control .

☐ Yes ☒ No

Does the internal control audit report issued by the CPAs agree with the self-assessment report of the Board of Directors

☒ Yes ☐ No

X. Corporation bonds

Whether or not the Company public offering corporation bonds in stock exchange, which undue or without payment in full at maturity on the approval date for annual report disclosed

No

XI. AUDITORS' REPORT

AUDITORS' REPORT

PCPAR [2017] No. ZE10382

To all shareholders of Chongqing Jianshe Motorcycle Co., Ltd.:

We have audited the accompanying financial statements of Chongqing Jianshe Motorcycle Co., Ltd. (hereinafter referred to as "the Company"), which comprise the consolidated balance sheet and the Company's balance sheet as at December 31, 2016, the consolidated income statement and the Company's income statement, the consolidated statement of cash flows and the Company's statement of cash flows, and the consolidated statement of changes in owner's equity and the Company's statement of changes in owner's equity for the year then ended, and notes to the financial statements.

Management's Responsibilities for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation; (2) designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Certified Public Accountants in China. Those standards require that we observe professional and ethical requirements of Chinese certified public accountants, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of

the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Company are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the consolidated and the Company's financial position as at December 31, 2016 and the consolidated and the Company's operating results and cash flows for the year then ended.

BDO CHINA ShuLun Pan
Certified Public Accountants LLP

Certified Public Accountant of China:

Shanghai, China

Certified Public Accountant of China:

April 25, 2017

*This auditors' report and the accompanying notes to the financial statements are English translation of the Chinese auditors' report.
In case of doubt as to the presentation of these documents, the Chinese version shall prevail.*

Chongqing Jianshe Motorcycle Co., Ltd.
Consolidated Balance Sheet

December 31, 2016**(Expressed in Renminbi unless otherwise stated)**

Assets	Note 5	Balance as at December 31, 2016	Balance as at January 1, 2016
Current assets:			
Cash and cash equivalents	5.1	514,414,822.57	302,660,758.76
Deposit reservation for balance			
Lending funds			
Financial assets measured at fair value through current profit and loss			
Derivative financial assets			
Notes receivable	5.2	14,907,890.35	47,008,704.63
Accounts receivable	5.3	255,587,439.92	217,759,208.43
Advances to suppliers	5.4	10,891,933.02	9,309,626.86
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Interest receivable			
Dividends receivable			
Other receivables	5.5	8,579,890.08	257,809,644.42
Redemptory monetary capital for sale			
Inventories	5.6	201,207,030.54	146,350,934.34
Classified as assets held for sale			
Non-current assets maturing within one year			
Other current assets	5.7	1,734,063.70	5,430,548.06
Total current assets		1,007,323,070.18	986,329,425.50
Non-current assets:			
Loans and payments on behalf			
Available-for-sale financial assets	5.8		
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	5.9	83,178,112.31	83,381,316.13
Investment properties	5.10	115,326,025.61	
Fixed assets	5.11	325,843,861.71	395,975,005.27

Construction in progress	5.12	2,438,832.43	40,435,429.90
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	5.13	11,696,305.26	28,270,393.63
Development expenses			
Goodwill			
Long-term deferred expenses	5.14	2,471,588.65	3,926,091.85
Deferred income tax assets	5.15	1,816,875.69	1,819,643.46
Other non-current assets	5.16	9,240,209.19	10,478,525.70
Total non-current assets		552,011,810.85	564,286,405.94
Total assets		1,559,334,881.03	1,550,615,831.44

Accompanying notes to financial statements are an integral part of the financial statements.

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Chongqing Jianshe Motorcycle Co., Ltd. Consolidated Balance Sheet (Continued)

December 31, 2016

(Expressed in Renminbi unless otherwise stated)

Liabilities and Shareholder's Equity	Note 5	Balance as at December 31, 2016	Balance as at January 1, 2016
Current liabilities:			
Short-term borrowings	5.17	224,500,000.00	217,000,000.00
Borrowings from central bank			
Deposits from customers and interbank			
Borrowings from banks and other financial institutions			
Financial liabilities measured at fair value through current profit and loss			
Derivative financial liabilities			
Notes payable	5.18	718,560,000.00	760,555,000.00

Accounts payable	5.19	193,368,485.45	75,885,325.83
Advances from customers	5.20	9,126,126.31	1,401,319.97
Financial assets sold for repurchase			
Handling charges and commissions payable			
Employee remuneration payable	5.21	2,629,812.54	1,654,497.94
Taxes and surcharges payable	5.22	16,163,190.70	16,857,642.89
Interest payable			
Dividends payable			
Other payables	5.23	40,693,888.64	16,874,326.53
Reinsurance accounts payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Classified as liabilities held for sale			
Non-current liabilities maturing within one year	5.24	36,100,000.00	75,000,000.00
Other current liabilities			
Total current liabilities		1,241,141,503.64	1,165,228,113.16
Non-current liabilities:			
Long-term borrowings	5.25	48,590,000.00	128,490,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Long-term payables			
Long-term employee remuneration payable			
Special payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		48,590,000.00	128,490,000.00
Total liabilities		1,289,731,503.64	1,293,718,113.16
Owners' equity			
Share capital	5.26	119,375,000.00	119,375,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves	5.27	958,565,294.29	958,565,294.29
Less: treasury stock			
Other comprehensive income	5.28	9,800.00	9,800.00
Special reserves			

Surplus reserves	5.29	125,686,000.00	125,686,000.00
General risk reserves			
Undistributed profits	5.30	-935,253,002.64	-947,520,008.78
Total equity attributable to owners of the parent company		268,383,091.65	256,116,085.51
Minority equity		1,220,285.74	781,632.77
Total owners' equity		269,603,377.39	256,897,718.28
Total liabilities and owners' equity		1,559,334,881.03	1,550,615,831.44

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Chongqing Jianshe Motorcycle Co., Ltd.

Balance Sheet

December 31, 2016

(Expressed in Renminbi unless otherwise stated)

Assets	Note 13	Balance as at December 31, 2016	Balance as at January 1, 2016
Current assets:			
Cash and cash equivalents		290,491,337.89	47,345,832.30
Financial assets measured at fair value through current profit and loss			
Derivative financial assets			
Notes receivable			2,000,000.00
Accounts receivable	13.1	4,307.10	527,570.36
Advances to suppliers		1,182,599.45	
Interest receivable			
Dividends receivable			
Other receivables	13.2	5,021,347.04	253,605,619.11
Inventories			
Classified as assets held for sale			

Non-current assets maturing within one year			
Other current assets		131,046.64	
Total current assets		296,830,638.12	303,479,021.77
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	13.3	251,338,112.31	251,541,316.13
Investment properties		115,326,025.61	
Fixed assets		70,991,009.78	183,278,272.00
Construction in progress			
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets			16,261,765.57
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		437,655,147.70	451,081,353.70
Total assets		734,485,785.82	754,560,375.47

Accompanying notes to financial statements are an integral part of the financial statements.

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Chongqing Jianshe Motorcycle Co., Ltd.

Balance Sheet (Continued)

December 31, 2016

(Expressed in Renminbi unless otherwise stated)

Liabilities and Shareholder's Equity	Note 13	Balance as at December 31, 2016	Balance as at January 1, 2016
Current liabilities:			
Short-term borrowings			25,000,000.00
Financial liabilities measured at fair value through current profit and loss			
Derivative financial liabilities			
Notes payable		142,850,000.00	152,850,000.00
Accounts payable		147,819,149.98	42,646,214.18
Advances from customers		180,083.38	220,124.53
Employee remuneration payable		14,467.08	58,886.32
Taxes and surcharges payable		15,945,044.76	15,268,307.65
Interest payable			
Dividends payable			
Other payables		240,371,017.71	216,034,017.49
Classified as liabilities held for sale			
Non-current liabilities maturing within one year			67,000,000.00
Other current liabilities			
Total current liabilities		547,179,762.91	519,077,550.17
Non-current liabilities:			
Long-term borrowings			47,000,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bond			
Long-term payables			
Long-term employee remuneration payable			
Special payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			

Other non-current liabilities			
Total non-current liabilities			47,000,000.00
Total liabilities		547,179,762.91	566,077,550.17
Owners' equity			
Share capital		119,375,000.00	119,375,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bond			
Capital reserves		958,565,294.29	958,565,294.29
Less: treasury stock			
Other comprehensive income		9,800.00	9,800.00
Special reserves			
Surplus reserves		125,686,000.00	125,686,000.00
Undistributed profits		-1,016,330,071.38	-1,015,153,268.99
Total owners' equity		187,306,022.91	188,482,825.30
Total liabilities and owners' equity		734,485,785.82	754,560,375.47

Accompanying notes to financial statements are an integral part of the financial statements.

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Chongqing Jianshe Motorcycle Co., Ltd.

Consolidated Income Statement

FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in Renminbi unless otherwise stated)

Item	Note 5	Year 2016	Year 2015
I . Total operating income		873,286,486.75	1,341,331,910.93
Including: operating income	5.31	873,286,486.75	1,341,331,910.93
Interest income			

Premiums earned			
Income from handling charges and commissions			
II . Total operating costs		860,400,775.55	1,605,453,382.35
Including: Operating costs	5.31	712,724,948.38	1,251,939,003.07
Interest expenses			
Handling charges and commissions expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend payment			
Reinsurance costs			
Taxes and surcharges	5.32	6,268,442.01	15,487,280.18
Selling expenses	5.33	27,429,578.93	76,054,125.60
General and administrative expenses	5.34	77,041,000.34	171,145,874.26
Financial expenses	5.35	36,595,522.33	83,560,026.12
Losses from asset impairment	5.36	341,283.56	7,267,073.12
Plus: gains from changes in fair value ("-" for losses)			
Investment income ("-" for losses)	5.37	3,128,796.18	498,750,796.47
Including: income from investment in associates and joint ventures	5.37	3,128,796.18	12,442,935.76
Foreign exchange gains ("-" for losses)			
III. Operating profits ("-" for losses)		16,014,507.38	234,629,325.05
Plus: Non-operating income	5.38	1,259,915.28	11,418,743.79
Including: gains from disposal of non-current assets	5.38		3,426,624.42
Less: Non-operating expenses	5.39	1,959,872.08	705,323.13
Including: Losses on disposal of non-current assets	5.39	3,646.70	434,139.22
IV . Total profits ("-" for total losses)		15,314,550.58	245,342,745.71
Less: income tax expenses	5.40	2,608,891.47	4,412,314.65

V. Net profit ("-" for net loss)		12,705,659.11	240,930,431.06
Net profit attributable to owners of the parent company		12,267,006.14	240,735,112.20
Non-controlling interests		438,652.97	195,318.86
VI. Net of tax of other comprehensive income			
Net of tax of other comprehensive income attributable to owners of the parent company			
1. Other comprehensive income that cannot be reclassified into gains and losses subsequently			
(1)Changes in net liabilities or net assets arising from re-measurement of defined benefit plan			
(2)Share in other comprehensive income of the investee cannot be reclassified into gains and losses under the equity method			
2.Other comprehensive income to be reclassified into gains and losses subsequently			
(1)Share in other comprehensive income of the investee to be reclassified into gains and losses under the equity method			
(2)Gains and losses on changes in fair value of financial assets available for sale			
(3)Gains and losses arising from reclassification of held-to-maturity investments as financial assets available for sale			
(4)Effective portion of cash flow hedging gains and losses			
(5)Translation differences of financial statements denominated in foreign currency			
(6)Others			
Net of tax of other comprehensive income attributable to non-controlling shareholders			
VII.Total comprehensive incomes		12,705,659.11	240,930,431.06
Total comprehensive income attributable to owners of the parent company		12,267,006.14	240,735,112.20
Total comprehensive income attributable to minority shareholders		438,652.97	195,318.86
VIII. Earnings per share:			
1.Basic earnings per share (RMB/Share)		0.103	2.017
2.Diluted earnings per share (RMB/Share)		0.103	2.017

Accompanying notes to financial statements are an integral part of the financial statements.

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's principal:

Chongqing Jianshe Motorcycle Co., Ltd.

Income Statement

FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in Renminbi unless otherwise stated)

Item	Note 13	Year 2016	Year 2015
I . Operating income	13.4	610,825,517.52	916,524,874.05
Less: Operating costs	13.4	577,514,305.99	951,519,134.10
Taxes and surcharges		3,048,149.21	7,097,726.80
Selling expenses			7,875,528.62
General and administrative expenses		22,093,139.50	83,455,935.38
Financial expenses		11,788,734.18	35,443,970.39
Losses from asset impairment		128,688.96	239,241,816.94
Plus: gains from changes in fair value ("-" for losses)			
Investment income ("-" for losses)	13.5	3,128,796.18	9,857,041.01
Including: income from investment in associates and joint ventures	13.5	3,128,796.18	16,907,175.88
II . Operating profits ("-" for losses)		-618,704.14	-398,252,197.17
Plus: Non-operating income		410,000.00	400,327,288.14
Including: gains from disposal of non-current assets			
Less: Non-operating expenses		968,098.25	255,016.79
Including: Losses on disposal of non-current assets		3,646.70	147,576.58
III.Total profits ("-" for total losses)		-1,176,802.39	1,820,074.18
Less: income tax expenses			
IV . Net profit ("-" for net loss)		-1,176,802.39	1,820,074.18
V . Net of tax of other comprehensive income			
1. Other comprehensive income that cannot be reclassified into gains and losses subsequently			
(1)Changes in net liabilities or net assets arising from re-measurement of defined benefit plan			

(2)Share in other comprehensive income of the investee cannot be reclassified into gains and losses under the equity method			
2.Other comprehensive income to be reclassified into gains and losses subsequently			
(1)Share in other comprehensive income of the investee to be reclassified into gains and losses under the equity method			
(2)Gains and losses on changes in fair value of financial assets available for sale			
(3)Gains and losses arising from reclassification of held-to-maturity investments as financial assets available for sale			
(4)Effective portion of cash flow hedging gains and losses			
(5)Translation differences of financial statements denominated in foreign currency			
(6)Others			
VI. Total comprehensive incomes		-1,176,802.39	1,820,074.18
VII. Earnings per share:			
1.Basic earnings per share (RMB/Share)			
2.Diluted earnings per share (RMB/Share)			

Accompanying notes to financial statements are an integral part of the financial statements.

Legal Representative of Enterprise: Accounting Principal: Accounting Firm's Principal:

Chongqing Jianshe Motorcycle Co., Ltd.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Renminbi unless otherwise stated)

Item	Note 5	Year 2016	Year 2015
I .Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		503,501,706.64	924,895,630.63
Net increase in customer bank deposits and placement from banks and other financial institutions			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Premiums received from original insurance contracts			

Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Net increase from disposal of financial assets at fair value whose fluctuation is attributed to profit or loss for current period			
Cash received from interest, handling charges and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Refunds of taxes and surcharges		4,493,153.97	5,449,365.90
Cash received from other operating activities	5.41	3,401,305.80	15,051,156.84
Sub-total of cash inflows from operating activities		511,396,166.41	945,396,153.37
Cash paid for goods purchased and services received		294,912,075.87	585,375,677.51
Net increase in loans and advances to customers			
Net increase in deposits in central bank and other banks and financial institutions			
Cash paid for original insurance contract claims			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		59,900,452.77	173,153,899.42
Cash paid for taxes and surcharges		23,191,284.40	46,733,869.09
Cash paid for other operating activities	5.41	24,773,234.35	57,826,696.74
Sub-total of cash outflows from operating activities		402,777,047.39	863,090,142.76
Net cash flows from operating activities		108,619,119.02	82,306,010.61
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from returns on investments		3,332,000.00	34,460,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			1,745,492.45
Cash inflow from disposal of subsidiaries and other operating units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		3,332,000.00	36,205,492.45
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		19,363,354.60	81,268,875.00
Cash paid for investments			
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			

Cash paid for other investing activities	5.41		3,750,149.57
Sub-total of cash outflows from investing activities		19,363,354.60	85,019,024.57
Net cash flows from investing activities		-16,031,354.60	-48,813,532.12
III. Cash flows from financing activities			
Cash received from investors			
Including: cash received by subsidiaries from investments by minority shareholders			
Cash received from borrowings		228,000,000.00	1,166,290,000.00
Cash received from bonds issuance			
Cash received from other financing activities	5.41	1,636,082,041.12	1,800,692,830.44
Sub-total of cash inflows from financing activities		1,864,082,041.12	2,966,982,830.44
Cash paid for debt repayments		339,300,000.00	1,305,000,000.00
Cash paid for distribution of dividends and profits or payment of interest		14,017,249.00	87,034,032.49
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid for other financing activities	5.41	1,353,227,549.97	1,621,039,606.73
Sub-total of cash outflows from financing activities		1,706,544,798.97	3,013,073,639.22
Net cash flows from financing activities		157,537,242.15	-46,090,808.78
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		236.08	686,261.04
V. Net increase in cash and cash equivalents		250,125,242.65	-11,912,069.25
Plus: balance of cash and cash equivalents at the beginning of the period		23,643,515.81	35,555,585.06
VI. Balance of cash and cash equivalents at the end of the period		273,768,758.46	23,643,515.81

Accompanying notes to financial statements are an integral part of the financial statements.

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Chongqing Jianshe Motorcycle Co., Ltd.

Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in Renminbi unless otherwise stated)

Item	Year 2016	Year 2015
I .Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	330,670,982.08	490,046,185.33
Refunds of taxes and surcharges		1,827,925.86
Cash received from other operating activities	1,009,636.06	3,275,718.69
Sub-total of cash inflows from operating activities	331,680,618.14	495,149,829.88
Cash paid for goods purchased and services received	179,291,662.89	435,189,154.01
Cash paid to and on behalf of employees	29,387,896.21	118,533,275.30
Cash paid for taxes and surcharges	12,571,673.19	7,864,311.20
Cash paid for other operating activities	1,445,414.31	18,487,200.13
Sub-total of cash outflows from operating activities	222,696,646.60	580,073,940.64
Net cash flows from operating activities	108,983,971.54	-84,924,110.76
II . Cash flows from investing activities:		
Cash received from disposal of investments		295,800.00
Cash received from returns on investments	3,332,000.00	34,460,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		98,316.45
Cash inflow from disposal of subsidiaries and other operating units		
Cash received from other investing activities		
Sub-total of cash inflows from investing activities	3,332,000.00	34,854,116.45
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	482,967.78	2,937,344.55
Cash paid for investments		300.00
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities	482,967.78	2,937,644.55
Net cash flows from investing activities	2,849,032.22	31,916,471.90
III.Cash flows from financing activities		
Cash received from investors		
Cash received from borrowings		854,300,000.00
Cash received from bonds issuance		
Cash received from other financing activities	2,646,586,755.28	2,392,099,963.32
Sub-total of cash inflows from financing activities	2,646,586,755.28	3,246,399,963.32

Cash paid for debt repayments	139,000,000.00	927,000,000.00
Cash paid for distribution of dividends and profits or payment of interest		61,178,570.38
Cash paid for other financing activities	2,376,323,703.90	2,223,020,195.22
Sub-total of cash outflows from financing activities	2,515,323,703.90	3,211,198,765.60
IV. Net cash flows from financing activities	131,263,051.38	35,201,197.72
Effect of fluctuation in exchange rate on cash and cash equivalents		
V. Net increase in cash and cash equivalents	243,096,055.14	-17,806,441.14
Plus: balance of cash and cash equivalents at the beginning of the period	4,486,524.01	22,292,965.15
VI. Balance of cash and cash equivalents at the end of the period	247,582,579.15	4,486,524.01

Accompanying notes to financial statements are an integral part of the financial statements.

Legal Representative of Enterprise:

Accounting Principal:

Accounting Firm's Principal:

Chongqing Jianshe Motorcycle Co., Ltd.
Consolidated Statement of Changes in Owners' Equity
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Renminbi unless otherwise stated)

Item	Year 2016												
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits		
Preferred shares		Perpetual bond	Others										
I .Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00		-947,520,008.78	781,632.77	256,897,718.28
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Business combination involving entities under common control													
Others													
II . Balance as at January 1 of the current year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00		-947,520,008.78	781,632.77	256,897,718.28
III.Increase/(decrease) for the current year ("-" for losses)											12,267,006.14	438,652.97	12,705,659.11
1.Total comprehensive incomes											12,267,006.14	438,652.97	12,705,659.11
2.Capital contributed or reduced by owners													
(1)Common shares from shareholders													
(2)Investment capital from the holders of other equity instruments													
(3)Amount of the share-based payment included in the owners' equity													
(4)Others													

3.Distribution of profits													
(1)Withdrawal of surplus reserves													
(2)Withdrawal of general risk reserve													
(3)Distribution to owners or shareholders													
(4)Others													
4.Internal carry-forward of owners' equity													
(1)Conversion of capital reserves into paid-in capital													
(2)Conversion of surplus reserves into paid-in capital													
(3)Surplus reserves offsetting losses													
(4)Others													
5.Special reserves													
(1)Amount withdrawn in the current year													
(2)Amount used in the current year													
6.Others													
IV. Ending balance of the current year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00		-935,253,002.64	1,220,285.74	269,603,377.39

Chongqing Jianshe Motorcycle Co., Ltd.
Consolidated Statement of Changes in Owners' Equity (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Renminbi unless otherwise stated)

Item	Year 2015												
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits		
Preferred shares		Perpetual bond	Others										
I .Balance as at December 31 of last year	119,375,000.00				960,505,517.59		9,800.00		125,686,000.00		-1,188,255,120.98	586,313.91	17,907,510.52
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Business combination involving entities under common control													
Others													
II . Balance as at January 1 of the current year	119,375,000.00				960,505,517.59		9,800.00		125,686,000.00		-1,188,255,120.98	586,313.91	17,907,510.52
III.Increase/(decrease) for the current year ("-" for losses)					-1,940,223.30						240,735,112.20	195,318.86	238,990,207.76
1.Total comprehensive incomes											240,735,112.20	195,318.86	240,930,431.06
2.Capital contributed or reduced by owners													
(1)Common shares from shareholders													
(2)Investment capital from the holders of other equity instruments													
(3)Amount of the share-based payment included in the owners' equity													
(4)Others													
3.Distribution of profits													

(1)Withdrawal of surplus reserves													
(2)Withdrawal of general risk reserve													
(3)Distribution to owners or shareholders													
(4)Others													
4.Internal carry-forward of owners' equity													
(1)Conversion of capital reserves into paid-in capital													
(2)Conversion of surplus reserves into paid-in capital													
(3)Surplus reserves offsetting losses													
(4)Others													
5.Special reserves													
(1)Amount withdrawn in the current year													
(2)Amount used in the current year													
6.Others					-1,940,223.30								-1,940,223.30
IV. Ending balance of the current year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00		-947,520,008.78	781,632.77	256,897,718.28

Chongqing Jianshe Motorcycle Co., Ltd.
Statement of Changes in Owners' Equity
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Renminbi unless otherwise stated)

Item	Year 2016										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred shares	Perpetual bond	Others							
I .Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,015,153,268.99	188,482,825.30
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
II . Balance as at January 1 of the current year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,015,153,268.99	188,482,825.30
III.Increase/(decrease) for the current year ("-" for losses)										-1,176,802.39	-1,176,802.39
1.Total comprehensive incomes										-1,176,802.39	-1,176,802.39
2.Capital contributed or reduced by owners											
(1)Common shares from shareholders											
(2)Investment capital from the holders of other equity instruments											
(3)Amount of the share-based payment included in the owners' equity											
(4)Others											
3.Distribution of profits											

(1)Withdrawal of surplus reserves											
(2)Distribution to owners or shareholders											
(3)Others											
4.Internal carry-forward of owners' equity											
(1)Conversion of capital reserves into paid-in capital											
(2)Conversion of surplus reserves into paid-in capital											
(3)Surplus reserves offsetting losses											
(4)Others											
5.Special reserves											
(1)Amount withdrawn in the current year											
(2)Amount used in the current year											
6.Others											
IV. Ending balance of the current year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,016,330,071.38	187,306,022.91

Chongqing Jianshe Motorcycle Co., Ltd.
Statement of Changes in Owners' Equity (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Renminbi unless otherwise stated)

Item	Year 2015										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred shares	Perpetual bond	Others							
I .Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,016,973,343.17	186,662,751.12
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
II . Balance as at January 1 of the current year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,016,973,343.17	186,662,751.12
III.Increase/(decrease) for the current year ("-" for losses)										1,820,074.18	1,820,074.18
1.Total comprehensive incomes										1,820,074.18	1,820,074.18
2.Capital contributed or reduced by owners											
(1)Common shares from shareholders											
(2)Investment capital from the holders of other equity instruments											
(3)Amount of the share-based payment included in the owners' equity											
(4)Others											
3.Distribution of profits											
(1)Withdrawal of surplus reserves											

(2)Distribution to owners or shareholders											
(3)Others											
4.Internal carry-forward of owners' equity											
(1)Conversion of capital reserves into paid-in capital											
(2)Conversion of surplus reserves into paid-in capital											
(3)Surplus reserves offsetting losses											
(4)Others											
5.Special reserves											
(1)Amount withdrawn in the current year											
(2)Amount used in the current year											
6.Others											
IV. Ending balance of the current year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,015,153,268.99	188,482,825.30

CHONGQING JIANSHE MOTORCYCLE CO., LTD.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2016**

(Amounts are expressed in RMB unless otherwise stated)

1 Corporate information**1.1 Company profile**

Chongqing Jianshe Motorcycle Co., Ltd. (hereinafter referred to as the "Company", "Company" or "Chongqing Jianshe Motorcycle ") was jointly set up in July 1995 by the Construction Industry (Group) Co., Ltd. and China North Industries Shenzhen Corporation. The Business License of the Enterprise: No. 915000007474824231. The Company was listed in July 1995 at the Shenzhen Stock Exchange. The Company is engaged in the manufacturing industry.

As at December 31, 2016, the Company issued 119,375,000 shares in total and had the registered capital of 119,375,000. The registration place: NO.1, JIANSHE ROAD HUAXI INDUSTRY PARK, BANAN DISTRICT, CHONGQING; the headquarters address: Banan District, Chongqing Municipality. Legal representative: Lv Hongxian. The main business activities: research and development, processing, manufacturing and related technical services of Motorcycles, auto parts, accessories, machinery products, design , manufacturing and related technical services of tooling (except for those subject to national special provisions) ; R & D, production and sales of motorcycle engines; research , development and processing of mechanical and electrical products, home appliances, bicycles, environmental protection product; imports, wholesale, retail, commission agency (except auction) of similar products of these products. The parent company is Chongqing Jianshe mechanical and electrical co., LTD.. The actual controller of the Company is China South Industries Group Corporation(CSGS), and the ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission (SASAC).

The disclosure of the financial statements was approved by the Board of Directors on April 25, 2017.

1.2 Scope of the consolidated financial statements

As at December 31, 2016, the subsidiaries included in the scope of consolidated financial

statements of the Company are presented as set out below:

Name of the subsidiary
Chongqing Jianshe Automobile A/C Co., Ltd.
Shanghai Jianshe Motorcycle Co., Ltd.

See "Note 6 Change in the scope of business combinations "and "Note 7 Equity in other entities " for details of scope consolidated financial statements and the change therein.

2 Basis of preparation for financial statements

2.1 Basis of preparation

The Company prepares the financial statements on the basis of going concern, according to actual transactions and events, and in accordance with the Accounting Standards for Business Enterprises – Basic Standards and 38 concrete accounting standards issued by the Ministry of Finance on February 15, 2006, the subsequently issued Accounting Standards for Business Enterprises – Application Guidelines, and the Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”), as well as Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports issued by China Securities Regulatory Commission.

2.2 Going concern

The Company was on a going concern basis in 12 months as of the end of the current reporting period and was not affected by any material event having impact on the going concern.

3 Principal accounting policies and accounting estimates

Specific accounting policies and accounting estimates:

The disclosure as set out below cover the specific accounting policies and accounting estimates developed by the Company in accordance with the actual production and management features. See "Note 3.11 Provision for bad debts of accounts receivables, "Note 3.12 Inventories", "Note 3.16 Fixed assets", "Note 3.19 Intangible assets" and "3.25 Revenues" for details.

3.1 Statements on Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting

Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results and cash flows, etc. for the reporting period.

3.2 Accounting period

The accounting year is from January 1 to December 31.

3.3 Operating cycle

The Company has an operating cycle of 12 months.

3.4 Functional currency

The functional currency is Renminbi.

3.5 Accounting treatments of the combination of enterprises under common control and the combination of enterprises not under the common control

Business combination under common control: The assets and liabilities acquired by the Company in a business combination are stated at the book value of the assets and liabilities (including the goodwill arising from the acquisition of the acquiree by the ultimate controller) of the acquiree on the combination date. The stock premium in the capital reserve is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the stock premium in the capital reserves is insufficient to cover the difference, the remaining amount shall be charged against retained earnings.

Combination of enterprises not under the common control: The assets paid and liabilities incurred or assumed by the Company on the acquisition date for the business combination are measured at their fair values, and the difference between the fair value and book value is charged to the current profit or loss. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree is charged to the current profit and loss after review.

The intermediary service charges incurred for audit, legal service, consulting services and other direct relevant expenses are charged to the current profit and loss; the transaction costs incurred for issuance of equity securities for business combination offset the equities.

3.6 Preparation of consolidated financial statements

3.6.1 Scope of consolidation

The scope of consolidated financial statements is determined on the basis of control, and all subsidiaries (including the divisible portion of the investee under the control of the Company) are included in the consolidated financial statements.

3.6.2 Combination procedures

The Company prepares the consolidated financial statements on the basis of the financial statements of itself and its subsidiaries, according to other relevant information. When preparing the consolidated financial statements, the Company regards the whole group as an accounting entity to reflect the overall financial position, operating results and cash flow of the Group, in accordance with requirements of relevant accounting standards for the recognition, measurement and presentation, on the basis of the uniform accounting policies.

The accounting policies and accounting period adopted by the subsidiaries included in the scope of consolidated financial statements are in line with those adopted by the Company. In case any discrepancy between the accounting policies and accounting period adopted by the subsidiary and those adopted by the Company, the adjustment will be made in light of the accounting policies and accounting period adopted by the Company, when the consolidated financial statements are prepared. The financial statements of the subsidiary acquired through the combination of enterprises not under common control are adjusted on the basis of the fair value of the identifiable net assets on the acquisition date. The financial assets of the subsidiary acquired through the combination of enterprises under the common control are adjusted on the basis of the book value of the assets and liabilities (including the goodwill arising from the acquisition of such subsidiary by the ultimate controller) as stated in the financial statements of the ultimate controller.

The owners' equities, current net profit or loss and current comprehensive income attributable to minority shareholders are separately presented under the owners' equities item of the consolidated balance sheet, net profit item and total comprehensive income item of the consolidated income statement, respectively. Where the current losses attributable to minority shareholders of the subsidiary exceed the owners' equities attributable to the same

at the period beginning, the difference between them will offset the minority equity.

(1) Increase of the subsidiary or business

In case of increase of subsidiary or business as a result of combination of enterprises under common control during the reporting period, the beginning amount stated in the consolidated balance sheet will be adjusted; the income, expense and profit generated from the subsidiary or business from the beginning of the period of combination to the end of reporting period will be included in the consolidated statement of cash flows, with the adjustment made to the relevant items of the comparative statement, as if the reporting entity after the combination still existed from the beginning of control of the ultimate controller.

Where the additional investment or other reason leads to the control over the investee under the common control, all entities considered to take a part in the combination will be adjusted to the extent that they are in the current status as they come to be under the control of the ultimate controller. The retained earnings or the current profit or loss at the period beginning during the statement period are offset by equity investment held before the control over the mergee is obtained, and the equity investments held before the control over the acquiree is obtained, and the related profit or loss, other comprehensive income and change in other net assets that are recognized during the period which starts on the later of the date when the original equities are obtained and the date when both merger and mergee are under the common control and ends on the combination date, respectively.

In case of increase of subsidiary or business during the reporting period as a result of combination of enterprises not under the common control, the beginning amount stated in the consolidated balance sheet will not be adjusted; the income, expense and profit generated from such subsidiary or business from the acquisition date to the end of reporting period will be included in the consolidated income statement; and the cash flow generated from such subsidiary or business from the acquisition date to the end of reporting period will be included in the consolidated statement of cash flows.

Where the additional investment or other reason leads to the control over the investee not under the common control, the equities of the mergee held before the acquisition date will be remeasured at the fair value of such equities on the acquisition date, and

the difference between the fair value and book value thereof will be charged to the current investment income. Where the equities of the acquiree held before the acquisition date involves the change in other comprehensive income or in other owners' equities other than the net profit or loss, other comprehensive income and profit distribution, the change in other comprehensive income or other owners' equities will be converted into the investment income for the period covering the acquisition date, except for the other comprehensive income arising from the change on remeasurement of the net liabilities or net assets under the defined benefit plan by the investee.

(2) Disposal of the subsidiary or business

a. General method of treatment

In case of treatment of subsidiary or business during the reporting, the the income, expense and profit generated from such subsidiary or business from the period beginning to the disposal date will be included in the consolidated income statement; and the cash flow generated from such subsidiary or business from the period beginning to the disposal date will be included in the consolidated statement of cash flows.

Where the control over the investee is lost due to the disposal of some of equity investments or other reasons, the remaining equity investment after disposal will be re-measured at fair value on the day when the control is lost. The sum of the consideration received for disposal of equities and the fair value of the remaining equities, less the difference between the net assets of the former subsidiary of which the continuous calculation starts from the acquisition date or combination date and the goodwill, should be charged to the investment income for the period during which the control is lost. Changes in other comprehensive income related to the equity investment in the former subsidiary or in owners' equities other than the net profit or loss, other comprehensive income and profit distribution are converted into the current investment income upon the loss of control, except for the other comprehensive income arising from the change on remeasurement of the net liabilities or net assets under the defined benefit plan by the investee.

In the event that the proportion of the Company's shares is reduced due to the capital increase of the other investors, the accounting treatment shall be carried out

in accordance with the above principles.

b. Disposal of subsidiary by stages

In case of disposal of investment in the equity of subsidiary by stages through a number of transactions, such transactions will be treated as a package deal, provided that the terms and conditions on and the economic effect of the equity investment in the subsidiary meet one of more of the following conditions:

- i . These transactions are entered into considering their effects are considered;
- ii . These transactions can lead to a complete business result as a whole;
- iii. The occurrence of a transaction depends on the occurrence of at least one of others; and
- iv. A single transaction is deemed uneconomical, but the economical efficiency can be seen when it is put together with other transactions;

Where the transactions involved in the disposal of the equity investment in the subsidiary are package deals, the Company will treat each transaction as the one involved in the disposal of the subsidiary with loss of control; however, the difference between the consideration for each disposal before the loss of control and the net assets of such subsidiary corresponding to the disposal of investment will be recognized as other comprehensive income in the consolidated financial statements, and will be transferred to the loss or profit for the period during which the control is lost, upon the loss of control.

Where the transactions involved in the disposal of the equity investment in the subsidiary are not package deals, these transactions will be treated according to the policies on the disposal of part of the equity investments in the subsidiary without loss of control, before the loss of control; or treated in the general treatment method of disposal of subsidiary, upon the loss of control.

(3) Acquisition of minority equity of subsidiary

The stock premium under the capital reserve in the consolidated balance sheet is adjusted at the difference between the long-term equity investment newly acquired as a

result of acquisition of minority equity and the net assets of the subsidiary attributable to the Company, of which the continuous calculation starts from the acquisition date (or combination date); and the retained earnings will be adjusted if the stock premium under the capital reserve is insufficient as to the offset.

(4) Disposal of part of the equity investments in the subsidiary without loss of control

The stock premium under the capital reserve in the consolidated balance sheet is adjusted at the difference between the consideration received for the disposal of part of the long-term equity investments in the subsidiary without loss of control and the net assets of the subsidiary attributable to the Company, of which the continuous calculation starts from the acquisition date (or combination date); and the retained earnings will be adjusted if the stock premium under the capital reserve is insufficient as to the offset.

3.7 Classification and accounting treatment of joint venture arrangement

Joint venture arrangement is classified into joint operation and joint ventures.

In terms of the joint operation, the Company is the joint venturer under the joint venture arrangement and is entitled to the assets and bear the liabilities under such arrangement.

The Company recognizes the following items in relation with the share of interest in the joint operation, and conducts the accounting treatment of the the said items according to the provisions of Accounting Standards for Enterprises:

- (1) Recognition of the assets held separately by the Company and of the assets held by the Company jointly others in proportion;
- (2) Recognition of the liabilities separately borne by the Company and of the liabilities borne by the Company jointly others in proportion;
- (3) Recognition of proportioned income generated attributable to the Company as one of the co-operators;
- (4) Recognition of income generated attributable to the Company as one of the co-sellers;
- (5) Recognition of the expenses incurred separately and the proportioned expenses incurred by the Company as one of the co-operators.

See "Note 3.14 Long-term equity investments" for detailed of accounting policies on the investment of the Company in joint ventures.

3.8 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term “cash” refers to cash on hand and deposits of that are readily available for payment. And the term “cash equivalents” refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.9 Foreign currency business and foreign currency translation

3.9.1 Foreign currency business:

Transactions denominated in foreign currency are translated into RMB for accounting purpose at the spot exchange rate on the day when the transaction occurs.

The balances of foreign currency monetary items are converted at the spot exchange rate prevailing on the balance sheet date. The exchange differences arising from the conversion, other than those arising from specific-purpose borrowings in foreign currencies related to acquisition and construction of assets eligible for capitalization, which shall be measured in accordance with principle of capitalization of the borrowing costs, shall be charged to the current profit or loss.

3.9.2 Translation of financial statement denominated in foreign currency

The asset and liability items in the balance sheet shall be converted at the spot exchange rates prevailing on the balance sheet date. Except retained profit, the owners' equity items shall be converted at the spot exchange rates on the occurrence date. The income and expense items in the income statement shall be converted at the spot exchange rates which are determined by systematic and reasonable methods and similar to the spot exchange rate on the date of occurrence of transaction.

On disposal of a foreign operation, the difference arising from the conversion of financial statements denominated in foreign currency and related to such foreign operation should be transferred to the current gain or loss on disposal, from the owners' equities.

3.10 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

3.10.1 Classification of financial instruments

Upon the initial recognition, financial assets and liabilities are classified into the following categories according to the purpose of acquisition: the financial assets or financial liabilities measured at fair value through current profit and loss, including financial assets or financial liabilities held for trading (and those financial assets or financial liabilities directly designated under this category), held-to-maturity investments, receivables, financial assets available for sale and other financial liabilities, etc.

3.10.2 Recognition and measurement of financial instruments

- (1) Financial assets (financial liabilities) measured at fair value through current profit and loss

Financial assets (financial liabilities) are initially stated at fair values when acquired (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn), and relevant transaction expenses are included in the current profit and loss.

The interests or cash dividends to be received during the holding period are recognized as investment income. Change in fair values is included in the current profit and loss at the end of the period.

Upon the disposal, the difference between the fair value and initial book-entry value is recognized as investment income upon disposal; meanwhile, adjustment is made to gains or losses from changes in fair values.

- (2) Held-to-maturity investments

Held-to-maturity investments are initially recorded at fair values when acquired (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn).

The interest income is calculated and recognized at amortized cost and effective interest rates (or the nominal interest rate, if there is small difference between the

effective interest rate and the nominal interest rate) and is charged to the investment income. The effective interest rates are determined upon acquisition and remain unchanged during the expected remaining period, or a shorter period if applicable.

Difference between the proceeds and the book value of the investment is recognized as investment income upon disposal.

(3) Accounts receivable

For creditor's rights receivable arising from external selling commodities or providing service by the Company and other creditor's rights in respect of liability instruments of other enterprises (excluding those quoted in an active market) held by the Company, including accounts receivable, other receivables, notes receivables, prepayments, long-term receivables etc., the initial recognition amount shall be the contract price or agreed price receivable due from purchasing party. The initial amount of the accounts receivable with financing nature are recognized based on the present value.

The difference between the amount obtained and the book value of the accounts receivable is included in current profit and loss upon recovery or disposal.

(4) Available-for-sale financial assets

Available-for-sale financial assets are initially recorded at the sum of fair values (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) and transaction costs when acquired.

The interests or cash dividends to be received during the holding period are recognized as investment income. Available-for-sale financial assets are measured at fair value at the end of the period, and changes in fair value are included in the capital reserves (other capital reserves). those equity instrument investments not quoted in an active market and whose fair value cannot be reliably measured, and the derivative financial assets linked to and settled by way of delivery of such equity investments are measured at the cost.

Difference between the proceeds and the book value of the financial assets is recognized as gain or loss on investment upon disposal; meanwhile, amount of disposal

corresponding to the accumulated change in fair value which is originally and directly included in the owners' equity shall be transferred out and charged to the current gains or losses.

(5) Other financial liabilities

Other financial liabilities are initially recognized at the sum of fair value and transaction expenses. The subsequent measurement is based on amortized costs. They are subsequently measured at amortized cost.

3.10.3 Recognition and measurement for transfer of financial assets

If the Company has transferred nearly all of the risks and rewards relating to the ownership of the financial assets to the transferee, they shall be derecognized. If it retains nearly all of the risks and rewards relating to the ownership of the financial assets, they shall not be derecognized.

In judging whether the transfer of a financial asset meets the above requirements of derecognizing financial assets, the principle of substance over form is adopted. The Company divides the transfer of a financial asset into entire financial asset transfer and partial transfer. As for the entire financial asset transfer which is qualified for derecognition, the difference between the following two amounts is recognized in the current profit and loss: The Company divides the transfer of a financial asset into entire financial asset transfer and partial transfer. As for the entire financial asset transfer which is eligible for derecognition, the difference between the following two amounts is recognized in the current profit and loss:

- i) Book value of the transferred financial assets;
- ii) Sum of the price received from the transfer with the cumulative change in the amount of fair value directly recorded in the original owners' equity (involving the case when the transferred financial assets are those available for sale).

As for the partial financial assets transfer which are eligible for derecognition, the whole book value of the transferred financial assets should be apportioned in accordance with their respective relative fair value between the derecognized parts and the recognized parts; and the difference between the following two amounts is recognized in the current profit

and loss:

- (i) book value of the derecognized parts;
- ii) sum of the consideration received from the derecognized parts with the amount of the derecognized parts corresponding to the cumulative changes in the amount of fair value directly included in the original owners' equity (involving the case when the transferred financial assets are those available for sale).

If the transfer of financial assets does not satisfy requirements for derecognition, the financial assets shall continue to be recognized, and the consideration received will be recognized as financial liabilities.

3.10.4 Conditions for derecognition of financial liabilities

Financial liabilities shall be entirely or partially derecognized if the present obligations derived from them are entirely or partially discharged. Where the Company enters into an agreement with a creditor so as to substitute the current financial liabilities with new ones, and the contract clauses of which are substantially different from those of the current ones, it shall recognize the new financial liabilities in place of the current ones.

If material amendments have been made to all or part of contract terms of current financial liabilities, all or part of current financial liabilities are derecognized, and the financial liabilities with amended terms are recognized as new financial liabilities.

Upon entire or partial derecognition of financial liabilities, differences between the carrying amounts of the derecognized financial liabilities and the consideration paid (including non-monetary assets surrendered or new financial liabilities assumed) are charged to profit or loss for the current period.

If the Company repurchases part of financial liabilities, it shall distribute, on the repurchase day, the whole book value of the financial liabilities in accordance with the relatively fair value between the part to be recognized continuously and the part to be derecognized. The balance between the book value distributed to the part which has been derecognized and the consideration paid to it (including non-cash assets which have been transferred out or the

new financial liabilities it assumed), shall be included in current profit and loss.

3.10.5 Recognition of fair values of financial assets and financial liabilities

The fair value of the financial instrument with an active market is determined based on the quotation in the active market. The fair value of the financial instrument without an active market is determined using valuation techniques. In terms of the estimation, the estimation technology which is applicable in the current circumstance and supported by enough available data and other information is adopted and the input value which is similar to the features of assets and liabilities and taken into account of by the market participants in the transaction of relevant assets or liabilities are selected by the Company, which give priority in use of the relevant observable value. The unobservable value is used only when the relevant observable value cannot be obtained or is impracticable.

3.10.6 Testing and accounting treatment of financial assets (excluding accounts receivable)

Except for the financial assets measured at fair values through current profit and loss, the book value of financial assets on the balance sheet date should be checked. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

(1) Provision for impairment of available-for-sale financial assets:

If the fair values of available-for-sale financial assets have significantly declined at the period end, or it is expected that the trend of decreases in values is non-temporary after consideration of all the relevant factors, impairment shall be recognized, and the accumulated loss on decreases in fair values previously charged directly to capital reserves are reversed and recognized as impairment loss.

For available-for-sale debt instruments whose impairment losses have been recognized, if their fair values rise in the subsequent accounting period and such rise is objectively related to the matters occurring after the recognition of impairment loss, the previously recognized impairment loss shall be reversed and recorded into the current profit and loss.

Impairment losses on available-for-sale equity instruments shall not be reversed through profit or loss.

(2) Provision for impairment of held-to-maturity investments:

Measurement of provisions for impairment loss on held-to-maturity investments is similar to that applicable to provisions for impairment loss on receivables.

3.11 Provision for bad debt of accounts receivable**3.11.1 Significant accounts receivable with individual provision for bad debt:**

Assessment basis or standard of individually significant amount: Accounts receivable have an individual amount of more than RMB5 million, and other receivables have an individual amount of RMB3 million.

Individual provision for bad debt of significant accounts receivable:

The separate impairment tests are carried out for the accounts receivable. Provision for bad debts shall be made at the difference of present values of estimated future cash flows in short of their book values and included in current profit and loss, if any objective evidence indicates the impairment. The unimpaired accounts receivable as shown by the separate test result are put into the relevant portfolio for provision for bad debt.

3.11.2 Accounts receivable with provision for bad debts accrued by credit risk features portfolio:

Method of bad-debt provision made in terms of the credit risk features portfolio	
Accounts receivable without provision for bad debt	Aging analysis method

Bad-debt provision made under the aging analysis method in the portfolio:

Aging	Proportion of provision for accounts receivable (%)	Provision for bad debt of other receivables (%)
1-6 months (including 6 months)	0	0
6-12 months	5	5
1-2 years (including 1 year)	10	10
2-3 years (including 2 years)	30	30
3-4 years (including 3 years)	50	50
4-5 years (including 4 years)	80	80

Over 5 years (including 5 years)	100	100
----------------------------------	-----	-----

3.11.3 Insignificant accounts receivable with individual provision for bad debt

Reasons for individual provision for bad debts: If there is any clear evidence indicating that the receivables cannot or are unlikely to be recovered, for example, the bankruptcy, insolvency, insufficient cash flow of the debtor, or the insolvency in a short time due to the production halt resulting from the severe natural disaster, or the accounts receivable may be exposed to risk as indicated by other evidence, the individual provision for bad debt will be made.

Method of provision for bad debt: The provision for bad debt is individually recognized at the difference between the book value and the present value of estimated future cash flow.

Note: No provision is made for the bad debts of the current account of transactions with related parties.

3.12 Inventories

3.12.1 Classification of inventories

Inventories are classified into: raw materials, consigned processing materials, low-cost consumables, packaging materials, stock commodities, goods in progress, semi-finished goods, finished goods, etc.

3.12.2 Valuation of dispatched inventories

The inventories dispatched are measured by weighted average method.

3.12.3 Basis for determination of net realizable value of different categories of inventories

Net realizable values of merchandise inventories held directly for sale, such as finished goods, merchandise inventories, and available-for-sale materials, are measured at the estimated selling prices less estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realizable values of material inventories which need further processing are measured at the estimated selling prices less the estimated costs of completion, estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realizable values of inventories held for the purpose of fulfillment of sales contracts or service contracts should be calculated on the basis of the contract

prices; if the quantity of inventories held exceeds that stated in the contract, the net realizable values of the excessive part should be calculated on the basis of normal selling prices.

The Company shall make provisions for impairment loss on diminution in value of inventories on an individual basis at the year end. For inventories with large quantities and relatively low unit prices, the provisions for loss on diminution in value of inventories shall be made on a category basis. For the inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provisions for impairment loss on diminution in value of inventories may be made on a portfolio basis.

The net realizable value of inventory items is determined based on the market price on the balance sheet date, unless there is clear evidence that the market price is abnormal on the balance sheet date.

The net realizable value of inventory items as at the end of the period is determined based on the market price on the balance sheet date.

3.12.4 Inventory system

The perpetual inventory system is adopted.

3.12.5 Amortization of low-cost consumables and packaging materials

- (1) Low-cost consumables are amortized under the lump-sum method;
- (2) Packing materials are amortized under the lump-sum method.

3.13 Assets classified as held-for-sale assets

The component (or non-current asset) will be recognized as the thing held for sale, if all the following conditions are met at the same time:

- (1) Such component can be sold as it is, in accordance with the usual terms on its sales;
- (2) The Company has been an integral part of the disposal of the (non-current assets) made a

resolution, such as the need to obtain the required shareholder approval, has the approval of the shareholders' meeting or the appropriate authority;

- (3) The Company has signed an irrevocable transfer agreement with the transferee;
- (4) Such transfer will be completed within one year.

3.14 Long-term equity investment

3.14.1 Judgment criteria of joint control or effect of material impact

Common control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises common control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Where the Company has significant influences on an investee, the investee shall be an associate of the Company.

3.14.2 Determination of initial investment cost

- (1) Long-term equity investment acquired from business combination

For business combination under common control: If the Company makes payment in cash, transfers non-cash assets or bears debts and issues equity securities as the consideration for the business combination, the share of owners' equity of the acquiree obtained on the combination date in the book value of the ultimate controller's consolidated financial statement is recognized as the initial cost of the long-term equity investment. Where additional investment or other reasons make the control over the investee under the same control possible, the initial investment cost of the long-term equity investments is measured at the share of net assets of the acquiree on the combination date in the book value of the ultimate controller's consolidated financial statements. The stock premium is adjusted according to the difference between the initial cost of long-term equity investments on the combination date and the sum of the

book value of long-term equity investments before combination and the book value of the consideration further paid for obtaining shares; if there is no sufficient share premium for write-downs, the retained earnings are offset.

For business combination not under common control: the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investment. Where additional investment, or other reasons make the control over the investee not under the same control possible, the initial investment cost under the cost method will be the sum of the book value of the equity investments previously held and the newly increased investment costs.

(2) Long-term equity investment acquired by other means

The initial costs of a long-term equity investments obtained by payments of cash shall be the purchase prices actually paid.

The initial costs of long-term equity investments in equity securities shall be stated at their fair values.

If the exchange of non-monetary assets has commercial substance and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out unless there is any conclusive evidence that the fair values of the assets traded in are more reliable; if the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and the relevant taxes and surcharges payable are recognized as the initial cost of long-term equity investment traded in.

The initial costs of long-term equity investments arising from debt restructuring shall be stated at their fair values.

3.14.3 Subsequent measurement and recognition of profit or loss

(1) Long-term equity investment calculated under the cost method

The Company applies cost method to account for the long-term equity investments of subsidiaries. Except for the price actually paid upon acquisition or the cash dividends

or profit included in the price that are declared but not yet paid, the Company recognizes investment income for the current period at the share of the cash dividends or profits declared and released by the investee.

(2) Long-term equity investment calculated under the equity method

Long-term equity investments in associates and in joint ventures are accounted for under the equity method. If the cost of initial investment is in excess of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the cost of initial investment is in short of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit and loss.

The Company recognizes the investment income and other comprehensive income according to the net gain or loss and other comprehensive income of the investee attributable to the Company, and adjusts the book value of long-term equity investment; reduces the book value of long-term equity investments according to the profit or cash dividends declared by the investee and attributable to the Company; and adjusts the book value of the long-term equity investments in the investee, as to the change in owners' equities other than the net gain or loss, other comprehensive income and profit distribution of the investee, and charges the same to the owners' equities.

When the share in net profit and loss of the investee is recognized, the fair value of the identifiable net assets of the investee when the investment is obtained shall be taken as a basis and the share will be determined after the net profit is adjusted in accordance with the Company's accounting policies and accounting periods. During the period of holding the investment, if the investee is capable of providing consolidated financial statements, the profit or loss shall be measured based on the net profit and other changes in equity recorded in the consolidated financial statements.

The profit and loss of the internal transactions that are not realized arising among the Company, affiliated enterprises, and joint ventures will be offset at the part attributable to the Company and the investment income will be recognized on that basis. For internal trading losses that have not occurred with the investee, they will be fully recognized if they belong to the asset impairment losses. The trading of assets between

the Company and its associates or joint ventures, which constitutes business, are treated according to the policies disclosed in "Note 3.5 Accounting Treatment of Combination of enterprises under common control and enterprises not under common control" and "Note 3.6 Preparation of consolidated financial statements".

When the Company confirms that it should share losses of the investee, treatment shall be done in following sequence: Firstly, the book value of the long-term equity investment shall be reduced. Secondly, where the book value is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equity which form net investment in the investee in substance and the book value of long term receivables shall be reduced. finally, after all the above treatments, if the Company is still responsible for any additional liabilities in accordance with the provisions stipulated in the investment contracts or agreements, estimated liabilities are recognized and included into current investment loss according to the obligations estimated to undertake.

(3) Disposal of long-term equity investment

Upon disposal, the difference between the book value and the price obtained is recognized in current profit and loss.

Disposal of long-term equity investments accounted for under the equity method, which is previously charged to other comprehensive income is treated in proportion on the same basis for direct disposal of relevant assets of liabilities by the investee. Owner's equities recognized arising from change in other owners' equities other than net gain or loss, other comprehensive income and profit distribution of the investee are carried forward to the current profit or loss in proportion, except for the other comprehensive income arising from the change on re-measurement of the net liabilities or net assets under the defined benefit plan by the investee.

In case of loss of common control over or material impact on the investee due to the disposal of part of the equity investments, the remaining equity after the disposal are computed according to the principles for recognition and measurement of financial instruments, and the difference between the fair value and book value on the day of loss of common control or material impact is charged to the current profit or loss. For other comprehensive income that is recognized from original equity investment by

using the equity method, the accounting treatment will be made on the basis the same as that for the direct disposal of related assets and liabilities with the investee when the equity method is terminated for accounting purpose. Owner's equities recognized arising from change in other owners' equities other than net gain or loss, other comprehensive income and profit distribution of the investee are entirely transferred to the current profit or loss when the accounting under the equity method is ended.

In case of loss of common control over or material impact on the investee due to the disposal of part of the equity investments, the remaining equity after the disposal are computed under the equity method, with the adjustment made as if such remaining equities are calculated under the equity method after they are obtained, when the separate financial statement is prepared; the remaining equities after disposal leading to the incapable exercise of common control over or material impact on the investee shall be treated according to the principles for recognition and measurement of financial instruments, and the difference between the fair value and book value on the day of loss of common control or material impact is charged to the current profit or loss.

If the equities disposed were obtained from the business merger by reason of additional investment or others, and the remaining equities after disposal are calculated under the cost method or equity method when the individual financial statement is prepared, other comprehensive income and other owners' equities recognized and arising from the calculation of the equity investment held before the acquisition date under the equity method will be carried forward in proportion; if the remaining equities after disposal are treated according to the principles for recognition and measurement of financial instruments, both of other comprehensive income and other owners' equities are entirely carried forward.

3.15 Investment property

Investment properties are properties to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases, (including buildings that have been constructed or developed for future lease out under operating leases, and buildings that are being constructed or developed for future lease out under operating leases).

The Company adopts cost model to measure all current investment properties. The Company adopts the same depreciation policy for the investment property measured at cost model building for renting as that for the Company's fixed assets and the same amortization policy of land use right for renting as that for the Company's intangible assets.

3.16 Fixed assets

3.16.1 Criteria for recognition of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets will only be recognized when all the following criteria are satisfied: Fixed assets will only be recognized when all the following criteria are satisfied:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) the costs of the fixed asset can be measured reliably.

3.16.2 Depreciation method

Depreciation of fixed assets is provided on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. If the components of a fixed asset have different useful lives or cause economic benefit for the Company in different ways, different depreciation rate or method shall be adopted for depreciation on an individual component basis.

For fixed assets acquired under finance leases, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

Depreciation of fixed assets, depreciation period, residual rate and annual depreciation rates are as follows:

Category	Depreciation periods (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	25-35	3	2.77-3.88

Machinery equipment	7-15	3	6.47-13.86
Transportation equipment	8-10	3	9.70-12.13
Other equipment	5-10	3	9.70-19.40

3.16.3 Basis for recognition and measurement of fixed assets acquired under the finance lease

The fixed assets acquired under financing lease are recognized if one of the following conditions is specified by the Company and the leaser in their lease agreement:

- (1) The ownership of the leased assets is transferred to the Company by the end of the lease terms;
- (2) The Company has the option to purchase the assets at prices which are expected to be sufficiently lower than fair values at the date the option becomes exercisable that, at the inception of the leases, it is reasonably certain that the option will be exercised;
- (3) The lease terms cover the major part of the economic lives of the assets, even if titles are not transferred;
- (4) At the inception of the leases, the present values of the minimum lease payments amount to at least substantially all of the fair values of the leased assets.

On the lease commencement date, the book-entry value of a fixed asset acquired under financing lease is measured at the asset's fair value or the present value of the minimum lease payment, whichever is the lower. The minimum lease payment is recorded as the book-entry value of the long-term payables, and the difference between them is deemed as the unrecognized financing expenses.

3.17 Construction in progress

The book values of the construction in progress are stated at total expenditures incurred before reaching working condition for their intended use. For construction in progress that has reached working condition for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when working condition is reached. After the completion of budgets

needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.18 Borrowing costs

3.18.1 Principles for recognition of capitalization of borrowing costs

Borrowing costs include the interest on borrowings, the amortization of discount or premium, auxiliary expenses, exchange differences incurred by foreign currency borrowings, etc.

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into current profit and loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

Borrowing costs may be capitalized only when all the following conditions are met at the same time:

- (1) the asset disbursements have already incurred, which shall include the cash paid, non-cash assets transferred or interest bearing debts undertaken for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- (2) the borrowing costs has 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.

3.18.2 Capitalization period of borrowing costs

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its cessation; period of suspension for capitalization is excluded.

When the qualified asset under acquisition and construction or production is ready for the

intended use or sale, the capitalization of the borrowing costs shall be ceased.

Where construction for assets purchased, constructed or manufactured eligible for capitalization is completed in stages, which can be used while construction of the other parts continues, capitalization of attributable borrowing costs should cease when substantially all of the activities necessary to prepare that part for its intended use or sale are complete.

Where construction for each part of assets purchased, constructed or manufactured has been completed separately but can be used or sold only after the entire assets have been completed, capitalization of attributable borrowing costs should cease at the completion of the entire assets.

3.18.3 Period of capitalization suspension

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue. The borrowing costs incurred during interruption are recognized in the current profit and loss, and the capitalization of borrowing costs continues after the restart of the acquisition and construction or production activities of the assets.

3.18.4 Capitalization rate and measurement of capitalized amount of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, the to-be-capitalized amount shall be determined at interest expense of special borrowing actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the to-be-capitalized amount should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by using the weighted average interest rate of general

borrowings.

3.19 Intangible assets

3.19.1 Measurement of intangible assets

- (1) The Company initially measures intangible assets at cost on acquisition;

The costs of external purchase of intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the asset for its intended use. If payments for the purchase of intangible assets are extended beyond the normal credit terms with financing nature, the costs of intangible assets are determined on the basis of present values of the purchase prices.

For intangible assets obtained from debtors in settlement of his liabilities in case of debt restructuring, they should be initially stated at their fair values. Differences between the book values and the fair values of the intangible assets are charged to profit or loss for the current period.

If the exchange of non-monetary assets has commercial substance, and the fair values of these assets can be measured reliably, the book-entry values of intangible assets traded in are based on the fair values of the intangible assets traded out unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the costs of the intangible assets traded in should be the book values of the assets traded out and relevant taxes and surcharges paid, and no profit or loss shall be recognized.

- (2) Subsequent measurement

The useful lives of the intangible assets are analyzed and determined on their acquisition.

As for intangible assets with limited useful life, straight-line amortization method is adopted in the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets shall be deemed as those with indefinite useful life and shall not be amortized.

3.19.2 Estimate of the useful life of the Intangible assets with finite useful lives:

The useful lives and amortization methods of intangible assets with limited useful lives are reviewed at each year end.

Upon review, the useful lives and amortization method of the intangible assets as at the end of the year were not different from those estimated before.

3.19.3 Basis for judgment of intangible assets with indefinite useful life and procedures for review of the life thereof

The useful lives and amortization method of intangible assets with limited useful lives are reviewed at the end of each period.

Upon review, the useful lives and amortization method of the intangible assets as at the end of the year were not different from those estimated before.

3.19.4 Specific criteria of classification into the research phase and the development phase

Expenditures on an internal research and development project shall be classified into expenditures on the research phase and expenditures on the development phase.

Research phase: Research is original and planned investigation, undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development phase: Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, or products before the start of commercial production or use.

3.19.5 Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can satisfy all of the following criteria:

- (1) It is technically feasible to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible assets;
- (3) the method that the intangible assets generate economic benefits, including existence

of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;

- (4) adequate technical, financial, and other resources are available to complete the assets, and the Company has the ability to use or sell the assets; and
- (5) The expenditures attributable to the intangible assets during their development phase can be reliably measured.

If the above conditions are not satisfied, expenditures on the development phase shall be included in current profit and loss when they occur. Expenditures on the research phase shall be included in current profit and loss when they occur.

According to the Accounting Standards for Enterprises in combination with the actual situation of the Company, the period between the report on pre-study of project to the issuance of project assessment and examination report is defined as the research state, in which the expenditures incurred are expensed when incurred and charged to the current profit or loss.

In the development stage, research findings or other knowledge is applied to a plan or design for the production of new or substantially improved materials, devices, or products before the start of commercial production or use. This phase is equipped with the basic conditions for the formation of a new product or technology to a greater extent.

According to the actual situation of the Company, the period between the adoption of project assessment and examination with the assessment and examination report issued to the batched production is defined as the development stage. The project development expenditures will be capitalized, if the conditions for capitalization of development expenditures are met.

All expenditures incurred on research of application of basic techniques are classified as research stage expenditures and charged to the current profit or loss when incurred.

3.20 Impairment of long-term assets

The Company will conduct the impairment test if any evidence suggests that the long assets, such as the long-term equity investment and the investment property, fixed assets, construction in progress and intangible assets, are impaired on the balance sheet date. If impairment test results indicate that the recoverable amounts of the assets are lower than their carrying amounts, the provision for impairment is made based on the differences which are recognized as impairment losses. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. The provision for assets impairment is calculated and recognized by the individual asset. If it is difficult to estimate the intangible amount of an individual asset, the Company shall estimate the recoverable amount of the asset portfolio that the individual asset belongs to. The asset portfolio is the minimum asset group that can independently generate the cash inflow.

At least the goodwill and indefinite-life intangible assets impairment test is conducted at the year-end.

The Company conducts an impairment test for the goodwill. The book value of goodwill arising from business combinations is amortized to relevant asset groups with a reasonable method since the date of acquisition; or amortized to relevant combination of asset groups if it is difficult to be amortized to relevant asset groups. The book value of goodwill is amortized to relevant asset groups or combinations of asset groups according to the proportion of the fair value of such asset groups or combinations of asset groups in the total fair value of relevant asset groups or combinations of asset groups. Where the fair value cannot be reliably measured, it should be amortized according to proportion of the book value of each asset group or combination of asset group in the total book value of relevant asset groups or combinations of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups related to the goodwill may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then the Company shall conduct an impairment test on the asset groups or combinations of asset groups containing goodwill, and compare the book value of these asset groups or combinations of asset groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant asset groups

or combinations of asset groups is lower than the book value thereof, the Company shall recognize the impairment loss of the goodwill.

The above impairment loss is not reversed in the future accounting period once recognized.

3.21 Long-term deferred expenses

Long-term deferred expenses refer to the expenses which have been already incurred but will be borne in the current period and in the future with an amortization period of over 1 year. Long-term deferred expenses are evenly amortized over the benefit period.

3.22 Employee compensation

3.22.1 Accounting treatment of short-term remuneration

During the accounting period in which employees provide service to the Company, the short-term remuneration actually incurred is recognized as liabilities and charged to the current profit or loss or the relevant assets cost.

The medical insurance premium, work-related injury insurance premium and the housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion.

The non-monetary benefits for employees that can be measured reliably are measured at fair value.

3.22.2 Accounting treatment of benefits paid after departure

The basic endowment insurance premium and unemployment insurance premium paid by the Company for its employees in accordance with relevant provisions of the local government are recognized as liabilities and charged to the current profit or loss or the relevant assets cost, with the payable amount calculated based on the local prescribed payment base and percentage, during the accounting period in which the employees provide services to the Company.

The Company pays a certain percentage of the total employee compensation to the local social institution for the payment/payment under annuity plan, and record the relevant expenditures into the current profit or loss or the relevant assets cost.

3.22.3 Accounting treatment of dismissal welfare

Where the Company cannot unilaterally withdraw when termination benefits due to termination of employment or layoff proposal offered, or confirm the reorganization involves the payment of termination benefits when associated costs or expenses (both what early), confirm termination benefits employees pay liabilities, and profit or loss.

3.23 Estimated liabilities

3.23.1 Recognition criteria for estimated liabilities

The Company recognizes the estimated liabilities when the obligations relating to litigation, debt-guarantee, loss contract, restructuring and other contingencies satisfy the following conditions simultaneously:

- (1) That obligation is a present obligation of the Company;
- (2) The performance of such obligation is likely to result in outflow of economic benefits from the Company; and
- (3) The amount of the obligation can be measured reliably.

3.23.2 Measurement of a variety of estimated liabilities

The estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of relevant present obligations.

When determining the best estimate, the Company shall comprehensively consider the risks, uncertainties, time value of money, and other factors relating to the contingencies. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

The best estimates shall be treated as follows in different circumstances:

If there is continuous range (or interval) for the necessary expenses, and probabilities of

occurrence of all the outcomes within this range are equal, the best estimate shall be determined at the average amount of upper and lower limits within the range.

Given the fact that there is no continuous range (or interval) for the necessary expenses, or probabilities of occurrence of all the outcomes within this range are unequal despite such a range exists, in case that the contingency involves a single item, the best estimate shall be determined at the most likely outcome; if the contingency involves two or more items, the best estimate should be determined according to all the possible outcomes with their relevant probabilities.

When all or part of the expenses necessary for the settlement of an estimated liabilities are expected to be compensated by a third party or other parties, the compensation shall be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation shall not exceed the book value of the estimated liabilities.

See the Note 5.28 Estimated Liabilities for details.

3.24 Share-based payment

The share-based payment is the transaction the Company has to grant the equity instrument to employees or assume the liability determined based on the equity instrument, for the service provided by the employees [or other parties]. The share-based payments of the Company can be divided into the equity-settled share-based payments and the cash-settled share-based payments.

3.24.1 Equity-settled share-based payments and equity instruments

In case of the equity-settled share-based payment for the service provided by employees, the measurement is based on the fair value of the equity instruments granted to employees. Where the Company carries out a restricted share-based payment, the employees subscribe shares by contributing capital, and the shares cannot be traded or transferred in the market until they satisfy the conditions for removing the freeze; if the conditions for removing the freeze as prescribed by the ultimate stock stimulating plan fail to be satisfied, the Company shall repurchase the shares as previously agreed. When the Company receives the payments for subscription of restricted shares from the employees, it shall recognize the share capital and capital reserves (share capital premiums) according to the payments for subscription received, and recognize a liability and treasury shares with respect to the repurchase

obligation. On every balance sheet date during the waiting period, the Company estimates the quantity of the exercisable equity instruments in light of the latest subsequent information, such as the change in the number of employees obtaining the exercisable equity instrument or whether the specified performance requirements are met, based on which the services obtained in the current period are charge to the relevant costs or expenses at the fair value on the grant date, with the capital reserves added correspondingly. Those payments which are exercisable immediately after the grant are charged to the relevant costs or expenses, with the capital reserves added correspondingly. After the vesting date, the recognized relevant costs or expenses or total amount of owners' equity shall not be adjusted any more.

No cost or expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based payment is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, equity-settled share-based payments are deemed cancelled. However, if a new equity instrument is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new equity instrument are treated as if they were a modification of the original award.

3.24.2 Cash-settled share-based payments and equity instruments

The cash-settled share-based payment is measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments

undertaken by the Company. The cash-settled share-based payment is initially measured in accordance with the fair value on the vesting date, in consideration of the terms and conditions for granting the equity instruments. If the right may be exercised immediately after the grant, the fair value of the liabilities shall, on the vesting date, be included in the costs or expenses, together with a corresponding increase in the liabilities; if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses at the fair value of the liabilities on the vesting date, together with a corresponding increase in the liabilities. On each balance sheet date and on each account date prior to the settlement of the relevant liabilities, the fair values of the liabilities are re-measured and the changes in the fair values thereof are included in the current profits and losses.

3.25 Revenues

3.25.1 General principles for recognition of revenues from sales of goods:

- (1) The Company has transferred to the buyer the significant risks and rewards of ownership relevant to the goods in question;
- (2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (3) The relevant amount of revenue can be measured reliably;
- (4) It is probable that the economic benefits related to the transaction will flow into the Company; and
- (5) The relevant costs incurred or to be incurred can be measured reliably.

3.25.2 Concrete principles for revenues from primary businesses

Sales of automobile air-conditioner: the Air-conditioner Company deliveries goods according to the customers' production plans and safety stock; after the customers use the products, the salesmen issue a notification of making out an invoice according to the customers' monthly usage amounts and contracted prices, the finance department

issues an invoice and the revenues from sales shall be recognized.

3.26 Government grants

3.26.1 Types

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government subsidies are classified into government subsidies related to assets and government subsidies related to income.

Government subsidies related to assets refer to the subsidies obtained by the Company from the government and used to form long-term assets through acquisition and construction or otherwise, including the financial appropriation for purchase of fixed assets or intangible assets and the finance discounts for special borrowings of fixed assets. Government subsidies related to income refer to those other than the government subsidies related to assets.

3.26.2 Recognition of time-point and accounting treatment

Government grants related to assets are recognized as deferred income and included in non-operating income over the useful lives of the assets constructed or purchased by stages;

If government subsidies related to income are used to compensate the Company's relevant expenses or losses in future periods, such government subsidies should be recognized as deferred income on acquisition and be included into the current non-operating income in the period of recognizing relevant expenses; if government subsidies related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government subsidies are directly included into the current non-operating income on acquisition.

3.27 Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets shall be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or events excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

If the Company has the legal right of netting and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the income tax assets and income tax liabilities of the Company for the current period shall be presented based on the net amount after offset.

When the Company has the legal rights to balance income tax assets and income tax liabilities for the current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpaying subject by the same tax collection authority or on different taxpaying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved taxpaying subject intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities shall be presented based on the net amount after offset.

3.28 Leases

3.28.1 Accounting treatment of operating lease

- (1) Lease fees paid by the Company for leased asset shall be amortized at straight-line method over the whole lease period (including rent-free period) and shall be included in the current expenses. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as the current expenses.

If the expense related to the lease which shall be paid by the Company is assumed by the lessor of the asset, then such expenses shall be deducted from total lease fees, and the balances shall be amortized over the lease term s and charged to the current expenses.

- (2) Lease fees received by the Company from leasing assets shall be amortized at straight-line method over the whole lease period (including rent-free period), and shall be recognized as lease income. Initial direct costs relating to lease transactions

incurred by the Company shall be recognized as the current expenses; if the amounts are material, they shall be capitalized and included in the current income on the same basis as the recognition of lease income.

If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

3.28.2 Accounting treatment of financing lease

- (1) Assets acquired under financing leases: At the commencement of the lease terms, assets acquired under financing leases shall be recorded at the lower of their fair values and the present values of the minimum lease payments, and the Company shall recognize the long-term payables at amounts equal to the minimum lease payments, and shall record the differences between book value of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts the effective interest rate method for unrecognized financing charges, which shall be amortized over the lease terms and included in financial expenses. Initial direct costs incurred by the Company shall be included in the value of leased assets.
- (2) Assets rented out under financing leases: At the commencement of the lease terms, the Company shall recognize the differences between the undiscounted rents receivable plus unguaranteed residual values and their present values as unrealized financing income, and shall recognize them as lease income during each period when rents are received. Initial direct costs associated with the lease transactions and incurred by the Company shall be included in the initial measurement of the financing lease receivable and lease income recognized over the lease terms shall be reduced accordingly.

3.29 Termination of operation

Termination of operation refers to any integral part that satisfies any of the following conditions, has been disposed or classified into assets held for sale by the Company and that is able to be separately distinguished upon operation and preparation of the financial statements:

- (1) the integral part represents an independent primary business or a key operation region;
- (2) the integral part is an element of the plan of proposing to dispose an independent primary business or a key operation region; or

(3) the integral part is a subsidiary acquired only for the resale purpose.

3.30 Significant adjustments for changes in accounting policies and accounting estimates

3.30.1 Significant adjustments for changes in accounting policies

Enforce *Value - added Tax Accounting Regulations*.

The Ministry of Finance released *Value - added Tax Accounting Regulations* (Financial Accounting [2016] No:22) on December 3, 2016, which is appropriate for related transactions from May 1, 2016. The main impact of the implementation of this provision is as follows:

The content and reasons of accounting policy changes	Affected report item name and amount
(1) The " Business tax and surcharges " item in the income statement is adjusted to " Taxes and surcharges ".	Taxes and surcharges
(2) House property tax, Land use tax, Vehicle and vessel use tax and Stamp duty incurred from the business activities on May 1, 2016 will be reclassified from the "General and administrative expenses" item to the "Business taxes and surcharges" project. But tax which occurred before May 1, 2016 will not be adjusted .The comparative data can not be adjusted.	Increase Business taxes and surcharges this year RMB 2,217,753.53; Reduce the general and administrative expenses this year RMB 2,217,753.53.

3.30.2 Major changes in accounting estimates

There is no major change in accounting estimates in the Company for the current year.

4. Taxation

4.1 Major tax types and tax rates applicable to the Company

Tax type	Basis of tax assessment	Tax rate
Value-added tax (VAT)	The output tax is calculated based on the revenue from sales of goods and the provision of taxable labor services according to tax law, and value added tax payable should be the balance of the output tax for the period after deducting the deductible input tax for the period.	17%、11%、6%
Consumption tax	Levied based on the taxable sales revenues	3%
Business tax	Levied based on the taxable income (Since May 1,	5%

	2016, the Business tax changes to Value-added tax)	
Urban maintenance and construction tax	Levied based on the actual payment of business tax, VAT and consumption tax	7%
Enterprise income tax	Levied based on the taxable income	25%、15%

If there are subjects of tax payment subject to different enterprise income tax rates, the information notes shall be disclosed

Name of subject of tax payment	Income tax rate
Chongqing Jianshe Motorcycle Co., Ltd.	15%
Shanghai Jianshe Motorcycle Co., Ltd.	25%
Chongqing Jianshe Automobile A/C Co., Ltd.	15%

4.2 Preferential tax treatment

The company is subject to the enterprise income tax rate of 15% in 2016, as a result of the preferential enterprise income tax policies to promote the large-scale development of the western region in accordance with the Announcement on Issues of Enterprise Income Tax concerning In-depth Implementation of Western Region Large-scale Development Strategy (Announcement of the State Administration of Taxation [2012] No.12).

Chongqing Jianshe Automobile A/C Co., Ltd. by high and new technology enterprise qualification on November 8, 2013, acquire the qualification of new high-tech enterprises, Certificate No. GR201351100081, valid for three years. Chongqing Jianshe Automobile A/C Co., Ltd. calculates and pay enterprise income tax shall be levied at the reduced tax rate 15% from 2014 to 2016.

The Company and other subsidiaries pay the enterprise income tax at a tax rate of 25%.

5. Notes to the items of consolidated financial statements

Chongqing Jianshe Motorcycle Co., Ltd. completed the reorganization on December 31, 2015. The scope of consolidated financial statements about income statements and cash flow statement are consistent with it before reorganization, including the results of the reorganization of the motorcycle business and the cash flow. The income statement and cash flows statements of 2016 only include the results of the business after the reorganization (the scope of consolidation for the year is set out in Note 1.2 Scope of the consolidated financial statements), resulting in great change about the income statement and cash flow statement compared with the previous year.

5.1 Cash and cash equivalents

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Cash on hand	31,205.34	70,909.87
Bank deposits	273,737,553.12	23,572,605.94
Other cash and cash equivalents	240,646,064.11	279,017,242.95
Total	514,414,822.57	302,660,758.76

Remark: The monetary funds at the end of the year increased by 69.96% compared with the previous year, mainly because of the receipt of Chongqing construction mechanical and electrical Co. LTD.

Including: The details about restricted monetary funds are as follows:

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Bank acceptance bills margin	240,646,064.11	189,017,242.95
guarantee deposit and notice deposit		90,000,000.00
Total	240,646,064.11	279,017,242.95

5.2 Notes receivable

5.2.1 Presentation of notes receivable by category

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Bank acceptance bill	14,907,890.35	47,008,704.63

5.2.2 Notes receivable endorsed or discounted by the Company as at December 31, 2016 and not yet due on the balance sheet date

Item	Amount derecognized as at December 31, 2016	Amount not derecognized as at December 31, 2016
Bank acceptance bill	626,847,318.00	
Commercial acceptance bill	13,835,000.00	
Total	640,682,318.00	

5.3 Accounts receivable

5.3.1 Disclosure of accounts receivable by category

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis										
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	270,302,666.49	100.00	14,715,226.57	5.44	255,587,439.92	232,282,147.28	100.00	14,522,938.85	6.25	217,759,208.43
Accounts receivables with insignificant single amount and provision for bad debt made on an individual basis										
Total	270,302,666.49	100.00	14,715,226.57	5.44	255,587,439.92	232,282,147.28	100.00	14,522,938.85	6.25	217,759,208.43

Accounts receivable with provision for bad debts made using the aging analysis method among those portfolios:

Aging	Balance as at December 31, 2016		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
1-6 months (including 6 months)	238,246,426.46		
6-12 months	4,788,616.59	239,430.83	5.00
1-2 years (including 1 year)	9,877,311.07	987,731.10	10.00
2-3 years (including 2 years)	5,362,705.72	1,608,811.71	30.00

3-4 years (including 3 years)	130,160.18	65,080.09	50.00
4 - 5 years (including 4 years)	416,368.14	333,094.51	80.00
Over 5 years (including 5 years)	11,481,078.33	11,481,078.33	100.00
Total	270,302,666.49	14,715,226.57	

5.3.2 Provision for bad debts provided in the current year

The provision for bad debts provided in the current year amounts to RMB 192,287.72.

5.3.3 Information on the top five accounts receivable by the debit balance as at December 31, 2016

The top five accounts receivable by the credit balance as at December 31, 2016 total RMB 153,546,008.17, accounting for 56.81% of total amount of balance as at December 31, 2016 of accounts receivable, and the balance as at December 31, 2016 of provision for bad debts provided correspondingly totals RMB 23,469.05.

5.4 Advances to suppliers

5.4.1 Presentation of advances to suppliers by aging

Aging	Balance as at December 31, 2016		Balance as at January 1, 2016	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	10,729,869.21	98.51	8,251,935.87	88.64
1-2 years	73,792.01	0.68	1,041,281.19	11.18
2-3 years	71,862.00	0.66	8,039.80	0.09
Over 3 years	16,409.80	0.15	8,370.00	0.09
Total	10,891,933.02	100.00	9,309,626.86	100.00

5.4.2 Information on the top five advances to suppliers by the credit balance as at December 31, 2016

The top five advances to suppliers by the debit balance as at December 31, 2016 total RMB 8,402,776.37, accounting for 77.15 % of total amount of balance as at December 31, 2016 of advances to suppliers.

5.5 Other receivables

5.5.1 Disclosure of other receivables by category

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with significant single amount and provision for bad debt made on an individual basis										
Other receivables with provision for bad debt made on a portfolio with similar risk characteristics basis	13,109,254.76	97.32	4,529,364.68	34.55	8,579,890.08	262,146,013.26	99.85	4,336,368.84	1.65	257,809,644.42

Other receivables with insignificant single amount and provision for bad debt made on an individual basis	361,125.35	2.68	361,125.35	100.00		405,125.35	0.15	405,125.35	100.00	
Total	13,470,380.11	100.00	4,890,490.03	36.31	8,579,890.08	262,551,138.61	100.00	4,741,494.19	1.81	257,809,644.42

Other receivables with no significant amount of individual at the end of year and provision for bad debt

Other receivables (By unit)	Balance as at December 31, 2016			
	Other receivables	Provision for bad debts	Proportion	To reason
Chongqing Customs	78,825.35	78,825.35	100%	Is expected to be no recoverable
Chongqing Huicai Steel Structure Co., Ltd	209,000.00	209,000.00	100%	Is expected to be no recoverable
Yangzhou Qionghua Painting Engineering Equipment Co., Ltd	56,500.00	56,500.00	100%	Is expected to be no recoverable
Chongqing Jinxiang lifting equipment Manufacturing Co., Ltd	16,800.00	16,800.00	100%	Is expected to be no recoverable
Total	361,125.35	361,125.35		

Other receivables with provision for bad debts made using the aging analysis method among those portfolios:

Aging	Balance as at December 31, 2016		
	Other receivables	Provision for bad debts	Proportion of provision (%)
1-6 months (including 6 months)	5,156,110.44		

6-12 months	1,534,749.60	76,737.48	5.00
1-2 years (including 1 year)	2,184,186.13	218,418.61	10.00
2-3 years (including 2 years)			
3-4 years (including 3 years)			
4 - 5 years (including 4 years)			
Over 5 years (including 5 years)	4,234,208.59	4,234,208.59	100.00
Total	13,109,254.76	4,529,364.68	

5.5.2 Provision for bad debts provided in the current year

RMB 148,995.84 is provided for bad debts in the current year.

5.5.3 Other receivables classified by payment properties

Property of account receivable	Book balance as at December 31, 2016	Book balance as at January 1, 2016
Petty cash and borrowings with small amount	8,875,046.17	8,697,629.28
Margins and others		326,300.00
Fully provided provision for bad debts regarding long-term receivables and payables	4,595,333.94	4,218,034.74
Export rebates receivable		78,825.35
Other receivables from the related parties		249,230,349.24
Total	13,470,380.11	262,551,138.61

Remark: Compared with the previous year, there is substantial reduction of balance this year, mainly due to the repayment of the parent company Chongqing Jianshe mechanical and electrical co., LTD.

5.5.4 Information on the top five other receivables by the debit balance as at December 31, 2016

The top five other receivables by the credit balance as at December 31, 2016 total RMB 8,174,577.65, accounting for 60.69 % of total amount of balance as at December 31, 2016 of other receivables, and the balance as at December 31, 2016 of provision for bad debts provided correspondingly totals RMB 3,869,813.34.

5.6 Inventories

5.6.1 Classification of inventories

Item	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance	Provision for inventory impairment	Book value	Book balance	Provision for inventory impairment	Book value
Raw materials	47,168,260.45	4,618,914.59	42,549,345.86	59,287,827.35	4,618,914.59	54,668,912.76
Goods in progress	1,931,391.64		1,931,391.64	1,766,745.42		1,766,745.42
Finished goods	156,900,503.61	174,210.57	156,726,293.04	90,089,486.73	174,210.57	89,915,276.16
Total	206,000,155.70	4,793,125.16	201,207,030.54	151,144,059.50	4,793,125.16	146,350,934.34

5.6.2 Inventory provision

Item	Balance as at January 1, 2016	Increase in 2016		Decrease in 2016		Balance as at December 31, 2016
		Provision	Others	Reversal or write-off	Others	
Raw materials	4,618,914.59					4,618,914.59
Finished goods	174,210.57					174,210.57
Total	4,793,125.16					4,793,125.16

5.7 Other current assets

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Overpaid tax for offsetting the future tax payable	1,734,063.70	5,430,548.06

5.8 Available-for-sale financial assets**5.8.1 Information on available-for-sale financial assets**

Item	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance	Provision for	Book value	Book	Provision	Book

		impairment		balance	for	k
					impairment	value
Available-for-sale debt instruments						
Available-for-sale equity instruments	1,140,915.04	1,140,915.04		1,140,915.04	1,140,915.04	
Including: measured at fair value						
Measured at cost	1,140,915.04	1,140,915.04		1,140,915.04	1,140,915.04	
Total	1,140,915.04	1,140,915.04		1,140,915.04	1,140,915.04	

5.8.2 Available-for-sale financial assets measured at cost as at December 31, 2016

Investee	Book balance				Provision for impairment				Proportion of shareholding in investee (%)	Cash dividends in 2016
	As at January 1, 2016	Increase in 2016	Decrease in 2016	As at December 31, 2016	As at January 1, 2016	Increase in 2016	Decrease in 2016	As at December 31, 2016		
Ningbo Jianshe Motorcycle Manufacturing Co., Ltd.	1,140,915.04			1,140,915.04	1,140,915.04			1,140,915.04	51.00	

5.9 Long-term equity investments

Investee	Balance as at January 1, 2016	Increase/decrease in 2016 (+/-)							Balance as at December 31, 2016	Provision for impairment in 2016	Balance as at December 31, 2016 of provision for impairment
		Addition in investment	Decrease in investment	Profits and losses on investments recognized under the equity	Other comprehensive income	Changes in other equity	Declaration of cash dividends or profits	Others			

				method							t
Joint ventures											
Chongqing Pingshan	83,381,316			3,128,796.			-3,332,00		83,178,11		
TK Carburettor Co.,	.13			18			0.00		2.31		
Ltd.											

5.10 Investment properties

Item	House,Buildings	Land use rights	Total
1. Original book value			
(1) Balance as at January 1, 2016			
(2) Increase in 2016	131,695,310.84	20,902,264.96	152,597,575.80
—Fixed assets, intangible assets transferred	131,695,310.84	20,902,264.96	152,597,575.80
(3) Decrease in 2016			
—Disposal			
(4) Balance as at December 31, 2016	131,695,310.84	20,902,264.96	152,597,575.80
2.Accumulated depreciation and accumulated amortization			
(1) Balance as at January 1, 2016			
(2) Increase in 2016	32,213,005.48	5,058,544.71	37,271,550.19
—Fixed assets, intangible assets transferred	27,951,379.64	4,640,499.39	32,591,879.03
—Provision or Amortization	4,261,625.84	418,045.32	4,679,671.16
(3) Decrease in 2016			
(4) Balance at the end of the year	32,213,005.48	5,058,544.71	37,271,550.19
3. Provision for impairment			
(1) Balance as at January 1, 2016			
(2) Increase in 2016			
—Provision			
(3) Decrease in 2016			
—Disposal			
(4) Balance at the end of the year			
4. Original book value			
(1) Book value as at December 31, 2016	99,482,305.36	15,843,720.25	115,326,025.61
(2) Book value as at January 1, 2016			

Remark: This year the company rent part of the real estate to Chongqing Jianshe mechanical and electrical Co. Ltd.

5.11 Fixed assets**5.11.1 Information on fixed assets**

Item	Buildings and constructions	Machinery equipment	Vehicles	Electronic and office equipment	Total
1. Original book value					
(1)Balance as at January 1, 2016	220,860,967.06	570,104,727.83	8,924,256.63	14,390,721.93	814,280,673.45
(2)Increase in 2016		63,316,079.64		1,387,132.46	64,703,212.10
- Acquisition		29,317,530.29		1,387,132.46	30,704,662.75
- Transfer-in from construction in progress		33,998,549.35			33,998,549.35
(3)Decrease in 2016	131,695,310.84	121,560.10			131,816,870.94
—Disposal or write-off		121,560.10			121,560.10
-Into the investment properties	131,695,310.84				131,695,310.84
(4)Balance as at December 31, 2016	89,165,656.22	633,299,247.37	8,924,256.63	15,777,854.39	747,167,014.61
2. Accumulated depreciation					
(1)Balance as at January 1, 2016	51,221,590.06	350,255,332.76	6,988,970.66	9,839,774.70	418,305,668.18
(2)Increase in 2016	2,703,874.88	26,740,152.11	170,162.40	1,472,588.37	31,086,777.76
—Provision	2,703,874.88	26,740,152.11	170,162.40	1,472,588.37	31,086,777.76
(3)Decrease in 2016	27,951,379.64	117,913.40			28,069,293.04
- Disposal or write-off		117,913.40			117,913.40
- Into the investment properties	27,951,379.64				27,951,379.64
(4)Balance as at December 31, 2016	25,974,085.30	376,877,571.47	7,159,133.06	11,312,363.07	421,323,152.90
3. Provision for impairment					
(1)Balance as at January 1, 2016					
(2)Increase in 2016					
(3)Decrease in 2016					
(4)Balance as at December 31, 2016					
4. Book value					
(1)Book value as at December 31, 2016	63,191,570.92	256,421,675.90	1,765,123.57	4,465,491.32	325,843,861.71
(2)Book value as at January 1,	169,639,377.00	219,849,395.07	1,935,285.97	4,550,947.23	395,975,005.27

2016					
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5.11.2 The fixed assets which are rented out through operating lease

Items	Book value as at December 31, 2016
Machinery equipment	41,913,560.74

5.11.3 Information on the fixed assets without certificate of title

Item	Book value	Reasons for absence of certificate of title
Buildings and constructions	42,288,815.25	Waiting for final acceptance

5.12 Construction in progress

5.12.1 Information on the construction in progress

Item	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Replacement of equipment	2,252,455.05		2,252,455.05	40,366,114.52		40,366,114.52
Others	186,377.38		186,377.38	69,315.38		69,315.38
Total	2,438,832.43		2,438,832.43	40,435,429.90		40,435,429.90

5.12.2 Major changes in construction in progress for the current year

Item	Balance as at January 1, 2016	Increase in 2016	Transferred into fixed assets for the current year	Other decreases in 2016	Balance as at December 31, 2016	Source of fund
Capacity expansion of air-conditioner	40,366,114.52	25,202,420.17	63,316,079.64		2,252,455.05	Self-financed
Others	69,315.38	117,062.00			186,377.38	Self-financed
Total	40,435,429.90	25,319,482.17	63,316,079.64		2,438,832.43	

5.13 Intangible assets

Item	Land use right	Total
1. Original book value		
(1)Balance as at January 1, 2016	36,670,885.45	36,670,885.45

(2)Increase in 2016		
- Internal R & D		
(3)Decrease in 2016	20,902,264.96	20,902,264.96
—Into the investment properties	20,902,264.96	20,902,264.96
(4)Balance as at December 31, 2016	15,768,620.49	15,768,620.49
2. Accumulated amortization		
(1)Balance as at January 1, 2016	8,400,491.82	8,400,491.82
(2)Increase in 2016	312,322.80	312,322.80
—Provision	312,322.80	312,322.80
(3)Decrease in 2016	4,640,499.39	4,640,499.39
—Into the investment properties	4,640,499.39	4,640,499.39
(4)Balance as at December 31, 2016	4,072,315.23	4,072,315.23
3. Provision for impairment		
(1)Balance as at January 1, 2016		
(2)Increase in 2016		
(3)Decrease in 2016		
-Restructuring transfer		
(4)Balance as at December 31, 2016		
4. Book value		
(1)Book value as at December 31, 2016	11,696,305.26	11,696,305.26
(2)Book value as at January 1, 2016	28,270,393.63	28,270,393.63

5.14 Long-term deferred expenses

Item	Balance as at January 1, 2016	Increase in 2016	Amortization in 2016	Balance as at December 31, 2016
Initial payment for aluminum machine of model No. 83	3,345,497.21		1,383,409.99	1,962,087.22
Initial payment for aluminum machine of model No. 96	580,594.64		71,093.21	509,501.43
Total	3,926,091.85		1,454,503.20	2,471,588.65

5.15 Deferred income tax assets

5.15.1 Deferred income tax assets before offset

Item	Balance as at December 31, 2016		Balance as at January 1, 2016	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	12,112,504.63	1,816,875.69	12,130,956.41	1,819,643.46

5.15.2 Details of unrecognized deferred income tax assets

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Deductible temporary differences	13,427,252.17	13,067,516.83
Deductible losses	329,995,380.72	521,367,078.98
Total	343,422,632.89	534,434,595.81

5.15.3 Deductible losses of unrecognized deferred income tax assets shall be due in the following years:

Year	Balance as at December 31, 2016	Balance as at January 1, 2016
2016		192,548,500.65
2017	197,428,928.73	197,428,928.73
2018	25,332,418.05	25,332,418.05
2019	98,496,222.54	98,496,222.54
2020	7,561,009.01	7,561,009.01
2021	1,176,802.39	
Total	329,995,380.72	521,367,078.98

5.16 Other non-current assets

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Prepayment of long - term assets	9,240,209.19	10,478,525.70

5.17 Short-term borrowings

5.17.1 Classification of short-term borrowings:

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Mortgaged borrowings	2,500,000.00	5,000,000.00
Guaranteed borrowings	202,000,000.00	187,000,000.00
Credit borrowings	20,000,000.00	25,000,000.00
Total	224,500,000.00	217,000,000.00

5.17.2 Guaranteed borrowings

Loaner	Borrowing balance	Guarantor
Chongqing Jianshe Automobile A/C Co., Ltd	50,000,000.00	Chongqing Jianshe mechanical and electrical co., LTD
Chongqing Jianshe Automobile A/C Co., Ltd	152,000,000.00	Chongqing Jianshe Motorcycle Co., Ltd.
Total	202,000,000.00	

5.17.3 Mortgaged borrowings

Loaner	Borrowing balance	Collateral
Shanghai Jianshe Motorcycle Co., Ltd	2,500,000.00	Building houses and land in Shanghai

5.18 Notes payable

Type	Balance as at December 31, 2016	Balance as at January 1, 2016
Bank acceptance bill	718,560,000.00	760,555,000.00

Remark: The notes payable of bank acceptance bills issued by the company in the current year are guaranteed by the bank acceptance bills margins with fixed quotas deposited by the Company with banks; at the same time, as for RMB171.41 million among the balance of notes payable, Chongqing Jianshe mechanical and electrical co., LTD. bears the joint and several liability; as for RMB10 million, Chongqing Jianshe Sales Co., Ltd. bears the joint and several liability.

5.19 Accounts payable

Aging	Balance as at December 31, 2016	Balance as at January 1, 2016
Within 1 year	185,057,014.26	58,162,616.22
1-2 years	550,471.95	10,752,626.36
2-3 years	2,527,491.73	3,048,897.69
Over 3 years	5,233,507.51	3,921,185.56

Total	193,368,485.45	75,885,325.83
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5.20 Advances from customers

Aging	Balance as at December 31, 2016	Balance as at January 1, 2016
Within 1 year	8,453,280.37	1,178,699.81
1-2 years	492,125.78	76,766.60
2-3 years	34,866.60	20,950.10
Over 3 years	145,853.56	124,903.46
Total	9,126,126.31	1,401,319.97

5.21 Employee compensation payable

5.21.1 Presentation of employee compensation payable

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
Short-term compensation	1,512,042.07	43,468,658.98	43,391,687.03	1,589,014.02
Post-employment benefits - defined contribution plans	142,455.87	8,305,143.61	7,406,800.96	1,040,798.52
Dismissal welfare		7,464,852.40	7,464,852.40	
Others		145,308.40	145,308.40	
Total	1,654,497.94	59,383,963.39	58,408,648.79	2,629,812.54

5.21.2 Presentation of short-term compensation

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
(1)Salary, bonus, allowance and subsidy	573,666.05	28,967,292.32	28,736,747.89	804,210.48
(2)Employee benefits		5,251,140.14	5,251,140.14	
(3) Social insurance expenses	641,203.70	2,782,419.17	3,327,368.03	96,254.84
Including: medical insurance premium	638,649.12	2,339,445.03	2,906,955.94	71,138.21
Work-related injury insurance premium	1,759.24	295,331.79	288,925.19	8,165.84
Maternity insurance premium	795.34	147,642.35	131,486.90	16,950.79

(4) Housing fund	238,286.00	5,305,014.00	5,187,198.00	356,102.00
(5) Labor union expenditures and employee education expenses	42,766.32	1,162,793.35	873,112.97	332,446.70
(6) Short-term paid absences				
(7) short-term profit-sharing plan	16,120.00		16,120.00	
Total	1,512,042.07	43,468,658.98	43,391,687.03	1,589,014.02

5.21.3 Presentation of defined contribution plans

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
Basic endowment insurance premium	82,937.51	7,899,726.01	7,093,060.87	889,602.65
Unemployment insurance premium	59,518.36	405,417.60	313,740.09	151,195.87
Total	142,455.87	8,305,143.61	7,406,800.96	1,040,798.52

5.22 Taxes and surcharges payable

Tax and surcharge items	Balance as at December 31, 2016	Balance as at January 1, 2016
Value-added tax (VAT)	73,009.55	86,828.08
Business tax	393,030.84	444,503.71
Corporate income tax	134,270.95	
Individual income tax	1,005,278.13	1,150,666.94
Urban maintenance and construction tax	3,119,147.99	3,297,977.21
Educational surtax	1,988,736.03	2,107,282.74
property tax	3,727,900.64	4,327,900.64
Land royalties	1,808,215.20	1,808,215.20
Other taxes and surcharges	3,913,601.37	3,634,268.37
Total	16,163,190.70	16,857,642.89

5.23 Other payables

5.23.1 Presentation of other payables by aging

Aging	Balance as at December 31,	Balance as at January 1,
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	2016	2016
Within one year	36,135,896.36	13,157,054.05
1-2 years	1,238,802.40	557,016.70
2-3 years	480,300.00	1,500,583.22
Over 3 years	2,838,889.88	1,659,672.56
Total	40,693,888.64	16,874,326.53

5.23.2 Other payables are classified by nature

Property of account receivable	Book balance as at December 31, 2016
Margin and so on	1,365,000.00
Other temporary payments/Other to be paid	6,641,963.26
Other receivables from the related parties	32,686,925.38
Total	40,693,888.64

5.24 Non-current liabilities maturing within one year

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Long-term borrowings maturing within one year	36,100,000.00	75,000,000.00

5.25 Long-term borrowings

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Credit borrowings	48,590,000.00	128,490,000.00

5.26 Share capital

Item	Balance as at January 1, 2016	Increase ("+") /decrease ("-") for the current year					Balance as at December 31, 2016
		Issuance of new shares	Share donation	Share converted from public reserve funds	Others	Sub-total	
Total shares	119,375,000.00						119,375,000.00

5.27 Capital reserve

Item	Balance as at	Increase in	Decrease in	Balance as at
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	January 1, 2016	2016	2016	December 31, 2016
Capital (or equity) premium	344,407,741.07			344,407,741.07
Other capital reserves	614,157,553.22			614,157,553.22
Total	958,565,294.29			958,565,294.29

5.28 Other comprehensive income

Item	Balance as at January 1, 2016	Year 2016					Balance as at December 31, 2016
		Accrual before income tax for the current year	Less: recognized as other comprehensive income for previous years and transferred in the profit or loss for the current year	Less: income tax expenses	Attributable to owners of the parent company	Attributable to minority shareholders	
1. Other comprehensive income that cannot be reclassified in the loss and gain in the future	9,800.00						9,800.00
Including: change in re-measurement of the net liabilities and net assets under defined benefit plan							
A share in other comprehensive income of investee that cannot be reclassified in the loss and gain under the equity method	9,800.00						9,800.00
Total other comprehensive income	9,800.00						9,800.00

5.29 Surplus reserves

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
Statutory surplus reserves	56,724,000.00			56,724,000.00
Discretionary surplus reserves	68,962,000.00			68,962,000.00

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
Total	125,686,000.00			125,686,000.00

5.30 Retained earnings

Item	Year 2016	Year 2015
Adjustments to retained earnings as at December 31, 2015	-947,520,008.78	-1,188,255,120.98
Adjustments to total retained earnings as at January 1, 2016 ("+ " for increases; "- " for decreases)		
Adjusted retained earnings as at January 1, 2016	-947,520,008.78	-1,188,255,120.98
Plus: net profit attributable to owners of parent company in 2016	12,267,006.14	240,735,112.20
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserve		
Adjustments to long-term equity investments due to the change from under the cost method to under the equity method		
Retained earnings as at December 31, 2016	-935,253,002.64	-947,520,008.78

5.31 Operating income and operating costs

Item	Year 2016		Year 2015	
	Income	Cost	Income	Cost
Primary businesses	853,753,015.06	703,873,587.79	1,273,920,141.82	1,168,501,413.52
Other businesses	19,533,471.69	8,851,360.59	67,411,769.11	83,437,589.55
Total	873,286,486.75	712,724,948.38	1,341,331,910.93	1,251,939,003.07

Primary businesses (by product)

Name of product	Year 2016		Year 2015	
	Operating income	Operating cost	Operating income	Operating cost
Motorcycle and parts	8,335,299.07	8,800,544.94	522,989,115.46	574,538,540.53
Automobile air-conditioner	845,417,715.99	695,073,042.85	750,931,026.36	593,962,872.99
Total	853,753,015.06	703,873,587.79	1,273,920,141.82	1,168,501,413.52

5.32 Taxes and surcharges

Item	Year 2016	Year 2015
Consumption tax		8,028.92
Business tax	163,611.07	4,197,270.01
Urban maintenance and construction tax	2,253,598.66	6,677,167.18
Educational surtax	1,633,478.75	4,604,814.07
Property tax	994,771.11	
Land royalties	563,868.60	
Stamp duty	656,593.82	
Vehicle usage tax	2,520.00	
Total	6,268,442.01	15,487,280.18

5.33 Selling expenses

Item	Year 2016	Year 2015
Employee compensation payable	4,565,759.91	17,946,373.91
Depreciation costs	65,732.14	1,684,482.42
Office costs	105,404.38	1,701,144.22
Loading and unloading expenses	13,646.99	353,736.28
Transportation cost	7,875,372.79	13,192,516.11
Insurance premium	45,357.70	121,411.87
Operating funds	19,384.30	240,150.02
Exhibition fees	33,545.57	857,257.50
Advertising expenses	64,335.85	493,735.47
Travel expenses	1,269,801.20	4,566,355.74
Sale service fees	1,305,765.64	14,600,261.23
Repair charges	7,936,456.81	10,880,643.84
Warehousing custodian fees	3,586,861.32	4,992,270.10
Market expansion expenses and Other expenditures	542,154.33	4,423,786.89
Total	27,429,578.93	76,054,125.60

Remark: This year's sales expenses have changed significantly compared with the previous year, mainly because of the restructuring of the Company in the previous year and the changes about the

scope of consolidation this year.

5.34 General and administrative expenses

Item	Year 2016	Year 2015
Employee compensation payable	41,022,640.62	62,103,576.22
Depreciation costs	5,437,380.56	7,982,145.20
Office costs、Utility bills	964,276.57	2,338,398.28
Travel expenses	554,416.10	1,332,833.52
Transportation cost	125,855.84	1,002,553.43
Insurance premium	203,181.50	537,200.27
Repair charges	1,509,234.54	9,361,906.96
Consumption of goods and materials	634,754.60	941,833.91
Technological development expenses	10,987,649.08	29,905,400.87
Technological transfer fees	2,716,609.67	2,609,667.99
Taxes	1,148,608.26	21,911,166.47
Amortization of intangible assets	730,368.12	18,202,783.79
Entertainment expenses	342,255.28	1,952,980.80
Conference fees	191,657.98	192,391.30
Intermediary service expenses	853,600.60	1,242,433.09
Board meeting fees	472,903.57	287,603.18
Others	9,145,607.45	9,240,998.98
Total	77,041,000.34	171,145,874.26

Remark: This year's General and administrative expenses have changed significantly compared with the previous year, mainly because of the restructuring of the Company in the previous year and the changes about the scope of consolidation this year.

5.35 Financial expenses

Category	Year 2016	Year 2015
Interest expenses	40,654,224.57	94,573,248.51
Less: Interest income	4,743,121.77	8,748,357.43
Gains or losses on exchange	-204,402.48	-1,684,122.34
Others	888,822.01	-580,742.62

Total	36,595,522.33	83,560,026.12
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5.36 Losses from asset impairment

Item	Year 2016	Year 2015
Losses on bad debt	341,283.56	4,330,902.58
Losses on intangible asset impairment		2,936,170.54
Total	341,283.56	7,267,073.12

5.37 Investment income

Item	Year 2016	Year 2015
Long-term equity investment income calculated by equity method	3,128,796.18	12,442,935.76
Disposal of a long-term equity investment of investment returns		486,307,860.71
Others	3,128,796.18	498,750,796.47
Total	3,128,796.18	12,442,935.76

5.38 Non-operating income

Item	Year 2016	Year 2015	Amounts included in the non-recurrent profit and loss for the current year	Amounts included in the non-recurrent profit and loss for the last year
Total gains on disposal of non-current assets		3,426,624.42		3,426,624.42
Including: gains from disposal of fixed assets		3,426,624.42		3,426,624.42
gains on disposal of intangible assets				
Gain on debt restructuring				
Gains on exchange of non-monetary assets				
Donation received				
Government subsidies	1,223,200.00	3,643,800.00	1,223,200.00	3,643,800.00
Others	36,715.28	4,348,319.37	36,715.28	4,348,319.37
Total	1,259,915.28	11,418,743.79	1,259,915.28	11,418,743.79

Government subsidies included in current profit and loss

Subsidy item	Year 2016	Year 2015
Funds for supporting the technical innovation, research and development of export enterprises	10,000.00	14,600.00
Other various subsidies with small amount	266,000.00	225,000.00
The funds for international market development		328,800.00
Credit insurance premium subsidies		279,000.00
Industrial supporting funds	328,200.00	616,400.00
Rewards for the high and new technology products	219,000.00	500,000.00
Industrial revitalization fund	400,000.00	1,680,000.00
Total	1,223,200.00	3,643,800.00

5.39 Non-operating expenses

Item	Year 2016	Year 2015	Amounts included in the non-recurrent profit and loss for the current year	Amounts included in the non-recurrent profit and loss for the last year
Total losses on disposal of non-current assets	3,646.70	434,139.22	3,646.70	434,139.22
Including: loss on disposal of fixed assets	3,646.70	434,139.22	3,646.70	434,139.22
Loss on disposal of intangible assets				
Loss on debt restructuring				
Loss on exchange of non-monetary assets				
Donation made				
Others	1,956,225.38	271,183.91	1,956,225.38	271,183.91
Total	1,959,872.08	705,323.13	1,959,872.08	705,323.13

5.40 Income tax expenses

Item	Year 2016	Year 2015
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Income tax expenses for the current year	2,606,123.70	2,475,828.99
Deferred income tax expenses	2,767.77	1,936,485.66
Total	2,608,891.47	4,412,314.65

5.41 Items of the statement of cash flows

5.41.1 Cash received from other operating activities

Item	Year 2016	Year 2015
Government subsidies received	1,223,200.00	3,643,800.00
Spare cash, income from interests on bank deposits , scrap revenues and margins, etc.	2,178,105.80	11,407,356.84
Total	3,401,305.80	15,051,156.84

5.41.2 Cash paid for other operating activities

Item	Year 2016	Year 2015
Pay other operating expenses	24,773,234.35	57,826,696.74

5.41.3 Cash paid from other financing activities

Item	Year 2016	Year 2015
restructuring		3,750,149.57

5.41.4 Cash received from other financing activities

Item	Year 2016	Year 2015
Proceeds from discounting of financing notes received	1,601,195,893.08	1,795,171,475.72
Collection of financing	31,449,622.92	
Interest income from note margins	3,436,525.12	5,521,354.72
Total	1,636,082,041.12	1,800,692,830.44

5.41.5 cash paid for other financing activities

Item	Year 2016	Year 2015
Payments for matured financing notes	478,625,549.97	1,421,579,381.02
Increase on notes, loans and other financing margin	874,602,000.00	199,460,225.71
Total	1,353,227,549.97	1,621,039,606.73

5.42 Supplementary information to the statement of cash flows

5.42.1 Supplementary information to the statement of cash flows

Supplementary information	Year 2016	Year 2015
1. Net profit adjusted to cash flows from operating activities		
Net profits	12,705,659.11	240,930,431.06
Plus: provision for assets impairment	341,283.56	7,267,073.12
Depreciation of fixed assets and others	35,348,403.60	61,444,878.25
Amortization of intangible assets	730,368.12	18,202,783.79
Amortization of long-term deferred expenses	1,454,503.20	5,795,825.13
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	3,646.70	-2,992,485.20
Losses on write-off of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	37,217,699.45	89,051,893.79
Investments losses ("-" for gains)	-3,128,796.18	-498,750,796.47
Decreases in the deferred income tax assets ("-" for increases)	2,767.77	1,936,485.66
Increases in the deferred income tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)	-54,856,096.20	54,371,021.87
Decreases in operating payables ("-" for increases)	49,283,231.77	47,889,881.04
Increases in operating payables ("-" for decreases)	29,516,448.12	57,159,018.57
Others		
Net cash flows from operating activities	108,619,119.02	82,306,010.61
2. Significant investment and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3. Net change in cash and cash equivalents:		
Balance as at December 31, 2016 of cash	273,768,758.46	23,643,515.81
Less: balance as at January 1, 2016 of cash	23,643,515.81	35,555,585.06
Plus: balance as at December 31, 2016 of cash equivalents		

Supplementary information	Year 2016	Year 2015
Less: balance as at January 1, 2016 of cash equivalents		
Net increase in cash and cash equivalents	250,125,242.65	-11,912,069.25

5.42.2 Breakdowns of cash and cash equivalents:

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
1. Cash	273,768,758.46	23,643,515.81
Including: cash on hand	31,205.34	70,909.87
Unrestricted bank deposit	273,737,553.12	23,572,605.94
Other unrestricted monetary funds		
Unrestricted deposits with central bank		
Deposits with banks and other financial institutions		
Loans to or from banks and other financial institutions		
2. Cash equivalents		
Including: bond investments maturing within three months		
3. Balance of cash and cash equivalents as at December 31, 2016	273,768,758.46	23,643,515.81
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries within the group		

5.43 Assets with restrictions on their ownership or use right

Item	Book value as at December 31, 2016	Reason for restriction
Cash and cash equivalents	240,646,064.11	Margin
Fixed assets	4,503,797.79	Borrowing mortgage
Intangible assets	2,743,046.64	Borrowing mortgage

6. Change in the scope of business combinations

The consolidation scope of the current period has not changed.

7. Equity in other entities

7.1 Equity in subsidiaries

7.1.1 Constitution of enterprise group

Name of subsidiary	Domicile of primary operation	Registered place	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Chongqing Jianshe Automobile A/C Co., Ltd. ("The Air-conditioner Company")	Chongqing	Chongqing	Domestic sales of motorcycles and the relevant accessories	100.00		Establishment by investment
Shanghai Jianshe Motorcycle Co., Ltd. ("Shanghai Jianshe")	Shanghai	Shanghai	Domestic sales of motorcycles and the relevant accessories	51.00		Business combination not under common control

7.1.2 Significant non-wholly-owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholder (%)	Profits or losses attributable to minority shareholders for the current year	Dividends declared to be distributed to minority shareholders for the current year	Balance of minority equity as at December 31, 2016
Shanghai Jianshe Motorcycle Co., Ltd.	49.00%	438,652.97		1,220,285.74

7.1.3 Major financial information on significant non-wholly-owned subsidiaries

Name of subsidiary	Balance as at December 31, 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Jianshe Motorcycle Co., Ltd.	5,982,241.44	7,443,928.95	13,426,170.39	10,935,791.32		10,935,791.32

Name of subsidiary	Balance as at December 31, 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Jianshe Motorcycle Co., Ltd.	8,774,355.60	7,988,928.55	16,763,284.15	15,168,115.23		15,168,115.23

Name of subsidiary	Year 2016				Year 2015			
	Operating income	Net profit	Total comprehensive income	Net cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Net cash flow from operating activities
Shanghai Jianshe Motorcycle Co., Ltd.	14,652,907.39	895,210.15	895,210.15	3,715,490.00	15,815,170.11	398,609.91	398,609.91	2,185,674.64

7.2 Transactions through which the Company's shares of owner's equity in subsidiaries are changed but it still has control over the subsidiaries.

The shares held by the Company in its subsidiaries' owners' equity have not been changed in the current year.

7.3 Equity in joint ventures and associates

7.3.1 Major joint ventures and associates

Name of joint venture or associate	Domicile of primary operation	Registered place	Business nature	Shareholding ratio (%)		Accounting treatment methods for the investments in joint ventures or associates
				Directly	Indirectly	
Chongqing Pingshan TK Carburettor Co., Ltd.	Chongqing	Chongqing	Production and sales of motorcycles and the relevant	49.00		Equity method

Name of joint venture or associate	Domicile of primary	Registered place	Business nature	Shareholding ratio (%)	Accounting treatment methods
			accessories		

7.3.2 Major financial information on significant joint ventures

Item	Balance as at December 31, 2016/ Year 2016	Balance as at January 1, 2016/ Year 2015
	Chongqing Pingshan TK Carburettor Co., Ltd.	Chongqing Pingshan TK Carburettor Co., Ltd.
Current assets	171,159,279.38	164,628,842.24
Including: cash and cash equivalents	98,235,139.01	97,262,431.46
Non-current assets	24,433,588.43	27,061,331.37
Total assets	195,592,867.81	191,690,173.61
Current liabilities	25,841,618.24	21,524,222.37
Non-current liabilities		
Total liabilities	25,841,618.24	21,524,222.37
Minority equity		
Equity attributable to the shareholders of parent company	169,751,249.57	170,165,951.24
Shares in net assets calculated according to the shareholding ratios	83,178,112.31	83,381,316.13
Adjustment events		
- Goodwill		
- Unrealized profits of internal transactions		
- Others		
The book values of equity investments in joint ventures	83,178,112.31	83,381,316.13
The fair values of equity investments in joint ventures with a public offer		
Operating income	121,504,742.74	130,781,558.70
Financial expenses	-3,157,249.24	-3,678,111.60
Income tax expenses	1,472,946.94	351,645.96
Net profit	6,613,730.25	7,425,862.89
Other comprehensive income		
Total comprehensive income	6,613,730.25	7,425,862.89
Dividends received from joint ventures for the current year	3,332,000.00	1,960,000.00

7.3.3 There are no significant restrictions on the joint ventures or associates' ability to transfer funds to the Company.

8. Risks relating to the financial instruments

Liquidity risk

The liquidity risk refers to the risk of capital shortage in the case that an enterprise performs its obligation to settle in cash or with other financial assets. The Company's policy is to ensure sufficient cash for repayment of due debts. The liquidity risk is under the centralized control of the finance department of the Company. The department of finance, on the strength of supervision of balance of cash, negotiable securities that can be converted into cash at anytime and rolling forecast of cash flows in the future 12 months, makes sure that the Company has sufficient cash to repay debts under all circumstances that can be predicted in a reasonable manner.

The financial liabilities of the Company are presented by undiscounted contracted cash flow on the maturity date as follows:

Item	Balance as at December 31, 2016				
	Within 1 month	1 to 3 months	3 months - 1 year	1-5 years	Total
Short-term borrowings	20,000,000.00		204,500,000.00		224,500,000.00
Notes payable	142,140,000.00	314,280,000.00	262,140,000.00		718,560,000.00
Accounts payable		185,057,014.26	8,311,471.19		193,368,485.45
Non-current liabilities maturing within one year	1,000,000.00	1,000,000.00	34,100,000.00		36,100,000.00
Long-term borrowings				48,590,000.00	48,590,000.00
Total	163,140,000.00	500,337,014.26	509,051,471.19	48,590,000.00	1,221,118,485.45

Item	Balance as at December 31, 2015				
	Within 1 month	1 to 3 months	3 months - 1 year	1-5 years	Total
Short-term borrowings			217,000,000.00		217,000,000.00
Notes payable	109,885,000.00	358,560,000.00	292,110,000.00		760,555,000.00
Accounts payable	24,764,163.49	22,486,045.02	28,635,117.32		75,885,325.83
Non-current liabilities maturing within one	1,500,000.00	3,000,000.00	70,500,000.00		75,000,000.00

year					
Long-term borrowings				128,490,000.00	128,490,000.00
Total	136,149,163.49	384,046,045.02	608,245,117.32	128,490,000.00	1,256,930,325.83

9. Related parties and related party transactions

9.1 The parent company of the Company

Name of the parent company	Registered place	Business nature	Registered capital	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
Chongqing Jianshe mechanical and electrical Co. Ltd.(Jianshe mechanical and electrical co.)	Chongqing	Design and sales of Motorcycles and accessories	RMB180.30 billion	71.13	71.13

Remark: after the restructuring, the shareholder changes to Jianshe mechanical and electrical co, CSGS is still the actual controllers which has not be changed, and the ultimate controller of the Company is The State-owned Assets Supervision and Administration Commission of the State Council.

9.2 Subsidiaries of the Company

See the Note 7 Equity in Other Entities for the details of subsidiaries of the Company

9.3 The joint ventures and associates of the Company

See the Note 7 Equity in Other Entities for the details of major joint ventures or associates of the Company.

The related party transactions with the Company for the current year:

Name of joint venture or associate	Relationship with the company
Chongqing Pingshan TK Carburettor Co., Ltd.("Pingshan TK")	Joint venture
Chongqing Tongsheng Machinery Co., Ltd.("Tongsheng Jianshe")	Original associates venture, now associates of parent company
Chongqing Fuyeda Property Management Co., Ltd.("Fuyeda")	Original associates venture, now associates of parent company

9.4 Other related parties of the Company

Name of other related parties	Relationship with the Company
Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe industry ")	Under the common control of the same party
South Finance Co., Ltd. ("Finance Company ")	Under the common control of the same party
Chongqing Changan Motor Joint Stock Limited Company ("Changan Motor ")	Under the common control of the same party
Chongqing Changan Automobile Co., Ltd. Beijing Changan Automobile Company ("Beijing Changan")	Under the common control of the same party
Chongqing Changan Suzuki Motor Co., Ltd. ("Changan Suzuki ")	An Joint venture a subsidiary of a controlling shareholder
Hebei Changan Motor Co., Ltd. ("Hebei Changan ")	Under the common control of the same party
Nanjing Changan Motor Co., Ltd. ("Nanjing Changan ")	Under the common control of the same party
Baoding Changan Bus Manufacturing Co., Ltd ("Baoding Changan")	Under the common control of the same party
Hefei Changan Motor Co.Ltd ("Hefei Changan")	Under the common control of the same party
Chongqing Changan Motor Customer Service Co., Ltd. ("Changan Motor Customer Service ")	Under the common control of the same party
Chongqing Changan Automobile International Sales & Service Co., Ltd ("Changan Automobile sales ")	Under the common control of the same party
Chongqing North Construction import and export trade co.ltd ("import and export company")	Under the common control of the same party
Chongqing jianshe sales co. Ltd("the sales company")	Under the common control of the same party
Hafei Motor share company("Hafei motor")	Under the common control of the same party
Changan Ford Motor Co.Ltd Harbin branch ("Changan Ford Harbin branch")	An Joint venture a subsidiary of a controlling shareholder
Harbin dongan Motor Power shares Co. Ltd("Harbin dongan power")	Under the common control of the same party

9.5 Related party transactions

9.5.1 Purchase of goods, rendering and receipt of labor services

Table of purchase of goods / receipt of services

Related party	Content of related party	Year 2016	Year 2015
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	transactions		
Fuyeda	Service	487,290.25	340,807.62
Jianshe Industry	Energy, service and equipment die and mould	1,900,438.50	19,328,694.76
Changan Motor	Receipt of maintenance	3,131,523.69	3,719,229.93
Changan Suzuki	Receipt of maintenance and purchase of accessories	457,762.65	886,649.95
Hefei Changan	Receipt of maintenance	8,335.94	
Nanjing Changan	Receipt of maintenance	64,634.97	
Beijing Changan	Receipt of maintenance	605.38	
Import and export company	Acting import service fee	542,669.46	
Import and export company	Purchasing materials and equipment	57,055,082.38	
Construction of the mechanical	Purchasing parts and others	31,055,689.00	

Table of sales of goods/rendering of services

Related party	Content of related party transactions	Year 2016	Year 2015
Changan Motor	Finished products	115,634,903.45	166,966,920.24
Hebei Changan	Finished products	980,930.76	196,674.37
Nanjing Changan	Finished products	45,118,330.18	1,670,858.13
Hefei Changan	Finished products	26,127,058.88	16,912,496.94
Changan Suzuki	Finished products	67,851,049.78	69,871,632.02
Changan Ford Harbin branch	Finished products	8,318,694.42	14,596,119.51
Baoding Changan	Finished products	242,580.34	
Changan Automobile sales	Finished products	212,820.51	
Beijing Changan	Finished products	3,568.38	

2、 The situation of related-party lease

The Company as a lessor:

The name of lessee	The kind of leased assets	Rental income of 2016	Rental income of 2015
Jianshe mechanical and electrical co	Fixed assets	9,287,626.08	

The Company as a lessee:

The name of lessor	The kind of leased assets	Leasing asset of 2016	Leasing asset of 2015
Jianshe mechanical and electrical co	Fixed assets	2,262,810.82	

9.5.3 Related Guarantee

(Unit: RMB'0,000)

Guarantor	Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Obligation discharged
Jianshe mechanical and electrical co	The Air-conditioner Company	5,000	2016-8-25	2017-8-24	No
Jianshe mechanical and electrical co	The Air-conditioner Company	3,500	2016-7-25	2017-1-25	No
Jianshe mechanical and electrical co	The Air-conditioner Company	2,857	2016-8-24	2017-2-24	No
Jianshe mechanical and electrical co	The Air-conditioner Company	2,075	2016-10-18	2017-4-18	No
Jianshe mechanical and electrical co	The Air-conditioner Company	1,567	2016-10-18	2017-4-18	No
Jianshe mechanical and electrical co	The Air-conditioner Company	3,571	2016-11-29	2017-5-28	No
Jianshe mechanical and electrical co	The Air-conditioner Company	3,571	2016-12-6	2017-6-6	No
The Sale Company	The Air-conditioner Company	1,000	2016-7-12	2017-1-12	No

9.5.4 Key executive compensation

Item	Year 2016	Year 2015
Key executive compensation	1,778,863.70	2,260,719.10

9.5.5 Other related transactions

The financial businesses with Finance Company

Details of transaction category	Trading unit	Amount
Balances of deposits	Chongqing Jianshe Motorcycle	146,053,654.70
	The Air-conditioner Company	37,107.06

Details of transaction category	Trading unit	Amount
	Sub-total	146,090,761.76
Balances of bank acceptance bills discounted and before the maturity	Chongqing Jianshe Motorcycle	60,400,000.00
The total amount of the discount	Chongqing Jianshe Motorcycle	100,060,000.00
Loan balance	The Air-conditioner Company	20,000,000.00
Total borrowings	The Air-conditioner Company	20,000,000.00
Total reimbursement amount	Chongqing Jianshe Motorcycle	25,000,000.00
Loans and discount interest expenditures	Chongqing Jianshe Motorcycle	2,189,237.50
	The Air-conditioner Company	898,666.66
	Sub-total	3,087,904.16

9.6 Accounts due from/to the related parties

9.6.1 Accounts receivable

Item	Related party	Balance as at December 31, 2016		Balance as at January 1, 2016	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Changan Motor	18,330,476.86		24,772,382.35	
	Harbin Changan Ford	502,331.41		9,675,399.65	
	Changan Suzuki	8,414,220.51		5,526,035.47	
	Nanjing Changan	14,225,651.46		327,320.00	
	Hebei Changan	22,387.00		31,562.00	
	Hefei Changan	17,250,797.26		5,801,891.42	
	Hafei Motor	3,999,944.43	1,350,812.50	3,999,944.43	821,293.28
	Harbin dongan Power	3,508.41	350.84	42,017.99	
	Baoding Changan	12,150.01			
Other accounts receivable					
	Jianshe mechanical and electrical co.			248,608,670.53	
	Import Company			621,678.71	

9.6.2 Accounts payable

Item	Related party	Book balance as at December 31, 2016	Book balance as at January 1, 2016
Accounts payable			
	Tongsheng Jianshe	2,510,396.87	
	Jianshe Industry	165,560.97	77,720.44
Other payables			
	Jianshe Industry	1,138,825.73	4,648,674.19
	Jianshe mechanical and electrical co.	31,449,622.92	
	Fuyeda	282,533.47	42,136.54

10. Commitments or contingencies**10.1 Significant commitment events**

As of December 31, 2016, the Company did not need to disclose important commitments.

10.2 Contingencies

As of December 31, 2016, there was a commercial acceptance bill with endorsement and not yet due at the balance sheet date, amounting to RMB13,835,000.00.

11. Post balance sheet events

The company received the China Securities Depository Co., Ltd. Shenzhen Branch shares frozen data on April 13, 2017, the company's controlling shareholder of Jianshe mechanical and electrical co holdings of the Company 5,000,000 shares, due to debt disputes by the Chongqing Banan District People's Court in 2017 April 12 Judicial freeze. Jianshe mechanical and electrical co holds 84,906,250 shares of the Company, accounting for 71.13% of the total share capital of the Company. The Company's shares were frozen by 5,000,000 shares, accounting for 4.19% of the total share capital of the Company.

12. Other significant events

As of December 31, 2016, the Company did not need to disclose other important matters.

13 Notes to the main items of financial statements of parent company

13.1 Accounts receivable

13.1.1 Disclosure of accounts receivable by category

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis										
Accounts receivable with provision for bad debt made on a portfolio with similar risk characteristics basis	1,733,097.58	100.00	1,728,790.48	99.75	4,307.10	2,255,130.24	100.00	1,727,559.88	76.61	527,570.36
Accounts receivables with insignificant single amount and provision for bad debt										

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
made on an individual basis										
Total	1,733,097.58	100.00	1,728,790.48	99.75	4,307.10	2,255,130.24	100.00	1,727,559.88	76.61	527,570.36

Accounts receivable with provision for bad debts made using the aging analysis method among those portfolios:

Aging	Balance as at December 31, 2016		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
1-6 months (including 6 months)			
6-12 months			
1-2 years (including 1 year)			
2-3 years (including 2 years)	6,153.00	1,845.90	30.00
3-4 years (including 3 years)			
4 - 5 years (including 4 years)			
Over 5 years (including 5 years)	1,726,944.58	1,726,944.58	100.00
Total	1,733,097.58	1,728,790.48	

13.1.2 Accounts receivables provided, reversed or recovered in the report year.

The provision for bad debts is RMB 1,230.60 for the current year.

13.1.3 Top five accounts receivable by the credit balance as at December 31, 2016

The top five accounts receivable by the credit balance as at December 31, 2016 total RMB 1,327,813.35, accounting for 76.62% of total amount of balance as at December 31, 2016 of accounts receivable, and the balance as at December 31, 2016 of provision for bad debts provided correspondingly totals RMB 1,327,813.35.

13.2 Other receivables

13.2.1 Disclosure of other receivables by category

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant										

single amount and provision for bad debt made on an individual basis										
Other receivables with provision for bad debt made on a portfolio with similar risk characteristics basis	9,425,174.24	96.31	4,403,827.20	46.72	5,021,347.04	257,837,987.95	99.84	4,232,368.84	1.64	253,605,619.11
Other receivables with insignificant single amount and provision for bad debt made on an individual basis	361,125.35	3.69	361,125.35	100.00		405,125.35	0.16	405,125.35	100.00	
Total	9,786,299.59	100.00	4,764,952.55	48.69	5,021,347.04	258,243,113.30	100.00	4,637,494.19	1.80	253,605,619.11

Other receivables with provision for bad debts made using the aging analysis method among those portfolios:

Aging	Balance as at December 31, 2016		
	Other receivables	Provision for bad debts	Proportion of provision (%)
1-6 months (including 6 months)	3,494,779.52		
6-12 months			
1-2 years (including 1 year)	1,696,186.13	169,618.61	10.00
2-3 years (including 2 years)			
3-4 years (including 3 years)			
4 - 5 years (including 4 years)			
Over 5 years (including 5 years)	4,234,208.59	4,234,208.59	100.00
Total	9,425,174.24	4,403,827.20	

13.2.2 Provision for bad debts provided, reversed or recovered in the current year.

The provision for bad debts is decreased by RMB 127,458.36 in the current year.

13.2.3 Other receivables classified by payment properties

Property of account receivable	Book balance as at December 31, 2016	Book balance as at January 1, 2016
Other receivables from the related parties	667,041.51	249,230,349.24
Petty cash and borrowings with small amount	4,523,924.14	4,565,415.08
Fully provided provision for bad debts regarding long-term receivables and payables	4,595,333.94	4,218,034.74
Margins and others		229,314.24
Total	9,786,299.59	258,243,113.30

13.2.4 Top five other receivables by credit balance as at December 31, 2016

The top five other receivables by the credit balance as at December 31, 2016 total RMB 8,207,661.96, accounting for 83.87 % of total amount of balance as at December 31, 2016 of other receivable, and the balance as at December 31, 2016 of provision for bad debts provided correspondingly totals RMB 3,857,499.33.

13.3 Long-term equity investments

Item	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	168,160,000.00		168,160,000.00	168,160,000.00		168,160,000.00
Investments in associates and joint ventures	83,178,112.31		83,178,112.31	83,381,316.13		83,381,316.13
Total	251,338,112.31		251,338,112.31	251,541,316.13		251,541,316.13

13.3.1 Investments in subsidiaries

Investee	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016	Provision for impairment in 2016	Balance as at December 31, 2016 of provision for impairment
Shanghai Jianshe Motorcycle Co., Ltd.	8,160,000.00			8,160,000.00		
Chongqing Jianshe Automobile A/C Co., Ltd.	160,000,000.00			160,000,000.00		
Total	168,160,000.00			168,160,000.00		

13.3.2 Investments in associates and joint ventures

Investee	Balance as at January 1, 2016	Increases/decreases in the current year							Balance as at December 31, 2016	Provision for impairment in 2016	Balance as at December 31, 2016 of provision for impairment
		Addi onal invest ment	Decrea se in invest ment	profits and losses on investments recognized under the equity method	Other compr ehensi ve income	Chan ges in other equit y	Declaratio n of cash dividends or profits	Oth ers			
Joint ventures											
Chongqing Pingshan TK Carburettor Co., Ltd.	83,381,316.13			3,128,796.18			-3,332,000.00		83,178,112.31		

13.4 Operating income and operating costs

Item	Year 2016		Year 2015	
	Income	Cost	Income	Cost
Primary businesses			373,805,672.47	425,189,860.34
Other businesses	610,825,517.52	577,514,305.99	542,719,201.58	526,329,273.76
Total	610,825,517.52	577,514,305.99	916,524,874.05	951,519,134.10

13.5 Investment income

Item	Year 2016	Year 2015
Long-term equity investment income calculated by cost method		
Long-term equity investment income calculated by equity method	3,128,796.18	16,907,175.88
Investment income from disposal of long-term equity investment		-4,200.00
Investment income from financial assets measured at fair value through current profit and loss during the		
Investment income from disposal of financial assets measured at fair value through current profit and loss		
Investment income from holding of held-to-maturity investments		
Investment income from holding of available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		
Others		-7,045,934.87
Total	3,128,796.18	9,857,041.01

14. Supplementary information**14.1 Detailed statement of current non-recurring profit and loss**

Item	Amount	Remark
Profits or losses from disposal of non-current assets	-3,646.70	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	1,223,200.00	
Payment for use of state funds received from non-financial institutions recorded in current profits and losses		

Item	Amount	Remark
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing		
Gains or losses from non-monetary asset exchange		
Gains or losses from entrusting the investments or management of asset		
Impairment provision for force majeure such as natural calamities		
Profits or losses from debt restructuring		
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses from transactions with obvious unfair transaction price		
Year-to-date net profits or losses of subsidiaries arising from business combination under common control		
Profits or losses arising from contingencies not related to the company's normal business		
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets		
Reversal of the impairment provision for receivables subject to separate impairment test		
Profits or losses from entrusted loans		
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenditure except for the above items	-1,919,510.10	
Other profits or losses which can be deemed as non-recurring profits or losses		
Income tax effects	29,247.81	
Minority interest effects	29,286.15	

Item	Amount	Remark
Total	-641,422.84	

14.2 Rate of return on net assets and earnings per share:

Profit during the reporting period	Weighted average rate of return on net assets (%)	Earnings per share (Yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	4.68	0.103	0.103
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit and loss	4.92	0.108	0.108

XII. Documents Available for Inspection

- I. Annual Report carrying personal signature and seal of the Chairman of the Board;
- II. Financial Statements with signatures of the legal representative, the financial officer, and accounting manager.
- III. Original copy of the Auditors' Report with the seal of the CPA and signed by the certified (XKSBZDNo.[2017]ZE10382) .
- IV. All of the originals of the Company's documents and public notices publicized by the presses designated by China Securities Regulatory Commission in the report period;
- V. Statement on special audition on appropriation of capital by controlling shareholder and related parties of Chongqing Jianshe Motorcycle Co., Ltd. (XKSBZDNo.[2017]ZE10379)
- VI. Auditing Report on Internal Control of Year 2016 for Chongqing Jianshe Motorcycle Co., Ltd. (XKSBZDNo.[2017]ZE10381)
- VII. Special statement on financial transactions such as related loans involving with financial institutions (XKSBZDNo.[2017]ZE10380)