



Weifu High-Technology Group Co., Ltd.

ANNUAL REPORT 2017

April 2018

Section I. Important Notice, Contents and Paraphrase

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

Chen Xuejun, Principal of the Company, Ou Jianbin, person in charger of accounting works and Ou Jianbin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2017 Annual Report is authentic, accurate and complete.

Other directors attending the Meeting for annual report deliberation except for the followed

Name of director absent	Title for absent director	Reasons for absent	Attorney
Rudolf Maier	Director	Travel for business	Chen Xuejun
Chen Yudong	Director	Travel for business	Chen Xuejun
Lou Diming	Independent director	Travel for business	Xing Min

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

The *China Securities Journal*, *Securities Times*, *Hong Kong Commercial Daily* and Juchao Website are the information disclosure media appointed by the

Company, all information should be prevail on the above mentioned media, investors are advice to pay attention on investment risks.

The profit distribution plan that deliberated and approved by the Board is: based on total stock issue of 1,008,950,570, distributed 12.00 Yuan (tax included) bonus in cash for every 10-share hold by all shareholders, 0 shares bonus issued (tax included) and no capitalizing of common reserves carried out.

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Paraphrase

Items	Refers to	Contents
Company, The Company, Weifu High-technology	Refers to	Weifu High-Technology Group Co., Ltd.
Weifu Group	Refers to	Wuxi Weifu Group Co., Ltd.
Industry Group	Refers to	Wuxi Industry Development Group Co., Ltd.
Robert Bosch, Robert Bosch Company	Refers to	Robert Bosch Co., Ltd., ROBERT BOSCH GMBH
Bosch Automobile Diesel, Bosch Diesel System	Refers to	Bosch Automobile Diesel System Co., Ltd.
Weifu Automotive Diesel	Refers to	Wuxi Weifu Automotive Diesel System Co., Ltd.
Weifu Leader	Refers to	Wuxi Weifu Leader Catalytic Converter Co., Ltd.
Weifu Jinning	Refers to	Nanjing Weifu Jinning Co., Ltd.
Weifu Chang'an	Refers to	Wuxi Weifu Chang'an Co., Ltd.
Weifu Mashan	Refers to	Weifu Mashan Pump Glib Co., Ltd.
Weifu ITM	Refers to	Wuxi Weifu ITM Supercharging Technique Co., Ltd.
Weifu Tianli	Refers to	Ningbo Weifu Tianli Supercharging Technique Co., Ltd.
Weifu Schmidt	Refers to	Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.
Weifu International Trade	Refers to	Wuxi Weifu International Trade Co. Ltd.
Weifu Autocam	Refers to	Wuxi Weifu-Autocam Fine Machinery Co. Ltd.
Weifu Environment	Refers to	Wuxi Weifu Environment Catalyst Co., Ltd.
Kunming Xitong	Refers to	Kunming Xitong Machinery Co., Ltd.
Weifu Tianshi	Refers to	Anhui Weifu Tianshi Machinery Co., Ltd.
Weifu Precision Machinery	Refers to	Weifu Precision Machinery Manufacturing Co., Ltd.
Zhonglian Electronic	Refers to	Zhonglian Automobile Electronic Co., Ltd.
Taiji Industrial	Refers to	Wuxi Taiji Industrial Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SZ Stock Exchange	Refers to	Shenzhen Stock Exchange
Jiangsu Gongzheng	Refers to	Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. (Special Ordinary Partnership)
The reporting period	Refers to	From 1 Jan. 2017 to 31 Dec. 2017

Section II Company Profile and Main Financial Indexes

I. Company information

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

II. Person/Way to contact

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

III. Information disclosure and preparation place

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

IV. Registration changes of the Company

Organization code	91320200250456967N
Changes of main business since listing (if applicable)	No change
Previous changes for controlling shareholders (if applicable)	The Company's controlling shareholder was Weifu Group before 2009. The controlling shareholder changed to Industry Group from 31 st May 2009 because Industry Group merged Weifu Group in 2009. Because both Weifu Group and Industry Group were wholly state-owned companies of Wuxi State-owned Assets Supervision & Administration Commission of State Council, which as actual controller had no changes.

V. Other relevant information

CPA engaged by the Company

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI. Main accounting data and financial indexes

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

☐ Yes ☒ No

	2017	2016	Changes over last year	2015
Operating income (RMB)	9,017,280,159.80	6,422,700,399.27	40.40%	5,741,643,746.42
Net profit attributable to shareholders of the listed company(RMB)	2,571,339,490.04	1,672,224,317.05	53.77%	1,515,388,285.71
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	2,322,218,596.99	1,435,963,836.76	61.72%	1,232,371,453.62
Net cash flow arising from operating activities(RMB)	957,697,901.07	527,344,364.04	81.61%	542,045,770.17
Basic earnings per share (RMB/Share)	2.55	1.66	53.61%	1.49
Diluted earnings per share (RMB/Share)	2.55	1.66	53.61%	1.49
Weighted average ROE	18.52%	13.53%	4.99%	13.32%

	End of 2017	End of 2016	Changes over end of last year	End of 2015
Total assets (RMB)	20,231,006,224.36	17,263,771,897.78	17.19%	15,704,093,069.04
Net assets attributable to shareholder of listed company (RMB)	14,835,673,669.75	12,927,344,292.47	14.76%	11,783,228,273.39

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

VIII. Quarterly main financial index

In RMB

	1 st Q	2 nd Q	3 rd Q	4 th Q
Operating income	2,457,239,285.84	2,270,886,313.18	1,832,997,683.30	2,456,156,877.48
Net profit attributable to shareholders of the listed company	645,645,422.01	680,276,607.55	527,771,783.49	717,645,676.99
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	574,207,149.77	634,057,139.04	481,368,893.14	632,585,415.04
Net cash flow arising from operating activities	92,118,223.65	260,283,017.87	103,261,454.18	502,035,205.37

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

In RMB

Item	2017	2016	2015	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-3,233,320.26	-6,229,604.16	-8,835,206.68	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	48,162,140.65	43,963,942.28	142,227,027.11	
Profit and loss of assets delegation on others' investment or management	221,705,034.02	205,047,032.68	162,047,876.71	
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	24,625,516.88	31,650,057.18	102,044,890.13	
Switch back of provision for depreciation of account receivable which was singly taken depreciation test	1,756,052.60	2,338,453.69	4,097,243.96	
Other non-operating income and expenditure except for the aforementioned items	4,479,807.85	4,481,317.09	-1,235.46	
Relocation expenses		-57,116.41	-68,257,168.60	
Less: Impact on income tax	43,481,221.93	42,191,376.78	49,378,731.32	
Impact on minority shareholders' equity (post-tax)	4,893,116.76	2,742,225.28	927,863.76	
Total	249,120,893.05	236,260,480.29	283,016,832.09	--

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

☐ Applicable ☒ Not applicable

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

Section III Summary of Company Business

I. Main businesses of the company in the reporting period

(i) Main business of the Company

1. The Company belongs to auto parts industry, and its main business products include diesel fuel injection system products, exhaust after-treatment system products and air management system products.

2. Main uses of the Company's products

(1) The diesel fuel injection system products are widely used in different power diesel engines supporting all types of trucks, passenger cars, buses, construction machinery, marine, and generator sets. The company not only makes products matching with the main engines used at home but also exports some products to the Americas, Southeast Asia, and the Middle East. The products meet the needs of national emission standards.

(2) The auto exhaust after-treatment system products: mainly support the major manufacturers of automobile, motorcycle and general machinery at home which meet the national emission standards.

(3) The intake system products (supercharger): matches with most of the domestic small-bore diesel engine plants and some six-cylinder diesel engine manufacturers, and meet the needs of the light and heavy commercial vehicles and some passenger cars, and meets the national emission standards.

3. Business model of the Company

The Company follows the operating philosophy of making competitive products, creating famous brands, striving for first choices, and creating value for the users, implements the business model that parent company unifies the management and subsidiaries decentralize the production. Namely, the group company is responsible for making strategic development planning and operation targets, and making the unified management, instruction and assessment for the finance, significant personnel management, core raw materials, quality control, and technology of the subsidiaries. The subsidiaries arrange production based on the order management model of market, which makes the subsidiaries keep the consistent quality with the company, helps keep abreast of customer needs and saving logistics costs, maintain the timeliness of products production and supply, and improve the company's economic benefits.

During the reporting period, the Company's main business and business model have no significant changes.

(ii) Development stage and periodic characteristics of the industry the Company involves and the Company's industry position during the reporting period

The Company belongs to the industry of auto parts, which is closely related to macro-economic situations, auto industry policies and market demands. We always kept pace with the upgrading of national motor vehicle emission standards over the years, and strive for the combination of self-innovation and international cooperation with strategic disposition and promoted the stable development for three major systems business. The Company

has grown into one of key domestic enterprises for core auto (power engineering) parts after more than 60 years of development, the existing products of fuel injection system has hold the leading position in China, the auto exhaust after-treatment system products have taken the market quickly and we have come into the leading enterprise domestically since the self-owned brand takes more and more market shares; moreover, the intake system products also have a certain market position in China. Presently, 80% of the products have matched with the electronic control system and with electronically controlled achieved, which still in the leading position for self-owned brand.

With transformation & upgrading of the automobile industry, development of the diversified in automotive fuel as well as the requirement of energy-saving & emission-reduction, the auto driving force based on the internal combustion engine industry needs mutual supports and promotion with the new energy technology in the future (For quite a long time, the internal combustion engine, especially in field of large passenger transport, big freight and large-scale agriculture etc. still have broad market demand in way of internal combustion engine or independent drive or hybrid power). Therefore, we will try to adapt to the market demands, research and develop direction of new technology in overall planning, actively promoted the adjustment for products structures, accelerate the cultivation of new business growth points, and improve competition ability for further innovation.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major change
Fixed assets	No major change
Intangible assets	No major change
Construction in progress	No major change

2. Main overseas assets

☐ Applicable ☒ Not applicable

III. Core Competitiveness Analysis

The Company is a high technology enterprise with a number of patented technologies. For years, rewarded as National Enterprise Technical Center, Post-doctor Scientific Research Station, Jiangsu Provincial Engineering and Technology Research Center, Industrialization Base of National Hi-Tech Research and Development Achievement, the Company has taken the research and development on the three major sections of Fuel Injection System, Automobile Exhaust After Treatment System and Air Intake System as the top priority, has actively worked on technology upgrading and innovation, made research and development on the forefront industries of new energy and new technology, taken active steps to make a layout for future business, all of which have made

the Company take the leading position in industry domestically with distinct technology advantages.

1. Set a long-term strategic goal and build a vision for enterprise development. The Company has a huge emphasis on the long-term development strategy, given a positive response to the national new energy and intelligent netlink strategy, mapped out the research and development of the new technologies in terms of new energy automobile power and intelligent netlink. At present, the Company has initially formed a business layout in which the major business of power engineering integrating internal combustion engine three systems, precision manufacturing and other automobile components are considered as all in one, and the intelligent engineering and core business environment engineering as two wings. By establishing the group strategic development and planning commission, the Company has also built a vision of enterprise development at different dimensions, helping the Company to upgrade and transform its core products business and to form a much more competitive automobile components industry chain.

2. Strengthen the management on manufacturing quality and enhance the quality control ability. In terms of manufacturing management, the Company has been working on the process quality index qualification management and process management. Based on the WPS(WEIFU production System)and manufacturing information platform with WEIFU characteristics, the Company has made reforms in the aspects of production system structure, staffs and organization, operation mode as well as market supply and demand relationship, striving for reducing cost, increasing production efficiency and enhancing the product quality as well as product delivery capability.

3. Integrate the resources and realize the integration of informatization and industrialization. In order to implement the “Made in China 2025” plan and realize the integration of informatization and industrialization, the Company has established a high-efficient data center with high speed, stable and reliable network environment, successfully built a ERP platform and get value chain, realize the integration of finance and business, making the information and resources fully shared. The construction of management accounting system will be continued to improve and the application level of manufacturing information will be increased as well.

4. Build core talents system and maintain long-term competitive strength. The Company has attached great importance to the construction of core talents system for years. At present, the Company has established a comparatively comprehensive human resource management platform, built career development channels for employees, established the medium and long term special incentives and initiated major strategic development and innovation projects, carried out employee inclusive incentives, so as to lay a solid basis for the development of high qualified core talents. Core competitiveness of the Company has no major changes in the Period

Section IV Discussion and Analysis of the Operation

1. Introduction

(I) General introduction

In 2017, the macro economic situation in our country is better than expected, auto market shows a steady growth trend in production and marketing in the whole year. According to the numbers from CAAM: in 2017, the whole national has a production and sales of vehicle amounts of 29.02 million and 28.88 million respectively, a y-o-y growth 3.19% and 3.04%, of which the growth of passenger cars slowed down obviously, production and sales of passenger cars have 24.81 million and 24.72 million respectively with y-o-y growth of 1.58% and 1.40%; growth of commercial vehicle is much more than expected with 4.21 million produced in the whole year and 4.16 million sales, a 13.81% and 13.95% growth on a y-o-y basis.

The Company firmly grasps the market opportunity, three business of the Company are advanced side by side, and the economic indicators are beyond expectations in all. The fuel injection system has obvious growth with its production and sales of common rail pump break to 2 million sets in total, more than 80% goes up from a year earlier; VE pump continue to dominate in non-road T3 market. The exhaust after-treatment system business increase steadily. The supercharger in intake system business goes rapidly in total with almost 50% up from a year earlier and further promotion is also achieved by parts manufacturing business.

During the Period, the Company achieved operation revenue of 9.017 billion Yuan with a y-o-y growth of 40.40%; total profit amounting to 2.83 billion Yuan, a 55.64% growth on a y-o-y basis; total assets amounting to 20.231 billion Yuan, a 17.19% up from a year earlier; and the equity attributable to owners of parent company amounting to 14.836 billion Yuan, a 14.76% growth on a y-o-y basis.

(II) Works implemented

1. Customer demand oriented, seized market opportunity to achieved more sales

Insist on the market strategy as “Customer demand oriented, and creating value for customer”, consolidate the existing market positively, strengthening market segmentation and achieved more operation revenue and promoted market shares;

2. Adapt to the new situation, pay more attention and promoted the technological innovation for competitive strength improvement

Seized the development trend in the industry, based on the technical advantage of three systems, focus on the research of technical innovation for internal combustion power products with high efficiency, energy saving and emission reduction concerned, pay more attention and promoted the technical innovation on internal combustion and new technology, speed up the layout in new energy and intelligent network technology, improving the future's core competitiveness of the Company in an all-round way;

3. Improve risk management, guarantee operation safety and enhance the operating efficiency

Improved the management and control mechanism in line with the regulations, optimized organization structure, established excellent operation management system and guarantee the compliance of mechanism procedures. Making full use of the support of information system technology, maintain a safety in operation and develop

steadily, and improve operation efficiency;

4. Push forward the lean production, improving competitiveness of the enterprise

Promoting lean manufacturing capacity effectively, continues to optimized the FMS (Flexible Manufacturing System) and enterprise production system, guarantee the product cost, quality and delivery ability as well as the improvement of stock, strengthening the ability of enterprise resource allocation, and achieved a upgrading in product's quality and production efficiency;

5. Optimized the talent selection mechanism, building an excellent talents team

Push forward the talent strategy, improve mechanism of selection and incentive guarantee mechanism, attracting high quality talents, established long effective mechanism, and stimulate the vitality of human resources, building an excellent expert team and technical personnel team with good quality, rich in innovation and which has the ability to adapt to the needs of the development in new period.

II. Main business analysis

1. Introduction

See the "I-Introduction" in "Discussion and Analysis of the Operation"

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

	2017		2016		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	9,017,280,159.80	100%	6,422,700,399.27	100%	40.40%
According to industries					
Automobile parts	8,535,599,504.73	94.66%	6,043,223,608.00	94.09%	41.24%
Other business	481,680,655.07	5.34%	379,476,791.27	5.91%	26.93%
According to products					
Automobile fuel injection system	5,588,110,745.38	61.97%	3,614,457,127.38	56.28%	54.60%
Intake system	380,600,452.78	4.22%	256,544,008.85	3.99%	48.36%
Automotive post processing system	2,566,888,306.57	28.47%	2,172,222,471.77	33.82%	18.17%
Other business	481,680,655.07	5.34%	379,476,791.27	5.91%	26.93%
According to region					
Domestic sales	8,698,826,555.01	96.47%	6,169,779,041.07	96.06%	40.99%
Foreign sales	318,453,604.79	3.53%	252,921,358.20	3.94%	25.91%

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

√Applicable □ Not applicable

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Automobile parts	8,535,599,504.73	6,420,982,285.26	24.77%	41.24%	39.98%	0.68%
According to products						
Automobile fuel injection system	5,588,110,745.38	3,883,364,430.91	30.51%	54.60%	51.22%	1.55%
Intake system	380,600,452.78	285,481,587.81	24.99%	48.36%	44.83%	1.82%
Automotive post processing system	2,566,888,306.57	2,252,136,266.54	12.26%	18.17%	23.62%	-3.87%
According to region						
Domestic sales	8,698,826,555.01	6,115,724,462.61	29.69%	40.99%	41.08%	-0.04%
Foreign sales	318,453,604.79	305,257,822.65	4.14%	25.91%	21.11%	3.80%

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

□ Applicable √ Not applicable

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

√ Yes □ No

Industries	Item	Unit	2017	2016	Increase/decrease y-o-y
Fuel injection system—multiple-piston pump	Sales volume	In 10 thousand units	266	166	60.24%
	Output	In 10 thousand units	262	176	48.86%
	Storage	In 10 thousand units	16	20	-20.00%
Fuel injection system—injector	Sales volume	In 10 thousand sets	227	205	10.73%
	Output	In 10 thousand sets	209	203	2.96%
	Storage	In 10 thousand sets	16	34	-52.94%
After-treatment system—purifier	Sales volume	In 10 thousand pieces	293	317	-7.57%
	Output	In 10 thousand pieces	286	350	-18.29%
	Storage	In 10 thousand pieces	78	85	-8.24%
Intake system—turbocharger	Sales volume	In 10 thousand units	65	43	51.16%
	Output	In 10 thousand units	68	47	44.68%
	Storage	In 10 thousand units	13	10	30.00%

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

√Applicable □ Not applicable

(1) Fuel injection system- multi-cylinder pumps have a greater growth benefited from the increase of commercial vehicle, the heavy truck in particular, which making the demands on automotive common-rail high pressure fuel pump increased;

(2) Air intake system-superchargers business has a sound development momentum, mainly because closely seized the market demand and makes more market shares with stable growth;

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

□ Applicable √ Not applicable

(5) Constitute of operation cost

Classification of industries and products

In RMB

Industries	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Automobile parts	Direct material	5,014,924,816.81	78.10%	3,550,614,388.81	77.41%	41.24%
Automobile parts	Labor cost	548,188,077.87	8.54%	402,808,864.39	8.78%	36.09%
Automobile parts	Depreciation	165,645,016.82	2.58%	147,968,909.11	3.23%	11.95%
Automobile parts	Varieties of consumption	692,224,373.76	10.78%	485,568,180.29	10.59%	42.56%

In RMB

Products	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Fuel injection system	Direct material	2,661,656,663.54	68.54%	1,675,874,517.95	65.26%	58.82%
Fuel injection system	Labor cost	459,976,070.97	11.84%	322,019,029.97	12.54%	42.84%
Fuel injection system	Depreciation	134,028,364.58	3.45%	124,639,398.58	4.85%	7.53%
Fuel injection system	Varieties of consumption	627,703,331.82	16.16%	445,447,332.60	17.35%	40.92%
Intake system	Direct material	235,640,433.48	82.54%	158,681,800.62	80.50%	48.50%
Intake system	Labor cost	23,813,534.44	8.34%	16,853,237.53	8.55%	41.30%
Intake system	Depreciation	13,761,987.24	4.82%	11,497,121.82	5.83%	19.70%
Intake system	Varieties of consumption	12,265,632.65	4.30%	10,078,253.26	5.11%	21.70%

After-treatment system	Direct material	2,094,875,783.60	93.02%	1,716,058,070.24	94.19%	22.07%
After-treatment system	Labor cost	88,220,371.79	3.92%	63,936,596.89	3.51%	37.98%
After-treatment system	Depreciation	17,854,665.00	0.79%	11,832,388.71	0.65%	50.90%
After-treatment system	Varieties of consumption	51,185,446.15	2.27%	30,042,594.43	1.65%	70.38%

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

√Yes □No

①Weifu Tianshi cancellation in 2017, the profit and cash flow from beginning of the year to cancellation date reckoned into consolidate statement;

②Kunming Xitong cancellation in 2017, the profit and cash flow from beginning of the year to cancellation date reckoned into consolidate statement

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

□ Applicable √ Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	4,573,388,610.81
Proportion in total annual sales volume for top five clients	50.72%
Ratio of the related sales in total annual sales from top five clients	36.23%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Bosch Diesel System	3,266,539,117.64	36.23%
2	Client II	487,979,396.96	5.41%
3	Client III	342,291,314.57	3.80%
4	Client IV	268,049,583.35	2.97%
5	Client V	208,529,198.29	2.31%
Total	--	4,573,388,610.81	50.72%

Other situation of main clients

√Applicable □Not applicable

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

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	1,841,212,418.92
Proportion in total annual purchase amount for top five suppliers	29.72%
Ratio of the related purchase in total annual purchase amount from top five suppliers	24.07%

Information of top five suppliers of the Company

Serial	Suppliers	Purchasing amount (RMB)	Ratio in annual total purchasing amount
1	Weifu Environment	1,131,818,717.21	18.27%
2	Bosch Automobile Diesel	200,508,313.30	3.24%
3	Supplier 1	196,292,441.12	3.17%
4	ROBERT BOSCH GMBH	158,733,424.37	2.56%
5	Supplier 3	153,859,522.92	2.48%
Total	--	1,841,212,418.92	29.72%

Other notes of main suppliers of the Company

√Applicable □Not applicable

The Company has association with Weifu Environment, Bosch Automobile Diesel and ROBERT BOSCH GMBH , and directors, supervisors, senior executives, core technicians and actual controller of the Company have no equity in main suppliers directly or indirectly.

3. Expenses

In RMB

	2017	2016	Increase/decrease y-o-y	Note of major changes
Sales expense	194,854,780.37	213,304,364.89	-8.65%	
Management expense	930,808,787.61	797,426,199.46	16.73%	
Financial expense	7,316,996.79	-9,109,442.62		

4. R&D investment

√Applicable □ Not applicable

During the reporting period, the Company focused on the enterprise technology innovation strategy and planning, adhered to the technological innovation, accelerated the research and development of key projects and products, put forth effort to improve the industrialization of new products, and enhanced new power for the enterprises development. The Company has made breakthroughs in the field of technology innovation and filled in the domestic blank in the research and development of non-road high power fuel injection system products, matched with domestic large mainframe; the core technologies of China VI Emission Standard have been considered as the top priority during the research and development of after-treatment products and the Company has successfully accomplished the development of the products of China VI Emission Standard for petrol and diesel-driven automobiles; Regarding the air intake system, the Company has speed up the research and development on variable section superchargers, full taken part in the development of projects related to diesel mainframe of China

VI Emission Standard; meanwhile, the Company has mapped out the research and development on the new technologies in terms of new energy automobile power and intelligent netlink. The success implementation of all the above projects has ensured the leading position of the Company in the automobile power system core components industry.

R&D investment of the Company

	2017	2016	Change ratio
Number of R&D (people)	1,132	1,083	4.52%
Ratio of number of R&D	20.92%	20.79%	0.13%
R&D investment (Yuan)	391,315,234.75	319,386,108.20	22.52%
R&D investment accounted for R&D income	4.34%	4.97%	-0.63%
R&D investment capitalization (Yuan)	0.00	0.00	
Capitalization R&D investment accounted for R&D investment	0.00%	0.00%	

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

5. Cash flow

In RMB

Item	2017	2016	Y-o-y changes
Subtotal of cash in-flow from operation activity	7,864,444,717.03	5,815,453,641.50	35.23%
Subtotal of cash out-flow from operation activity	6,906,746,815.96	5,288,109,277.46	30.61%
Net cash flow from operation activity	957,697,901.07	527,344,364.04	81.61%
Subtotal of cash in-flow from investment activity	10,609,070,063.25	11,296,028,290.03	-6.08%
Subtotal of cash out-flow from investment activity	11,859,361,718.71	10,330,540,145.28	14.80%
Net cash flow from investment activity	-1,250,291,655.46	965,488,144.75	-229.50%
Subtotal of cash in-flow from financing activity	254,520,000.00	323,359,165.37	-21.29%
Subtotal of cash out-flow from financing activity	799,122,114.37	1,062,028,582.97	-24.76%
Net cash flow from financing activity	-544,602,114.37	-738,669,417.60	
Net increased amount of cash and cash equivalent	-846,784,323.89	754,908,479.26	-212.17%

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

☒ Applicable ☐ Not applicable

Net cash flow from operation activity increased mainly due to the increase of product sales;

Net cash flow from investment activity decreased mainly due to more bank financial products purchased in the period;

Cash out-flow from financing activity decreased mainly due to the increase of dividend payment in the period and

more cash in-flow from bank loans

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

√Applicable □Not applicable

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

III. Analysis of the non-main business

√Applicable □Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Investment income	1,853,638,285.20	65.49%	Income mainly form the two joint ventures the Company holding (Bosch Automobile Diesel and Zhonglian Electronic)	The company joint ventures Bosch Automobile Diesel and Zhonglian Electronic production and operation was stability, so the investment can be sustained stable.
Asset impairment	119,219,730.37	4.21%		
Non-operating income	11,968,167.87	0.42%		
Non-operating expense	5,773,593.62	0.20%		

IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of 2017		End of 2016		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	3,118,709,412.83	15.42%	3,969,674,068.56	22.99%	-7.57%	
Account receivable	1,995,577,830.90	9.86%	1,324,703,543.17	7.67%	2.19%	Amount at period-end has major growth over that of period-begin mainly due to the increase of product sales
Inventory	1,478,939,040.70	7.31%	1,349,444,535.25	7.82%	-0.51%	
Investment property	23,544,830.78	0.12%	25,113,472.54	0.15%	-0.03%	
Long-term equity	4,140,064,825.58	20.46%	3,421,030,760.78	19.82%	0.64%	

investment						
Fix assets	2,584,872,628.54	12.78%	2,447,840,035.34	14.18%	-1.40%	
Construction in process	100,345,461.28	0.50%	90,621,102.20	0.52%	-0.02%	
Short-term loans	243,000,000.00	1.20%	150,000,000.00	0.87%	0.33%	Amount at period-end has major growth over that of period-begin mainly because the bank loans from subordinate controlling subsidiary increased
Long-term loans	45,000,000.00	0.22%	60,000,000.00	0.35%	-0.13%	

2. Assets and liability measured by fair value

√Applicable □Not applicable

In RMB

Items	Amount at the beginning period	Changes of fair value gains/losses in this period	Accumulative changes of fair value reckoned into equity	Devaluation of withdrawing in the period	Amount of purchase in the period	Amount of sale in the period	Amount at period-end
Financial assets							
3. Available for sale financial assets	361,847,700.00	-43,364,100.00	87,169,455.01			53,868,894.08	266,376,600.00
Subtotal of financial assets	361,847,700.00	-43,364,100.00	87,169,455.01			53,868,894.08	266,376,600.00
Above total	361,847,700.00	-43,364,100.00	87,169,455.01			53,868,894.08	266,376,600.00
Financial liabilities	0.00						0.00

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

□ Yes √No

3. The assets rights restricted till end of the period

Item	Book value at period-end	Restriction reason
Monetary fund	359,224.68	Cash deposit paid for LC
Monetary fund	89,264,465.36	Cash deposit paid for bank acceptance
Monetary funds	646,368.57	Court freeze
Notes receivable	583,421,990.27	Notes pledge for bank acceptance

Financial assets available for sale	222,862,426.44	In accordance with the civil ruling No.(2016)Y03MC2490 and No.(2016) Y03MC2492 of Guangdong Shenzhen Intermediate People's Court (Hereinafter referred to as "Shenzhen Intermediate People's Court"), the property with the value of 217 million Yuan under the name of the Company and other seven respondents and the third party Shenzhen Hejun Chuangye Holdings Co., Ltd. was frozen. As of the end of the reporting period, 4.71 million shares of Miracle Logistics and 11,739,102 shares of SDEC held by the Company were frozen.
Total	896,554,475.32	--

V. Investment

1. Overall situation

☐ Applicable ☒ Not applicable

2. The major equity investment obtained in the reporting period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Financial assets investment

(1) Securities investment

☒ Applicable ☐ Not applicable

In RMB

Variety of securities	Code of securities	Short form of securities	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Changes in fair value of the current profit and loss	Cumulative fair value changes in equity	Current purchase amount	Current sales amount	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Capital Source
Domestic and foreign stocks	600841	SDEC	199,208,000.00	Measured by fair value	293,694,000.00	-54,621,000.00	49,516,537.51		53,868,894.08	-54,085,500.00	186,966,000.00	Financial assets available for sales	Own funds
Domestic and	002009	Miracle Logistic	69,331,500.00	Measured by fair	68,153,700.00	11,256,900.00	37,652,917.50			11,492,400.00	79,410,600.00	Financial assets	Own funds

foreign stocks		s		value								availabl e for sales	
Total			268,539 ,500.00	--	361,847 ,700.00	-43,364, 100.00	87,169, 455.01	0.00	53,868, 894.08	-42,593, 100.00	266,376 ,600.00	--	--
Disclosure date of securities investment approval of the Board			24 March 2012										
			4 June 2013										

(2) Derivative investment

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in the Period

5. Application of raised proceeds

☐ Applicable ☒ Not applicable

No application of raised proceeds in the period

VI. Significant asset and equity sales

1. Significant asset sales

☐ Applicable ☒ Not applicable

No significant assets being sold in the Period

2. Significant equity sales

☐ Applicable ☒ Not applicable

VII. Analysis of the main stock-jointly and controlling subsidiary

☒ Applicable ☐ Not applicable

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

In RMB

Comp any name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Weifu Lead er	Subsid iary	After-tre atment system products	502,596,3 00.00	3,370,603,223.66	1,554,027,730.42	2,545,737,100.66	102,888,183.12	102,430,580.66

Weifu Jinnin g	Subsidiary	Fuel injection system products	346,286,825.80	1,141,799,407.17	842,508,962.94	639,266,713.42	136,428,176.64	123,846,080.79
Bosch Automobile Diesel	Joint-stock company	Fuel injection system products	USD241,000,000.00	10,890,178,880.72	6,940,524,196.59	15,389,748,441.44	4,055,440,489.18	3,421,160,042.39
Zhonglian Electronic	Joint-stock company	Gasoline system products	600,620,000.00	5,356,964,249.30	4,788,144,637.04	21,430,344.10	1,780,585,522.56	1,777,156,110.72

Subsidiary obtained and disposed in the Period

√Applicable □ Not applicable

Enterprise	Way to obtained and disposed	Impact on operation business and performance as a whole
Weifu Diesel System	Consolidation by merger on 1 October 2017 by the Company	No impact
Weifu Tianshi	Cancellation in 2017, the profit and cash flow from beginning of the year to cancellation date reckoned into consolidate statement	No impact
Kunming Xitong	Cancellation in 2017, the profit and cash flow from beginning of the year to cancellation date reckoned into consolidate statement	No impact

Statement on main controlling and stock-jointly company

1. The automobile market, the heavy truck in particular has strong demand since the year, the Company and its stock-jointly enterprise seized the opportunity closely, and product of fuel injection system have better growth in operation revenue and profit from a year earlier;
2. Profit from the after-treatment system products are mainly impact by the follow factors including intense market competition, sales price dropping, the cost increased for soaring raw materials and change of the products structure (diesel vehicle emission upgrade);

VIII. The structured subject controlled by the Company

□ Applicable √ Not applicable

IX. Prospects for future development

(I) Industry competition pattern and development trend

The Company belongs to the industry of auto parts, which is closely related to macro-economic situations, auto industry policies and market demands. We always kept pace with the upgrading of national motor vehicle emission standards over the years, and strive for the combination of self-innovation and international cooperation with strategic disposition and promoted the stable development for three major systems business. The Company

has grown into one of key domestic enterprises for core auto (power engineering) parts after more than 60 years of development, the existing products of fuel injection system has hold the leading position in China, the auto exhaust after-treatment system products have taken the market quickly and we have come into the leading enterprise domestically since the self-owned brand takes more and more market shares; moreover, the intake system products also have a certain market position in China. Presently, 80% of the products have matched with the electronic control system and with electronically controlled achieved, which still in the leading position for self-owned brand.

With transformation & upgrading of the automobile industry, development of the diversified in automotive fuel as well as the requirement of energy-saving & emission-reduction, the auto driving force based on the internal combustion engine industry needs mutual supports and promotion with the new energy technology in the future (For quite a long time, the internal combustion engine, especially in field of large passenger transport, big freight and large-scale agriculture etc. still have broad market demand in way of internal combustion engine or independent drive or hybrid power). Therefore, we will try to adapt to the market demands, research and develop direction of new technology in overall planning, actively promoted the adjustment for products structures, accelerate the cultivation of new business growth points, and improve competition ability for further innovation.

(II) Development strategy of the Company

In order to further optimize and upgrade the fuel injection system products, after treatment system products and engine air intake system (supercharger) in compliance with national energy-saving and emission reduction regulations, the Company will fully improve its system integration (service) capability; give a positive response to national new energy and intelligent netlink strategy, make a layout for new energy automobile drive technology, improve hydrogen fuel battery technology as well as the research and development capability of intelligent netlink technology, and create a new pattern of development.

(III) Business plan for 2018

1. The Company will seize the market opportunity, with customer demand oriented, strengthen the market segment and make efforts to achieve steady growth of operation business.
2. Based on the advantages in system technology, the Company will enhance the research and development ability of cultivation new technology, accelerate the industrial distribution of new energy business, and comprehensively enhance the core competitiveness of the Company in the future while maintain its existing technology strengths.
3. The Company will improve its flexible manufacturing system, strengthen the quality and security management, improve lean management, enhance the factor resource allocation capability and increase the operation efficiency.
4. The Company will enhance the factor resource allocation capability, optimize and comb the process, establish excellent operation management system, optimize organization structure, standardize the construction of information security system and improve system network security level of the Company;
5. The Company will improve its human resource planning system and strengthen the talents strategy development capability. The Company will attract high quality talents with incentive mechanism and deepen the innovative incentives, comprehensively improve the talents selection and development mechanism and trigger the vigor of human resource with incentive mechanism to attract high-qualified talents and further innovative incentives.

6. The Company will strengthen the risk control as well as the audit and legal management, continue to improve the compliance management system and maintain steady development of the Company.

(IV) Possible risks

1. The slowdown in the domestic macroeconomic growth and step out of industry preferential policies will influence the growth of the automobile market.
2. The continuous rise in labor costs, the increase in logistics costs and the fluctuations in raw material prices will increase the company's cost pressures.

X. Reception of research, communication and interview

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

√ Applicable □ Not applicable

Time	Way	Type	Basic situation index of investigation
2017-05-19	Spot research	Institution	The scene of the shareholders' general meeting
2017-07-25	Spot research	Institution	The scene of the shareholders' general meeting
2017-01-01- 2017-12-31	Written inquiry	Individual	The Company answered 243 questions for investors online through the investor relations interactive platform(http://irm.p5w.net/dqhd/sichuan/)
2017-01-01- 2017-12-31	Telephone communication	Individual	Basic condition of the Company, and views on market, communication with investors by telephone more than 400
Reception (times)			650
Number of hospitality			50
Number of individual reception			357
Number of other reception			243
Disclosed, released or let out major undisclosed information (Y/N)			N

Section V. Important Events

I. Profit distribution plan of common stock and capitalizing of common reserves plan

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

√ Applicable □ Not applicable

1. Cash dividend policy: carry out bonus distribution according to the regulations in Article of Association
2. In reporting period, the Company implemented the profit distribution for year of 2016, based on the total share capital 1,008,950,570 shares, distributed 6.00 Yuan (tax included) bonus in cash for every 10 shares held, no capitalization from public reserves. The plan was completed in July 2017. The implementation of the Company's cash dividend policy is in compliance with the provisions of "Articles of Association", relevant decision-making procedures are complete and fully listen to the views of independent directors and minority shareholders and maintain the legitimate rights and interests of minority shareholders.

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

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

The profit distribution plan for 2017: based on total share capital of 1,008,950,570 shares at end of 2017, distribute cash dividend of RMB 12.00 (tax included) for every 10 shares, and no capitalization of capital reserve.

The profit distribution plan for 2016: based on total share capital of 1,008,950,570 shares at end of 2016, distribute cash dividend of RMB 6.00 (tax included) for every 10 shares, and no capitalization of capital reserve. The plan has been implemented completely in July 2017.

The profit distribution plan for 2015: based on total share capital of 1,008,950,570 shares at end of 2015, distribute cash dividend of RMB 5.00 (tax included) for every 10 shares, and no capitalization of capital reserve. The plan has been implemented completely in July 2016.

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2017	1,210,740,684.00	2,571,339,490.04	47.09%	0.00	0.00%
2016	605,370,342.00	1,672,224,317.05	36.20%	0.00	0.00%
2015	504,475,285.00	1,515,388,285.71	33.29%	0.00	0.00%

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Bonus shares for every 10-share (Share)	0
Dividends for every 10-share (RMB) (Tax included)	12.00
Shares added for every 10-share base (Share)	0
Equity base of distribution plan (Share)	1,008,950,570
Total cash dividend(RMB) (Tax included)	1,210,740,684.00
Distributable profits (RMB)	8,360,801,089.38
Ratio of cash dividend in total profit distribution	100%
Cash dividend policy:	
Other	
Detail explanation on profit distribution or capitalization from capital public reserve	
Pursuit to the Standard Unqualified Auditor's Report for year of 2017 issued by Jiangsu Gongzheng, the profit available for distribution of the parent company for year of 2017 are as: net profit of the parent company for year of 2017 amount as 3,001,267,900 Yuan, plus retained profit at beginning of the year 5,525,644,100 Yuan and the retained profit 439,259,400 Yuan from consolidation by merger with wholly-own subsidiary Weifu Automobile Diesel, deducted dividend for year of 2016: 605,370,300 Yuan, the distributable profit at end of the period amounted as 8,360,801,000 Yuan.	
Profit distribution plan for year of 2017: on base of the total 1,008,950,570 shares at end of 2017, distributed 12.00 Yuan (tax included) in cash for each 10 shares, no bonus, and no transfer of reserve to common shares. The remaining retained profit carried forward to next year. Profits allocate for year of 2017 amounting to 1,210,740,700 Yuan.	

III. Implementation of commitment

1. Commitments that the company, shareholders, actual controller, offeror, directors, supervisors, senior management or other related parties have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

☐ Applicable ☒ Not applicable

No condition of the above mentioned occurred in the Period

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

☒ Applicable ☐ Not applicable

Change of major accounting policy in the period found more in the Note V-(29) carried in Section XI in Annual Report 2017

VII. Major accounting errors within reporting period that needs retrospective restatement

☐ Applicable ☒ Not applicable

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

VIII. Compare with last year’s financial report; explain changes in consolidation statement’s scope

☒ Applicable ☐ Not applicable

①Weifu Tianshi cancellation in 2017, the profit and cash flow from beginning of the year to cancellation date reckoned into consolidate statement;

②Kunming Xitong cancellation in 2017, the profit and cash flow from beginning of the year to cancellation date reckoned into consolidate statement

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

Accounting firm appointed

Name of domestic accounting firm	Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. (Special Ordinary Partnership)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	158
Continuous life of auditing service for domestic accounting firm	26

Name of domestic CPA	Bo Lingjing, Meng Yin
Continuous life of auditing service for domestic accounting firm	3

Re-appointed accounting firms in this period

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

Being deliberated in Annual Shareholders General Meeting of 2016, Jiangsu Gongzheng was appointed as audit accounting firm for internal control of the Company for year of 2015. In the Period, auditing charge for internal control amounting to 0.22 million Yuan

X. Particular about suspended and delisting after annual report disclosed

☐ 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

Basic Situation of Litigation (Arbitration)	Amount Related to the Case (Yuan)	Whether Formed Accrued Liabilities	Progress of Litigation (Arbitration)	Trial Results and Effects of Litigation (Arbitration)	Judgment Implementation of Litigation (Arbitration)	Disclosure Date	Disclosure Index
On March 6, 2017, the company received the civil ruling No.(2016)Y03MC2490 and No.(2016) Y03MC2492 from Shenzhen Intermediate People's Court about the dispute case that the plaintiff applicant China Cinda Asset Management Co., Ltd. Shenzhen Branch (hereinafter referred to as "Cinda Company") appealed the respondent Weifu High Technology and other seven respondents and the	21,703	N	By the company's application for reconsideration, Shenzhen Intermediate People's Court deemed the total assets that Cinda Company applied for preservation to be RMB 217,027,697.23. The total value of 15.3 million shares of SDEC Stock and 4.71 million shares of Tianqi Stock held by the company has exceeded the total assets that Cinda Company applied for preservation, therefore, 3,560,898 shares of SDEC	This litigation will not affect the company's daily operating activities for the time being	Not yet implemented	March 08, 2017	(Announcement No.: 2017-002) published on www.cninfo.com.cn

shareholders of the third party Hejun Company damaged the interests of corporate creditors, which adopted the mandatory measures to freeze the assets with value of RMB 217 million under the name of the Company and other seven respondents and Hejun Company. Freeze 4.71 million shares of Tianqi Stock and 15.3 million shares of SDEC Stock held by the company.			Stock held by the company was unfrozen. Up to the end of the reporting period, the company's frozen assets were as follows: 4.71 million shares of Miracles Logistics held by the company and its fruits, and 11,739,102 shares of SDEC Stock held by the company and its fruits. At present, this litigation is in the first instance (the first trial held on 24 Sept. 2017, and follow trial will wait for notice by the court).				
The Company has applied to Futian People's Court of Shenzhen for compulsory liquidation with Hejun Company	3,300	N	The Company has applied to Futian People's Court of Shenzhen for compulsory liquidation with Hejun Company. The civil ruling paper (Yue (0304) QS[2017] No. 5) made by Shenzhen Futian District People's Court ruled that Hejun Company should be made compulsory liquidation. The Company will actively cooperate with the court to work on the liquidation to protect its legitimate rights and interests.	There are no impact on daily operation activities of the Company	Relevant works are in process	6 December 2017	(Announcement No.: 2017-023) published on www.cninfo.com.cn

XIII. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in reporting period.

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

XVI. Major related transaction

1. Related transaction with routine operation concerned

√ Applicable □ Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand Yuan)	Whether over the approved limited or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
Weifu Precision Machinery	Associated company	Procurement of goods	Goods	Fair market pricing	Market price	4,306.91	0.70%	4,000	Y	According to the contract	Market price	2017-04-18	Notice No:2017-008
Bosch Diesel System	Associated company, controlling subsidiary of German Bosch Company	Procurement of goods	Goods	Fair market pricing	Market price	20,050.83	3.24%	17,000	Y	According to the contract	Market price	2017-04-18	Notice No:2017-008
Weifu Environment	Joint venture of Weifu Leader	Procurement of goods	Goods	Fair market pricing	Market price	113,181.87	18.28%	150,000	N	According to the contract	Market price	2017-04-18	Notice No:2017-008
ROBERT BOSCH GMBH	Second largest shareholder of the Company	Procurement of goods	Goods	Fair market pricing	Market price	15,873.34	2.56%	12,000	Y	According to the contract	Market price	2017-04-18	Notice No:2017-008
Weifu Precision Machinery	Associated company	Sales of goods	Goods and labor forces	Fair market pricing	Market price	337.79	0.04%	300	Y	According to the contract	Market price	2017-04-18	Notice No:2017-008
Bosch Diesel System	Associated company	Sales of goods	Goods and labor	Fair market pricing	Market price	326,653.91	36.23%	300,000	Y	According to the	Market price	2017-04-18	Notice No:2017-008

	controlling subsidiary of German Bosch Company		forces							contract			
Weifu Environment	Joint venture of Weifu Leader	Sales of goods	Goods and labor forces	Fair market pricing	Market price	4,621.63	0.51%	8,000	N	According to the contract	Market price	2017-04-18	Notice No:2017-008
ROBERT BOSCH GMBH	Second largest shareholder of the Company	Sales of goods	Goods	Fair market pricing	Market price	252.86	0.03%	120	Y	According to the contract	Market price	2017-04-18	Notice No:2017-008
Bosch Diesel System	Associated company, controlling subsidiary of German Bosch Company	Other	Technical commission payable etc.	Fair market pricing	Market price	129.47		150	N	According to the contract	Market price	2017-04-18	Notice No:2017-008
Bosch Diesel System	Associated company, controlling subsidiary of German Bosch Company	Other	Purchasing fixed assets	Fair market pricing	Market price	260.78			Y	According to the contract	Market price		
ROBERT BOSCH GMBH	Second largest shareholder of the Company	Other	Technical commission paid etc.	Fair market pricing	Market price	794.52		800	N	According to the contract	Market price	2017-04-18	Notice No:2017-008
Weifu Environment	Joint venture of Weifu Leader	Other	Leasing charge	Fair market pricing	Market price	238.86		250	N	According to the contract	Market price	2017-04-18	Notice No.:2017-008
Total				--	--	486,702.77	--	492,620	--	--	--	--	--
Detail of sales return with major				Not applicable									

amount involved	
Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period(if applicable)	Being deliberated and approved by AGM of 2016, total related transaction for year of 2017 predicted as 4926.2 million Yuan, actually 4867.0278 million Yuan occurred in the Period, the related transaction classified according to types are as: 1. it estimated that purchasing goods and labor service from related party in 2017 will up to 1830 million Yuan, while 1534.1295 million Yuan occurred actually in the Period; 2. it estimated that sales of goods and labor service to related party in 2017 will up to 3084.2 million Yuan, while 3318.6619 million Yuan actually occurred for explosive demand growth in commercial vehicles, heavy truck in particular in the period; 3. it estimated that other related transactions with related party for year of 2017 will up to 12 million Yuan while 14.2363 million Yuan actually occurred.
Reasons for major differences between trading price and market reference price	Not applicable

2. Related transactions by assets acquisition and sold

☐ Applicable ☒ Not applicable

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

3. Main related transactions of mutual investment outside

☐ Applicable ☒ Not applicable

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

4. Contact of related credit and debt

☐ Applicable ☒ Not applicable

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

5. Other related transactions

☐ Applicable ☒ Not applicable

The company had no other significant related transactions in reporting period.

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

☐ Applicable ☒ Not applicable

No trusteeship for the Company in reporting period

(2) Contract

☐ Applicable ☒ Not applicable

No contract for the Company in reporting period

(3) Leasing

☐ Applicable ☒ Not applicable

No leasing for the Company in reporting period

2. Major guarantees

√ Applicable □ Not applicable

(1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Ningbo Tianli Turbocharging Technology Co., Ltd.	2016-10-27	6,000	2016-11-11	5,500	Joint liability guaranty	5	N	N
Total amount of approving guarantee for subsidiaries in report period (B1)			0	Total amount of actual occurred guarantee for subsidiaries in report period (B2)			5,500	
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)			6,000	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)			5,500	
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Total amount of guarantee of the Company(total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)			0	Total amount of actual occurred guarantee in report period (A2+B2+C2)			5,500	
Total amount of approved guarantee at the end of report period (A3+B3+C3)			6,000	Total balance of actual guarantee at the end of report period (A4+B4+C4)			5,500	
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)				0.37%				
Including:								
Amount of guarantee for shareholders, actual controller and its related parties(D)				0				
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)				0				
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)				0				
Total amount of the aforesaid three guarantees(D+E+F)				0				

Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)	Not applicable
Explanations on external guarantee against regulated procedures (if applicable)	Not applicable

Explanation on guarantee with composite way

Nil

(2) Guarantee outside against the regulation

☐ Applicable ☒ Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

☒ Applicable ☐ Not applicable

Trust financing during the period

In 10 thousand Yuan

Specific type	Sources of funds	Amount occurred	Undue balance	Overdue amount
Financing products	Free funds	275,000	185,000	0
Financial products of securities firms	Free funds	25,000	5,000	0
Trust financial products	Free funds	150,718	84,790	0
Other type	Free funds	167,400	127,150	0
Total		618,118	401,940	0

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

In 10 thousand Yuan

Trustee institution name	Trustee type	Type	Amount	Source of funds	Start date	End date	Capital investment purpose	Criteria for fixing reward	Reference annual rate of return	Anticipated income (if applicable)	Actual gains/losses in period	Actual collected gains/losses in period	Amount of reserve for devaluation of withdrawing (if applicable)	Whether approved by legal procedure (Y/N)	Whether has entrust finance plan in the future	Summary of the items and related query index (if applicable)
Bank	Bank	Non-guaranteed floating income	753,000	Owned fund	2016-01-11	2018-06-30	Financial products	Reference annual rate of return by the	4.1%-5.4%	11,831.95	7,404.42	Collected according to the contra		Y	Y	

								contra ct				ct				
Securiti ies trader	Securiti ies trader	Non-gu arantee d floatin g income	42,000	Owne d fund	2016- 05-17	2018- 01-18	Collec tive assets manag ement plan	Refere nce annual rate of return by the contra ct	4.45%- 5%	919.9	718.36	Collec ted accord ing to the contra ct		Y	Y	
Trust	Trust	Non-gu arantee d floatin g income	278,700	Owne d fund	2016- 01-07	2019- 07-06	Collec tion trust plan	Refere nce annual rate of return by the contra ct	4.7%- 7.5%	10,620 .43	6,509. 81	Collec ted accord ing to the contra ct		Y	Y	
Other(Fund etc.)	Other(Fund etc.)	Non-gu arantee d floatin g income	257,240	Owne d fund	2016- 02-02	2019- 05-09	Fixed incom e fund produc ts	Refere nce annual rate of return by the contra ct	4.8%- 7.8%	15,066 .59	7,537. 92	Collec ted accord ing to the contra ct		Y	Y	
Total			1,330, 940	--	--	--	--	--	--	38,438 .87	22,170 .51	--		--	--	--

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

☐ Applicable ☒ Not applicable

(2) Entrusted loans

☐ Applicable ☒ Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

☐ Applicable ☒ Not applicable

No other material contracts for the Company in reporting period

XVIII. Social responsibility

1. Performance of social responsibility

As for the “Social Responsibility Report 2017” of the Company, found more in the Juchao Website (www.cninfo.com.cn), the information disclosure website appointed by Shenzhen Stock Exchange.

2. Precise poverty alleviation social responsibility

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

3. Environmental protection

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

No

XIX. Explanation on other significant events

☐Applicable ☒ Not applicable

There are no explanation on other significant events in the period

XX. Significant event of subsidiary of the Company

☒ Applicable ☐ Not applicable

1. Proposed application for listing in the national middle and small enterprises stock transfer system by the controlling subsidiary Weifu Tianli

On 25 October 2016, the 8th board of directors of the Company held the 9th meeting to consider and approve the proposal relating to proposed application for listing in the national middle and small enterprises stock transfer system by the controlling subsidiary Weifu Tianli Pressure Technology Co., Ltd. on 30 December 2016, Weifu Tianli was served with the notice of acceptance from the National Middle and Small Enterprise Stock Transfer System Company Limited (GP2016120120). The relevant announcements (No.: 2016-020, 2016-023 and 2017-001) were published on China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website (<http://www.cninfo.com.cn>). At the current stage, this matter is in the progress of consideration and approval.

2. Wholly-owned subsidiary consolidation by merger

On 25 July 2017, the first extraordinary shareholders general meeting of 2017 held for deliberated and approved the proposal of a wholly-owned subsidiary consolidation by merger. According to the operation development requirements, and further optimized the management structure and governance structure, to simplify internal accounting, reducing management costs, integrated business resources and improve operation efficiency, the

Company consolidated Wuxi Weifu Automotive Diesel System Co., Ltd. by merger. The relevant announcements (No.: 2017-017 and No.: 2017-020) were published on *China Securities Journal*, *Securities Times*, *Hong Kong Commercial Daily* and Juchao Information Website (<http://www.cninfo.com.cn>). Relevant works still in progress.

3. On 31 May 2016, the 8th board of directors of the Company held the 7th meeting to consider and approve the proposal relating to proposed investment in establishment of industrial acquisition funds by a wholly-owned subsidiary of the Company. In order to accelerate industrial upgrade and development progress, reserve merger & acquisition projects, improve its comprehensive strength and realize its development strategy, the Company entered into initial intention of cooperation with Ping'an Securities, pursuant to which, Weifu Auto Diesel, a wholly-owned subsidiary of the Company, intended to cooperate with Ping'an Ronghui (a subsidiary of Ping'an Caizhi which is a wholly-owned subsidiary of Ping'an Securities) to invest in establishing industrial acquisition funds. The relevant announcements (No.: 2016-013 and 2016-015) were published on *China Securities*, *Securities Times*, *Hong Kong Commercial Daily* and Juchao Information Website (<http://www.cninfo.com.cn>). The Company has decided to terminate this item for the primary reasons as below: firstly China Securities Regulatory Commission has carried out regulation and normalization on broker private equity subsidiary and Ping An Rong Hui, initially planned one of funds management organizations, was unable to continue the set of funds. Secondly, on July 25th 2017, the Company has opened the first temporary shareholders meeting of 2017, during which, a proposal regarding the Company to absorb and merger wholly-funded subsidiaries has been approved. During the reporting period, the Company has accomplished the merger of Weifu Petrol and diesel item. Because of this, the 8th session of board of directors of the Company has deliberated and adopted the Proposal to Terminate Prospective Investment and Set Industry Merger Funds on the 16th session of meeting. See the related announcements (No.2018-005 and No. 2018-011) at *China Securities Journal*, *Securities Times*, *Hong Kong Commercial Daily* and cninfo (<http://www.cninfo.com.cn>).

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	78,577	0.01%						78,577	0.01%
1. State-owned shares	0								
2. State-owned legal person's shares	0								
3. Other domestic shares	78,577	0.01%						78,577	0.01%
Including: Domestic legal person's shares	0								
Domestic natural person's shares	78,577	0.01%						78,577	0.01%
4. Foreign shares	0								
II. Unrestricted shares	1,008,871,993	99.99%						1,008,871,993	99.99%
1. RMB Ordinary shares	836,491,993	82.90%						836,491,993	82.90%
2. Domestically listed foreign shares	172,380,000	17.09%						172,380,000	17.09%
3. Overseas listed foreign shares	0								
4. Others	0								
III. Total shares	1,008,950,570	100.00%						1,008,950,570	100.00%

Reasons for share changed

☐ Applicable ☒ Not applicable

Approval of share changed

☐ Applicable ☒ Not applicable

Ownership transfer of share changed

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

2. Changes of restricted shares

☐ Applicable ☒ Not applicable

II. Securities issuance and listing

1. Security offering (without preferred stock) in Reporting Period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. Existing internal staff shares

☐ Applicable ☒ Not applicable

III. Particulars about shareholder and actual controller of the Company

1. Amount of shareholders of the Company and particulars about shares holding

In Share

Total common stock shareholders in reporting period-end	62,600	Total common stock shareholders at end of last month before annual report disclosed	63,190	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
Wuxi Industry Development Group Co., Ltd	State-owned corporate	20.22%	204,059,398	0		204,059,398		
ROBERT BOSCH GMBH	Foreign corporate	14.16%	142,841,400	0		142,841,400		

Hong Kong Securities Clearing Company	Foreign corporate	1.93%	19,498,342	17,888,360		19,498,342		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign corporate	1.46%	14,759,494	2,377,215		14,759,494		
Central Huijin Assets Management Co., Ltd.	State-owned corporate	1.27%	12,811,200	0		12,811,200		
Kangjian Assets Management Company –Client’s fund	Foreign corporate	1.11%	11,150,800	-4,189,092		11,150,800		
RBC EMERGING MARKETS EQUITY FUND	Foreign corporate	0.80%	8,038,335	-1,587,929		8,038,335		
Huatai Securities Co., Ltd.	Other	0.75%	7,559,720	4,780,748		7,559,720		
AHCOF Xingye Co., Ltd.	State-owned corporate	0.65%	6,541,348	6,541,348		6,541,348		
Ping An Property & Casualty Insurance Company of China, Ltd. – traditional- common insurance products	Other	0.61%	6,106,625	6,106,625		6,106,625		
Explanation on associated relationship among the aforesaid shareholders		Among the top ten shareholders, there has no associated relationship between Wuxi Industry Development Croup Co., Ltd. and other shareholders, the first largest shareholder of the Company; and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.						
Particular about top ten shareholders with un-restrict shares held								
Shareholders’ name			Amount of un-restrict shares held at Period-end	Type of shares				
				Type	Amount			
Wuxi Industry Development Group Co., Ltd			204,059,398	RMB common shares		204,059,398		
ROBERT BOSCH GMBH			142,841,400	RMB common shares		115,260,600		
				Domestically listed foreign shares		27,580,800		
Hong Kong Securities Clearing Company			19,498,342	RMB common shares		19,498,342		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD			14,759,494	Domestically listed foreign shares		14,759,494		
Central Huijin Assets Management Co., Ltd.			12,811,200	RMB common shares		12,811,200		
Kangjian Assets Management Company –Client’s fund			11,150,800	RMB common shares		11,150,800		
RBC EMERGING MARKETS EQUITY FUND			8,038,335	Domestically listed foreign shares		8,038,335		
Huatai Securities Co., Ltd.			7,559,720	RMB common shares		7,559,720		

AHCOF Xingye Co., Ltd.	6,541,348	RMB common shares	6,541,348
Ping An Property & Casualty Insurance Company of China, Ltd. – traditional- common insurance products	6,106,625	RMB common shares	6,106,625
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the top ten shareholders, there has no associated relationship between Wuxi Industry Development Group Co., Ltd. and other shareholders, the first largest shareholder of the Company; and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.		
Explanation on top 10 shareholders involving margin business (if applicable)	Not applicable		

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

☐ Yes ☒ No

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

2. Controlling shareholder of the Company

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Wuxi Industry Development Group Co., Ltd.	Jiang Guoxiong	1995-10-05	913202001360026543	Authorizing the state-owned assets operation within a certain areas, investment management of significant project, investment and development of manufacturing and services and venture capital in high-tech achievement, entrust enterprise and management etc.
Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period		Substantial shareholder of the Company—Industry Group is the controlling shareholder of Wuxi Taiji Industry Co., Ltd. (stock code: 600667)		

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

The Company had no changes of controlling shareholders in reporting period

3. Actual controller of the Company

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

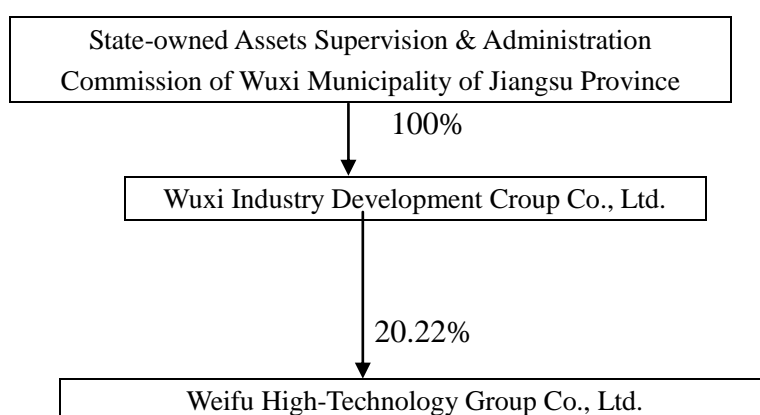
Actual controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
State-owned Assets Supervision & Administration Commission of Wuxi Municipality of Jiangsu Province	~		~	State-owned Assets Administration
Equity of domestic/oversea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

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

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

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



Actual controller controlling the Company by entrust or other assets management

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Corporate shareholders	Legal rep./person in charge of unit	Dated founded	Register capital	Main business or management activity
ROBERT BOSCH GMBH	Heiko Carrie, Bettina Holzwarth	1886-11-15	EUR 1,200 million	Development, manufacture and sales of automotive equipment and engine equipment; engaged in electro-technical, electronic technology, machinery manufacturing and optical system as well as produce iron, metal and plastic products and similar commodity. The company engaged in varies trading business concerned with its business scope and established relevant company concerned with its business scope.

5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

☐ Applicable ☒ Not applicable

Section VII. Preferred Stock

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Chen Xuejun	Chairman	Currently in office	M	50	2012-03-07	2018-05-27	34,753				34,753
Rudolf Maier	Vice Chairman	Currently in office	M	60	2012-03-07	2018-05-27					
Wang Xiaodong	Vice Chairman, GM	Currently in office	M	51	2012-03-07	2018-05-27	20,781				20,781
Ou Jianbin	Deputy General Manager and financing Charger	Currently in office	M	51	2012-03-07	2018-05-27	10,000				10,000
	Director	Currently in office	M	51	2012-05-23	2018-05-27					
Zhang Xiaogeng	Director	Currently in office	M	54	2015-05-28	2018-05-27					
Chen Yudong	Director	Currently in office	M	56	2012-03-07	2018-05-27					
Hua Wanrong	Director	Currently in office	M	53	2012-03-07	2018-05-27					
Xing Min	Independent Director	Currently in office	F	63	2012-03-07	2018-05-27					
Lou Diming	Independent Director	Currently in office	M	54	2015-05-28	2018-05-27					
Jin Zhangluo	Independent Director	Currently in office	M	67	2015-05-28	2018-05-27					
Xu Xiaofang	Independent Director	Currently in office	M	54	2015-05-28	2018-05-27					

Shi Xingyuan	Chairman of the Supervisory Committee	Currently in office	M	55	2012-03-07	2018-05-27	12,673				12,673
Zhang Zhenting	Supervisor	Currently in office	M	53	2015-05-28	2018-05-27	500				500
Liu Jinjun	Supervisor	Currently in office	M	42	2012-03-07	2018-05-27					
Miao Yuming	Deputy GM	Currently in office	M	54	2003-04-16	2018-05-27	10,000				10,000
Xu Yunfeng	Deputy GM	Currently in office	M	46	2012-03-07	2018-05-27	13,000				13,000
Zhou Weixing	Secretary of the Board	Currently in office	M	54	2005-06-09	2018-05-27	3,565				3,565
Total	--	--	--	--	--	--	105,272	0	0		105,272

II. Changes of directors, supervisors and senior executives

☐Applicable ☒Not applicable

III. Post-holding

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

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

Mr. Rudolf Maier, was born in October 1957, a German citizenship with a doctor degree. He currently serves as chairman of the BOSCH Automotive Diesel Systems Co., Ltd.; previously he was executive deputy president of technology research of German Bosch Diesel System, chairman of commercial vehicle dept. diesel injection system, chairman of German Bosch Diesel System China Region, the vice Chairman of BOSCH Automotive Diesel Systems Co., Ltd. and director of the Company.

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

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

Jinning, Deputy GM and GM of subsidiary Weifu Leader and supervisor of the Company.

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

Mr. Chen Yudong, was born in September 1961, an America citizenship and a Doctor. He currently serves as director of the Company and president of Bosch (China) Investment Ltd; he previously served as Chief engineer of Greater China, Business Director and GM of Business department of China of Delphi Automotive Parts Group, senior deputy president of petrol system dept. of German Bosch and executive deputy president of Bosch (China) Investment Ltd.

Ms. Hua Wanrong, born in September 1964, graduated from college, a senior accountant. Currently she serves as director of the Company, chief of the financial management dept. of majority shareholder Industry Group, and director of Taiji Industrial. Previously she served as deputy director of administrative resources division of State-owned Assets Supervision and Administration Bureau of Wuxi City, director of tax policy and regulations division and director of state-owned assets division of Wuxi Municipal Bureau of Finance, director of property management department and director of development and planning department of State-owned Assets Supervision and Administration Commission of Wuxi City, director of investment and development department of major shareholder – Industry Group.

Mr. Xing Min, born in January 1954, graduate from University, professorate senior engineer. He currently serves as independent director of the Company, vice chairman and secretary-general of China Internal Combustion Engine Industry Association (CICEIA), Independent Director of Hunan Tyen Machinery Co., Ltd., and Independent Director of First Tractor; he previously served as vice chief of Bureau of Retired Veteran Cadres of Machinery Dept., secretary of Party Committee of Administration Division and deputy director, director of Labor Division, secretary of Party Committee of China National Heavy Machinery Corporation (CHMC), GM and secretary of Party Committee and consultant of China National Machine Tools Corporation (CNMTC).

Lou Diming, male, born in July 1963, doctor, professor. He currently serves as independent director of the Company, professor and doctoral supervisor of Tongji University, director of Automobile Engine Design Institute of College of Automotive Studies, Tongji University, vice president of SICES, director of Chinese Society for Internal Combustion Engines, vice chairman of small and medium power diesel branch and vice chairman of oils and clean fuel branch, committee member of Expert & Technical Committee of National Technical Committee 177 on IC engines Standardization Administration of China, committee member of Expert Committee of China Internal Combustion Engine Industry Association, independent director of Shanghai Diesel Engine Co., Ltd., independent director of Kunming Yunnei Power Co., Ltd.. he previously served as deputy director and general party branch secretary in School of Mechanical Engineering of Shanghai Railway Institute, deputy secretary of branch Party committee of School of Mechanical Engineering and general party branch secretary in School of Locomotive Vehicle Engineering and executive vice president of Institute of Rail Transit of Tongji University,

and secretary of the second joint committee of Tongji University.

Jin Zhangluo, male, born in August 1950, college degree, certified public accountant, senior accountant. Currently he serves as independent director of the Company, an independent director of Jiangsu Meishang Ecology Landscape Co., Ltd., independent director of Jiangsu Liba Enterprise Joint-Stock Co., Ltd., independent director of Suzhou Taihu Electric Advanced Material Co, Ltd., independent director of Jiangsu Pen Yao Environmental Protection and Technology Co., Ltd. He previously served as financial administrator of Jiangsu Jintan Diesel Engine Factory, deputy chief, chief, and chief accountant of finance department of Wuxi Power Factory, department manager, deputy director, and routine deputy director of Jiangsu Gongzheng Tianye CPA.

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

Mr. Shi Xingyuan, was born in May 1962, a postgraduate, Master of Commerce and Industry, senior engineer. Currently he serves as Chairman of the Supervisory Committee of the Company, deputy secretary of party committee and chairman of labor union of the Company; previously he served as director of the management office of the Company, director of GM office and assistant GM, deputy GM and director of the Company.

Mr. Zhang Zhenting, born in December 1964, university graduated, senior engineer. Currently he serves as supervisor of the Company and GM of Weifu Jinning; previously served as served as the engineer in charge, chief engineer, director of development department, general manager assistant, deputy chief engineer, vice general manager in Weifu Jinning.

Mr. Liu Jinjun, born in September 1975, graduates from University, a MSIE and engineer. Currently serves as supervisor of the Company and director of Strategy & Marketing department; previously served as Manager of H&R administrative and technology sales manager of WFDS, HR director of WFHT.

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

Mr. Xu Yunfeng, born in November 1971, graduate from University, a Master and engineer. Currently serves as deputy GM of the Company and previously served as vice director of product research institute of Technology Center of the Company, Manager, assistant GM and GM of sales dept. of Weifu Automobile Diesel.

Mr. Zhou Weixing, born in January 1963, graduate from University, a senior engineer. Currently serves as secretary of the Board of the Company and previously served as representative of security affairs and director of security office.

Post-holding in shareholder's unit

√ Applicable □ Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Rudolf Maier	Bosch Automobile Diesel System Co., Ltd	Chairman			Yes
Rudolf Maier	ROBERT BOSCH GMBH	Executive vice president of Diesel System	2011-01-01		Yes
Zhang Xiaogeng	Wuxi Industry Development Group Co., Ltd	Vice president	2008-04-01		Yes
Hua Wanrong	Wuxi Industry Development Group Co., Ltd	Director of financial management dept.	2011-12-01		Yes
Chen Yudong	Bosch (China) Investment Ltd.	President	2011-01-01		Yes
Miao Yuming	Bosch Automobile Diesel System Co., Ltd	Deputy GM	2012-03-01		Yes

Post-holding in other unit

√ Applicable □ Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Xing Min	CICEIA	Vice chairman and secretary	2008-08-01		Y
Xing Min	Hunan Tyen Machinery Co., Ltd.	Independent director	2015-07-17	2018-07-16	Y
Xing Min	First Tractor Co., Ltd.	Independent director	2015-10-29	2018-10-18	Y
Lou Diming	Tongji University	Professor, doctoral tutor	2000-04-15		Y
Lou Diming	Shanghai Diesel Engine Co., Ltd.	Independent director	2015-05-20	2018-05-19	Y
Lou Diming	Kunming Yunnei Power Co., Ltd.	Independent director	2015-12-28	2018-12-27	Y
Jin Zhangluo	Jiangsu Meishang Ecological Landscape Co., Ltd.	Independent director	2011-09-28	2017-09-27	Y
Jin Zhangluo	Jiangsu Liba Industrial Co., Ltd.	Independent director	2014-02-15	2017-02-14	Y
Jin Zhangluo	Suzhou Taihu Electrical New Materials Co., Ltd.	Independent director	2016-02-04	2019-02-03	Y
Jin Zhangluo	Jiangsu Pengyao Environmental Protection Technologies Co., Ltd.	Independent director	2014-02-01		Y
Xu Xiaofang	Oriental Kunlun (Shenzhen) Law Firm	Lawyer	2004-09-01		Y
Xu Xiaofang	Shenzhen League Star Technology Co., Ltd	Director	2012-08-01		Y
Explanation on post-holding in other unit	The aforesaid are the independent directors of the Company				

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

☐ Applicable ☒ Not applicable

IV. Remuneration for directors, supervisors and senior executives

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

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

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Chen Xuejun	Chairman	M	50	Currently in office	92	No
Rudolf Maier	Vice Chairman	M	60	Currently in office		Yes
Wang Xiaodong	Vice Chairman, GM	M	51	Currently in office	84	No
Ou Jianbin	Director, standing Deputy GM and Chief in financial	M	51	Currently in office	70	No
Zhang Xiaogeng	Director	M	54	Currently in office		Yes
Chen Yudong	Director	M	56	Currently in office		Yes
Hua Wanrong	Director	F	53	Currently in office		Yes
Xing Min	Independent Director	M	63	Currently in office	12	No
Lou Diming	Independent Director	M	54	Currently in office	12	No

Jin Zhangluo	Independent Director	M	67	Currently in office	12	No
Xu Xiaofang	Independent Director	M	54	Currently in office	12	No
Shi Xingyuan	Chairman of the Supervisory Committee	M	55	Currently in office	70	No
Zhang Zhenting	Supervisor	M	54	Currently in office	45	No
Liu Jinjun	Supervisor	M	42	Currently in office	38	No
Miao Yuming	Deputy GM	M	54	Currently in office		Yes
Xu Yunfeng	Deputy GM	M	46	Currently in office	70	No
Zhou Weixing	Secretary of the Board	M	54	Currently in office	38	No
Total	--	--	--	--	555	--

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

☐ Applicable ☒ Not applicable

V. Particulars of workforce

1. Number of Employees, Professional composition, Education background

Employee in-post of the parent Company (people)	2,421
Employee in-post of main Subsidiaries (people)	2,990
The total number of current employees (people)	5,411
The total number of current employees to receive pay (people)	5,411
Retired employee' s expenses borne by the parent Company and main Subsidiaries (people)	
Professional composition	
Category of professional composition	Numbers of professional composition (people)
Production personnel	3,251
Sales personnel	228
Technical personnel	1,282
Financial personnel	86
Administrative personnel	564
Total	5,411
Education background	
Category of education background	Numbers (people)
Master degree and above	209
Undergraduate	1,258
Junior college	1,239

Other	2,705
Total	5,411

2. Remuneration Policy

In 2017, the Company continued to improve its remuneration and benefits system so as to constantly secure the income level of its staff. Staff's income is closely linked with the Company's operating results. The Company also emphasized increase or decrease of income per capita, and the system among "profit per capita, sales per capital and production efficiency". It implemented budget system both in inflexibility and flexibility, enhanced performance related income linked assessment measures and proactively propelled implementation of the incentive mechanism in a long and middle run. The Company arranged social insurance for all of its employees, and continued to make available the complementary annuity and medical and accident commercial insurances, managing to activate employees' enthusiasm and innovation, retain employees, attract high quality elites and strengthen corporate cohesiveness.

3. Training programs

In 2017, the Company further increased trainings to improve the professionalism and expertise of employees. Throughout the year, it held in aggregate 104 internal trainings with 113 in-house trainers. Besides, it conducted an overall dynamic management against its training courses and trainers in order to achieve constant improvement of internal training quality. A total of about 16,000 people have received relevant trainings from the Company, among which, internal trainings accounted for 85%. The major training subjects included development plan for potential elites, establishment and implementation of training plan for core elites. Together with the assessment on effectiveness of trainings, the Company managed to strengthen training management on application and sharing plans. In addition, the Company also tried cross training among subsidiaries, and achieved cultivation and mutual progress of special talents by use of the in-house advantageous resources and platforms.

4. Labor outsourcing

☐ Applicable ☒ Not applicable

Section IX. Corporate Governance

I. Corporate governance of the Company

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

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

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

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

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

management and control level, optimize the workflow, improve the internal control system, identify and control the operational risks. Please see the detailed contents of "2017 Annual Internal Control Evaluation Report" on www.cninfo.com.cn which is the information disclosure website designated by Shenzhen Stock Exchange.

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

☐ Yes ☒ No

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

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

1. Business: the company has a complete independent research and development, procurement, production and sales systems, the main business does not have horizontal competition with the controlling shareholders. The business is absolutely separated.
2. Personnel: the company has mutual independence with its controlling shareholders in labor, personnel and salary management; there is no mixed operation and management with the controlling shareholders. The company's general manager, vice general manager, financial administrator, secretary of the board, and senior executives don't hold any position in the shareholders' units.
3. Assets: the company's assets are independent and complete, the property relations with the controlling shareholders are clear.
4. Organization: the company has established organization completely independent from its controlling shareholders, the duty and authority of the company's stockholders' meeting, board of directors, board of supervisors and management level are clearly defined, the internal management system can operate independently.
5. Finance: the company has set up an independent financial department, established the independent financial accounting system and financial management system, opened the independent bank account, and paid taxes separately according to law.

III. Horizontal competition

☐ Applicable ☒ Not applicable

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

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
AGM of 2016	AGM	46.22%	2017-05-19	2017-05-20	(No.: 2017-013) published on Juchao Website(www.cninfo.com.cn)
The first extraordinary shareholders' meeting in 2017	Extraordinary shareholders' meeting	45.20%	2017-07-25	2017-07-26	(No.: 2017-020) published on Juchao Website(www.cninfo.com.cn)

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

☐ Applicable ☒ Not applicable

V. Responsibility performance of independent directors**1. The attending of independent directors to Board meetings and general meeting**

The attending of independent directors to Board Meeting and general meeting							
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Board meeting Presence	Times of attending Board meeting by communication	Times of Board meeting entrusted presence	Times of Board meeting Absence	Absent the Board Meeting for the second time in a row (Y/N)	Times of attending shareholders' meeting
Xing Min	5	1	4			No	2
Lou Diming	5	1	4			No	2
Jin Zhangluo	5	1	4			No	2
Xu Xiaofang	5	1	4			No	2

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

Not applicable

2. Objection for relevant events from independent directors

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

☐ Yes ☒ No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

√ Yes □ No

Explanation on advice that accepted/not accepted from independent directors

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

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

During the reporting period, the board of directors of the special committees performed their duties as follows:

1. Two meetings of Audit committee of the Board, deliberated the followed: "Financial Result Report of 2016", "Annual Report of 2016 and its Summary", "Conclusion Report of auditing for year of 2016", "Engagement of audit institute for financial report of 2017", "Engagement of audit institute for internal control of the Company of 2017", "Semi-Annual Report of 2017 and its Summary", and "Specific Report on Raise Funds Deposit for First Half Year of 2017 and Practical Usage" etc.;
2. One meeting of remuneration and appraisal committee of the Board, deliberate "Remuneration evaluation and payment for senior executive of 2016";
3. One meeting of strategy committee of the Board, deliberate "Operation target for year of 2017"

VII. Works from Supervisory Committee

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

□ Yes √ No

Supervisory committee has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

Assessment and incentive of senior management of the Company is conducted pursuant to the Company Law, Articles of Association, and the annual operating results assessment measures of senior management and remuneration management rules of senior management as approved at the general meetings. Assessment of operating results of senior management comprises of annual operating results assessment and term-of-service operating results assessment. Assessment on results and procedure was combined, and assessment results were linked to incentives and punishment. With respect to annual operating results review, the remuneration and review committee of the Board made comprehensive assessment on satisfaction of the annual operating targets and determined the annual remuneration, incentives or punishment for senior management based on their review results (which was implemented according to remuneration management rules of senior management), based on the major annual operating targets set by the Board under required procedures and methods through establishment

of scientific performance indicators and assessment system and combination of scoring in terms of quantity and review comments. During the reporting period, the Company made appropriate assessment on its senior management under the performance indicator and assessment system, the results of which had been reflected in the annual performance related remuneration.

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

IX. Internal Control

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

☐ Yes ☒ No

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2018-04-17	
Disclosure index of full internal control evaluation report	”Self-evaluation report of internal control for 2017”, more details found in Juchao website (www.cninfo.com.cn) appointed by Shenzhen Stock Exchange	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	100.00%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	100.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	See details in “(II) Basis for evaluation of internal controls and defect identification standards of internal controls of III Evaluation of Internal Controls” in “2016 Annual Internal Control Self-Evaluation Report” disclosed on www.cninfo.com.cn on April 17, 2018.	See details in “(II) Basis for evaluation of internal controls and defect identification standards of internal controls of III Evaluation of Internal Controls” in “2016 Annual Internal Control Self-Evaluation Report” disclosed on www.cninfo.com.cn on April 17, 2018.
Quantitative standard	See details in “(II) Basis for evaluation of internal controls and defect identification standards of internal controls of III Evaluation of Internal Controls” in “2016 Annual Internal	See details in “(II) Basis for evaluation of internal controls and defect identification standards of internal controls of III Evaluation of Internal Controls” in “2016 Annual Internal

	Control Self-Evaluation Report” disclosed on www.cninfo.com.cn on April 17, 2018.	Control Self-Evaluation Report” disclosed on www.cninfo.com.cn on April 17, 2018.
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Auditing report of internal control

√Applicable □ Not applicable

Deliberations in Internal Control Audit Report	
Audit institute considers that: according to relevant regulations and “Basic Rules of Internal Control for Enterprises”, Weifu High-Technology Co., Ltd., in all major aspects, keeps an efficiency of internal control of financial report dated 31 December 2017.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2018-04-17
Index of audit report of internal control (full-text)	”Audit report of internal control for year of 2017”, more details found in Juchao website (www.cninfo.com.cn) appointed by Shenzhen Stock Exchange
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

□Yes √ No

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

√ Yes □ No

Section X. Corporate Bond

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

No

Section XI. Financial Report

I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2018-04-13
Name of audit institute	Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd. (Special Ordinary Partnership)
Document number of audit report	SG W[2018]NO. A366
Name of CPA	Bo Lingjing, Meng Yin

Auditor's Report

SG W[2018]NO. A366

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

I. Auditing opinions

We have audited the financial statement under the name of Weifu High-Technology Group Co., Ltd. (hereinafter referred to as Weifu High-Technology), including the consolidated and parent Company's balance sheet of 31 December 2017 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2017 and its operation results and cash flows for the year ended.

II. Basis of opinion

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

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate

opinion on these matters. The key audit matter we identified is as follows:

Revenue Recognition Principle is the key audit matter identified during auditing.

1. Matter description

In 2017, Weifu High Technology Group Co.,Ltd, has recorded RMB9,017,280,200 in operating revenue, an increase of 40.40 percent from the year of 2016.

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

2.The solution to the matter in auditing

(1)The Company has tested the design and execution of key internal control related to revenue recycling so as to confirm the validity of internal control; (2) The Company should make sure whether the recognition condition and method of major operating revenue are compliance with the enterprise accounting principle and whether the front phase consistent with the rear phase; it also should pay an attention to that whether the cyclical and occasional revenue is compliance with the decided revenue recognition principle and methods; (3) Combining with status and policies of the industry where Weifu High Technology Group Co.,Ltd. is located, the Company should make a judgment on the rationality of fluctuation of the revenue composition; (4) The Company should make an analysis on the revenue composition of Weifu High Technology Group Co.,Ltd. from 2015 to 2017, and make a judgment on the rationality of fluctuation of the revenue composition combing with the industry status and policies; (5) The Company should carry out the procedure of account receivable and income letter of confirmation, and make a judgment on the rationality of the timing of revenue recognition; (6) Combining with the procedure of letter of confirmation, the Company should make a random inspection on sales contracts or orders, delivery lists, logistics bills, customs declaration, sales invoices and other documents related to revenue to verify the authenticity of revenue; (7) Referring to the recorded revenue before and after the Balance Sheet Date, the Company should select some samples and check out the supportive documents such as delivery lists, customs declaration and receipt forms to make a judgment on whether the income has been recorded at the appropriate accounting period.

IV. Other information

The management of Weifu High-Technology Co., Ltd. (the “Management”) is responsible for other information which includes the information covered in the Company’s 2017 annual report excluding the financial statement and our audit report.

The audit opinion issued by us for the financial statement has not covered other information, for which we do not issue any form of assurance opinions.

Considering our audit on financial statements, we are liable to read other information, during which, we shall consider whether other information differs materially from the financial statements or that we understand during our audit, or whether there is any material misstatement.

Based on the works executed by us, we should report the fact if we find any material misstatement in other information. In t his regards, we have nothing to report.

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

The management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Enterprise to secure a fair presentation, and for the design, establishment and maintenance of the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. Responsibilities of the auditor for the financial statements

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the CAS to draw users' attention in audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and

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

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

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

Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd.

(Special Ordinary Partnership)

Wuxi China

Chinese CPA: Bo Lingjing

(engagement partner)

Chinese CPA: Meng Yin

13 April 2018

II. Financial statement

Unit in note of financial statement refers to CNY: RMB (Yuan)

1. Consolidated balance sheet

Prepared by Weifu High-Technology Group Co., Ltd

2017-12-31

In RMB

Item	Ending balance	Opening balance
Current assets:		
Monetary funds	3,118,709,412.83	3,969,674,068.56
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Notes receivable	1,464,256,934.83	1,279,844,777.10
Accounts receivable	1,995,577,830.90	1,324,703,543.17
Account paid in advance	97,576,197.88	74,030,486.38
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable	2,281,979.17	2,487,527.65
Dividends receivable		
Other receivables	5,214,623.41	5,907,873.92
Purchase restituted finance asset		
Inventories	1,478,939,040.70	1,349,444,535.25
Divided into assets held for sale		
Non-current assets due within one year		
Other current assets	3,887,997,290.53	1,914,225,879.67
Total current assets	12,050,553,310.25	9,920,318,691.70
Non-current assets:		
Loans and payments on behalf		
Available-for-sale financial assets	588,142,869.00	695,235,461.00
Held-to-maturity investments		

Long-term receivables		
Long-term equity investments	4,140,064,825.58	3,421,030,760.78
Investment property	23,544,830.78	25,113,472.54
Fixed assets	2,584,872,628.54	2,447,840,035.34
Construction in progress	100,345,461.28	90,621,102.20
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	340,632,143.36	347,206,518.76
Research and development costs		
Goodwill	1,784,086.79	1,784,086.79
Long-term deferred expenses	2,969,770.81	1,753,413.10
Deferred income tax assets	203,007,622.23	210,196,714.45
Other non-current assets	195,088,675.74	102,671,641.12
Total non-current assets	8,180,452,914.11	7,343,453,206.08
Total assets	20,231,006,224.36	17,263,771,897.78
Current liabilities:		
Short-term borrowings	243,000,000.00	150,000,000.00
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	947,976,759.10	837,045,962.78
Accounts payable	2,570,956,205.83	1,729,250,355.93
Accounts received in advance	42,820,236.07	42,983,352.84
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	327,778,677.29	230,672,269.58
Taxes payable	93,869,690.36	62,634,922.88
Interest payable	401,928.43	437,938.27
Dividend payable		

Other accounts payable	62,937,940.90	96,514,485.59
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within one year	10,000,000.00	
Other current liabilities		
Total current liabilities	4,299,741,437.98	3,149,539,287.87
Non-current liabilities:		
Long-term loans	45,000,000.00	60,000,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable	17,496,363.00	17,835,454.00
Long-term wages payable	30,448,132.88	112,815,704.51
Special accounts payable	18,265,082.11	18,265,082.11
Accrual liabilities		
Deferred income	451,281,721.77	479,211,845.88
Deferred income tax liabilities	17,406,622.39	27,674,132.89
Other non-current liabilities		
Total non-current liabilities	579,897,922.15	715,802,219.39
Total liabilities	4,879,639,360.13	3,865,341,507.26
Owners' equity:		
Share capital	1,008,950,570.00	1,008,950,570.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital reserve	3,417,841,402.89	3,417,841,402.89
Less: Inventory shares		
Other comprehensive income	87,169,455.01	144,722,827.51
Reasonable reserve	2,606.93	89,005.19
Surplus reserve	510,100,496.00	510,100,496.00
Provision of general risk		

Retained profit	9,811,609,138.92	7,845,639,990.88
Total owners' equity attributable to parent company	14,835,673,669.75	12,927,344,292.47
Minority interests	515,693,194.48	471,086,098.05
Total owners' equity	15,351,366,864.23	13,398,430,390.52
Total liabilities and owner's equity	20,231,006,224.36	17,263,771,897.78

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

2. Balance Sheet of Parent Company

In RMB

Item	Ending balance	Opening balance
Current assets:		
Monetary funds	2,460,413,190.84	2,143,816,269.01
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Notes receivable	449,209,323.02	216,516,806.40
Accounts receivable	1,047,012,889.92	611,594,846.92
Account paid in advance	52,269,971.38	34,805,212.41
Interest receivable	97,627.77	
Dividends receivable		
Other receivables	50,174,653.16	46,349,571.47
Inventories	425,577,163.53	202,839,001.66
Assets held for sale		
Non-current assets due within one year		
Other current assets	3,876,370,675.52	1,945,446,935.23
Total current assets	8,361,125,495.14	5,201,368,643.10
Non-current assets:		
Available-for-sale financial assets	512,202,869.00	619,295,461.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	4,962,522,689.49	4,591,005,651.65
Investment property		

Fixed assets	1,567,315,925.73	1,438,192,853.38
Construction in progress	29,152,398.74	36,142,328.79
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	196,726,670.75	192,448,576.72
Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	114,706,976.54	96,943,564.13
Other non-current assets	80,866,308.04	31,747,194.01
Total non-current assets	7,463,493,838.29	7,005,775,629.68
Total assets	15,824,619,333.43	12,207,144,272.78
Current liabilities:		
Short-term borrowings	78,000,000.00	80,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	459,762,950.78	171,760,000.00
Accounts payable	1,082,206,882.07	595,558,830.63
Accounts received in advance	12,242,442.51	732,252.09
Wage payable	216,598,203.73	119,456,739.08
Taxes payable	71,370,793.35	28,055,629.04
Interest payable	93,777.78	88,933.33
Dividend payable		
Other accounts payable	9,982,668.55	14,190,407.16
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	1,930,257,718.77	1,009,842,791.33
Non-current liabilities:		
Long-term loans		
Bonds payable		

Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable	16,665,236.81	101,240,000.00
Special accounts payable		
Accrual liabilities		
Deferred income	407,070,636.08	432,695,399.27
Deferred income tax liabilities	15,382,844.99	25,539,322.49
Other non-current liabilities		
Total non-current liabilities	439,118,717.88	559,474,721.76
Total liabilities	2,369,376,436.65	1,569,317,513.09
Owners' equity:		
Share capital	1,008,950,570.00	1,008,950,570.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital reserve	3,488,221,286.39	3,448,408,786.39
Less: Inventory shares		
Other comprehensive income	87,169,455.01	144,722,827.51
Reasonable reserve		
Surplus reserve	510,100,496.00	510,100,496.00
Retained profit	8,360,801,089.38	5,525,644,079.79
Total owners' equity	13,455,242,896.78	10,637,826,759.69
Total liabilities and owner's equity	15,824,619,333.43	12,207,144,272.78

3. Consolidated Profit Statement

In RMB

Item	2017	2016
I. Total operating income	9,017,280,159.80	6,422,700,399.27
Including: Operating income	9,017,280,159.80	6,422,700,399.27
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	8,086,342,833.98	6,022,388,441.21

Including: Operating cost	6,761,729,398.36	4,884,458,125.87
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	72,413,140.48	47,718,976.36
Sales expenses	194,854,780.37	213,304,364.89
Administration expenses	930,808,787.61	797,426,199.46
Financial expenses	7,316,996.79	-9,109,442.62
Losses of devaluation of asset	119,219,730.37	88,590,217.25
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	1,853,638,285.20	1,377,945,740.24
Including: Investment income on affiliated company and joint venture	1,604,027,207.30	1,131,546,611.25
Exchange income (Loss is listed with “-”)		
Income from assets disposal(Loss is listed with “-”)	-748,927.63	-1,294,483.17
Other income	40,394,724.11	
III. Operating profit (Loss is listed with “-”)	2,824,221,407.50	1,776,963,215.13
Add: Non-operating income	11,968,167.87	49,303,699.35
Less: Non-operating expense	5,773,593.62	7,720,223.98
IV. Total Profit (Loss is listed with “-”)	2,830,415,981.75	1,818,546,690.50
Less: Income tax expense	183,206,057.17	92,541,909.98
V. Net profit (Net loss is listed with “-”)	2,647,209,924.58	1,726,004,780.52
(i) Net profit of continuous operating (Net loss is listed with “-”)	2,647,209,924.58	1,726,004,780.52
(ii) Net profit of business termination (Net loss is listed with “-”)		
Net profit attributable to owners of parent company	2,571,339,490.04	1,672,224,317.05
Minority shareholders' gains and losses	75,870,434.54	53,780,463.47
VI. Net after-tax of other comprehensive income	-57,553,372.50	-43,713,544.99
Net after-tax of other comprehensive income attributable to owners of parent company	-57,553,372.50	-43,713,544.99
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		

1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss	-57,553,372.50	-43,713,544.99
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	-57,553,372.50	-43,713,544.99
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,589,656,552.08	1,682,291,235.53
Total comprehensive income attributable to owners of parent Company	2,513,786,117.54	1,628,510,772.06
Total comprehensive income attributable to minority shareholders	75,870,434.54	53,780,463.47
VIII. Earnings per share:		
(i) Basic earnings per share	2.55	1.66
(ii) Diluted earnings per share	2.55	1.66

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal Representative: Chen Xuejun

Person in charge of accounting works: Ou Jianbin

Person in charge of accounting institute: Ou Jianbin

4. Profit Statement of Parent Company

In RMB

Item	2017	2016
I. Operating income	3,646,015,253.48	2,036,799,902.87
Less: Operating cost	2,772,717,901.96	1,599,149,986.88
Operating tax and extras	32,231,401.32	17,207,158.95
Sales expenses	41,447,839.21	37,115,337.20
Administration expenses	383,864,560.76	335,634,677.44
Financial expenses	612,009.78	-10,480,951.41
Losses of devaluation of asset	32,483,156.75	28,418,499.67
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	2,684,760,048.35	1,299,983,044.34
Including: Investment income on affiliated company and joint venture	1,470,504,861.61	1,032,835,715.35
Income from assets disposal(Loss is listed with “-”)	-712,637.95	-6,310.83
Other income	29,394,763.19	
II. Operating profit (Loss is listed with “-”)	3,096,100,557.29	1,329,731,927.65
Add: Non-operating income	3,830,135.74	39,996,035.47
Less: Non-operating expense	2,394,121.52	5,414,354.95
III. Total Profit (Loss is listed with “-”)	3,097,536,571.51	1,364,313,608.17
Less: Income tax expense	96,268,627.83	41,652,889.27
IV. Net profit (Net loss is listed with “-”)	3,001,267,943.68	1,322,660,718.90
(i) Net profit of continuous operating (Net loss is listed with “-”)	3,001,267,943.68	1,322,660,718.90
(ii) Net profit of business termination (Net loss is listed with “-”)		
V. Net after-tax of other comprehensive income	-57,553,372.50	-43,713,544.99
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss	-57,553,372.50	-43,713,544.99

1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	-57,553,372.50	-43,713,544.99
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	2,943,714,571.18	1,278,947,173.91
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

5. Consolidated Cash Flow Statement

In RMB

Item	2017	2016
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	7,754,845,248.56	5,646,233,371.59
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	43,620,789.57	40,830,918.82

Other cash received concerning operating activities	65,978,678.90	128,389,351.09
Subtotal of cash inflow arising from operating activities	7,864,444,717.03	5,815,453,641.50
Cash paid for purchasing commodities and receiving labor service	4,582,582,669.13	3,416,440,017.06
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	1,160,114,421.44	956,097,686.14
Taxes paid	616,431,389.37	442,107,218.12
Other cash paid concerning operating activities	547,618,336.02	473,464,356.14
Subtotal of cash outflow arising from operating activities	6,906,746,815.96	5,288,109,277.46
Net cash flows arising from operating activities	957,697,901.07	527,344,364.04
II. Cash flows arising from investing activities:		
Cash received from recovering investment	9,448,612,477.03	9,935,861,906.70
Cash received from investment income	1,098,610,121.87	1,207,746,248.77
Net cash received from disposal of fixed, intangible and other long-term assets	57,287,480.01	82,241,379.95
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	4,559,984.34	70,178,754.61
Subtotal of cash inflow from investing activities	10,609,070,063.25	11,296,028,290.03
Cash paid for purchasing fixed, intangible and other long-term assets	469,961,718.71	442,372,043.84
Cash paid for investment	11,389,400,000.00	9,888,110,985.03
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		57,116.41
Subtotal of cash outflow from investing activities	11,859,361,718.71	10,330,540,145.28
Net cash flows arising from investing activities	-1,250,291,655.46	965,488,144.75
III. Cash flows arising from financing activities		
Cash received from absorbing investment	9,520,000.00	12,800,000.00
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	9,520,000.00	12,800,000.00
Cash received from loans	245,000,000.00	310,559,165.37
Cash received from issuing bonds		

Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	254,520,000.00	323,359,165.37
Cash paid for settling debts	157,000,000.00	520,559,165.37
Cash paid for dividend and profit distributing or interest paying	640,733,312.09	541,130,326.60
Including: Dividend and profit of minority shareholder paid by subsidiaries	25,491,872.94	24,803,800.00
Other cash paid concerning financing activities	1,388,802.28	339,091.00
Subtotal of cash outflow from financing activities	799,122,114.37	1,062,028,582.97
Net cash flows arising from financing activities	-544,602,114.37	-738,669,417.60
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-9,588,455.13	745,388.07
V. Net increase of cash and cash equivalents	-846,784,323.89	754,908,479.26
Add: Balance of cash and cash equivalents at the period -begin	3,795,223,678.11	3,040,315,198.85
VI. Balance of cash and cash equivalents at the period -end	2,948,439,354.22	3,795,223,678.11

6. Cash Flow Statement of Parent Company

In RMB

Item	2017	2016
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	3,416,825,598.91	1,663,923,521.83
Write-back of tax received		
Other cash received concerning operating activities	517,431,460.97	98,413,569.34
Subtotal of cash inflow arising from operating activities	3,934,257,059.88	1,762,337,091.17
Cash paid for purchasing commodities and receiving labor service	2,151,676,404.43	855,651,976.61
Cash paid to/for staff and workers	536,335,082.41	391,878,665.88
Taxes paid	286,855,287.15	135,900,666.66
Other cash paid concerning operating activities	122,961,088.23	116,261,020.11
Subtotal of cash outflow arising from operating activities	3,097,827,862.22	1,499,692,329.26
Net cash flows arising from operating activities	836,429,197.66	262,644,761.91
II. Cash flows arising from investing activities:		
Cash received from recovering investment	8,859,701,492.00	9,479,200,000.00
Cash received from investment income	1,994,517,515.08	1,192,132,808.61
Net cash received from disposal of fixed, intangible and other long-term assets	52,607,353.75	75,624,378.58

Net cash received from disposal of subsidiaries and other units	2,410,502.57	
Other cash received concerning investing activities	203,883,811.97	39,384,620.61
Subtotal of cash inflow from investing activities	11,113,120,675.37	10,786,341,807.80
Cash paid for purchasing fixed, intangible and other long-term assets	171,633,121.17	206,896,193.89
Cash paid for investment	10,801,729,258.63	9,779,200,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities	47,000,000.00	57,116.41
Subtotal of cash outflow from investing activities	11,020,362,379.80	9,986,153,310.30
Net cash flows arising from investing activities	92,758,295.57	800,188,497.50
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	80,000,000.00	180,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	80,000,000.00	180,000,000.00
Cash paid for settling debts	82,000,000.00	330,000,000.00
Cash paid for dividend and profit distributing or interest paying	607,280,892.11	504,733,015.15
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	689,280,892.11	834,733,015.15
Net cash flows arising from financing activities	-609,280,892.11	-654,733,015.15
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-8,586,691.91	745,388.07
V. Net increase of cash and cash equivalents	311,319,909.21	408,845,632.33
Add: Balance of cash and cash equivalents at the period -begin	2,143,377,059.99	1,734,531,427.66
VI. Balance of cash and cash equivalents at the period -end	2,454,696,969.20	2,143,377,059.99

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

Amount for 2017

In RMB

Item	2017												
	Owners' equity attributable to parent company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	1,008,950,570.00				3,417,841,402.89		144,722,827.51	89,005.19	510,100,496.00		7,845,639,990.88	471,086,098.05	13,398,430,390.52
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at	1,008,950,570.00				3,417,841,402.89		144,722,827.51	89,005.19	510,100,496.00		7,845,639,990.88	471,086,098.05	13,398,430,390.52

the beginning of this year													
III. Increase/Decrease in this year (Decrease is listed with “-”)							-57,553,372.50	-86,398.26			1,965,969,148.04	44,607,096.43	1,952,936,473.71
(i) Total comprehensive income							-57,553,372.50				2,571,339,490.04	75,870,434.54	2,589,656,552.08
(ii) Owners' devoted and decreased capital												8,480,761.72	8,480,761.72
1.Common shares invested by shareholders												9,520,000.00	9,520,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with													

share-based payment													
4. Other												-1,039,238.28	-1,039,238.28
(III) Profit distribution											-605,370,342.00	-39,650,290.00	-645,020,632.00
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)											-605,370,342.00	-39,650,290.00	-645,020,632.00
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves													

converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve								-86,398.26				-93,809.83	-180,208.09
1. Withdrawal in the report period								17,947,661.67				2,379,810.36	20,327,472.03
2. Usage in the report period								18,034,059.93				2,473,620.19	20,507,680.12
(VI)Others													
IV. Balance at the end of the report period	1,008,950,570.00				3,417,841,402.89		87,169,455.01	2,606.93	510,100,496.00		9,811,609,138.92	515,693,194.48	15,351,366,864.23

Amount for 2016

In RMB

Item	2016												
	Owners' equity attributable to parent company										Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less : Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk			Retained profit
		Preferred stock	Perpetual capital securities	Other									
I. Balance at the end of the last year	1,008,950,570.00				3,396,935,227.97		188,436,372.50	914,648.09	510,100,496.00		6,677,890,958.83	430,048,887.07	12,213,277,160.46
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	1,008,950,570.00				3,396,935,227.97		188,436,372.50	914,648.09	510,100,496.00		6,677,890,958.83	430,048,887.07	12,213,277,160.46

III. Increase/ Decrease in this year (Decrease is listed with “-”)					20,906,174.92		-43,713,544.99	-825,642.90			1,167,749,032.05	41,037,210.98	1,185,153,230.06
(i) Total comprehensive income							-43,713,544.99				1,672,224,317.05	53,780,463.47	1,682,291,235.53
(ii) Owners’ devoted and decreased capital					20,906,174.92			-12,418.48				12,375,177.63	33,268,934.07
1.Common shares invested by shareholders												12,800,000.00	12,800,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other					20,906,174.92			-12,418.48				-424,822.37	20,468,934.07
(III) Profit distribution											-504,475,285.00	-24,803,800.00	-529,279,085.00
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk													

provisions													
3. Distribution for owners (or shareholders)											-504,475,285.00	-24,803,800.00	-529,279,085.00
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve								-813,224.42				-314,630.12	-1,127,854.54
1. Withdrawal in the report period								16,421,979.63				2,104,124.88	18,526,104.51
2. Usage in the report period								17,235,204.05				2,418,755.00	19,653,959.05
(VI) Others													
IV. Balance at the end of the report period	1,008,950,570.00				3,417,841,402.89		144,722,827.51	89,005.19	510,100,496.00		7,845,639,990.88	471,086,098.05	13,398,430,390.52

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

Amount for 2017

In RMB

Item	2017										
	Share capital	Other equity instrument			Capital reserve	Less : Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferr ed stock	Perpetu al capital sec uriti es	Oth er							
I. Balance at the end of the last year	1,008,950,570.00				3,448,408,786.39		144,722,827.51		510,100,496.00	5,525,644,079.79	10,637,826,759.69
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	1,008,950,570.00				3,448,408,786.39		144,722,827.51		510,100,496.00	5,525,644,079.79	10,637,826,759.69
III. Increase/ Decrease in this year (Decrease is listed with “-”)					39,812,500.00		-57,553,372.50			2,835,157,009.59	2,817,416,137.09
(i) Total comprehensive income							-57,553,372.50			3,001,267,943.68	2,943,714,571.18
(ii) Owners’ devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other											

equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution										-605,370,342.00	-605,370,342.00
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)										-605,370,342.00	-605,370,342.00
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period								4,785,959.00			4,785,959.00
2. Usage in the report period								4,785,959.00			4,785,959.00
(VI) Others					39,812,500.00					439,259,407.91	479,071,907.91
IV. Balance at the end of the report period	1,008,950,570.00				3,488,221,286.39		87,169,455.01		510,100,496.00	8,360,801,089.38	13,455,242,896.78

Amount for 2016

In RMB

Item	2016									
	Share capital	Other equity instrument			Less : Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other						
I. Balance at the end of the last year	1,008,950,570.00				3,427,939,852.32	188,436,372.50		510,100,496.00	4,707,458,645.89	9,842,885,936.71
Add: Changes of accounting policy										
Error correction of the last period										
Other										
II. Balance at the beginning of this year	1,008,950,570.00				3,427,939,852.32	188,436,372.50		510,100,496.00	4,707,458,645.89	9,842,885,936.71
III. Increase/ Decrease in this year (Decrease is listed with "-")					20,468,934.07	-43,713,544.99			818,185,433.90	794,940,822.98
(i) Total comprehensive income						-43,713,544.99			1,322,660,718.90	1,278,947,173.91
(ii) Owners' devoted and decreased capital					20,468,934.07					20,468,934.07
1.Common shares invested by shareholders										
2. Capital invested by holders of other equity instruments										
3. Amount reckoned into owners equity with share-based payment										

4. Other					20,468,934.07						20,468,934.07
(III) Profit distribution										-504,475,285.00	-504,475,285.00
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)										-504,475,285.00	-504,475,285.00
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period								3,396,256.71			3,396,256.71
2. Usage in the report period								3,396,256.71			3,396,256.71
(VI) Others											
IV. Balance at the end of the report period	1,008,950,570.00				3,448,408,786.39		144,722,827.51		510,100,496.00	5,525,644,079.79	10,637,826,759.69

III. Basic information of the Company

1. Historical origin of the Company

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

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

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

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

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

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

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

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

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

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

In accordance with the resolutions of shareholders' meeting and provisions of amended constitution, and approved by [2012] No. 109 document of China Securities Regulatory Commission, in Feb., the Company issued RMB ordinary shares (A-share) of 112,858,000 shares to Wuxi Industry Groups and overseas strategic investor, ROBERT BOSCH GMBH (hereinafter referred to as Germany BOSCH), face value was RMB 1 Yuan per share, added registered capital of RMB112,858,000 Yuan, and the registered capital after change was RMB 680,133,995 Yuan. Wuxi Industry Group is the first majority shareholder of the Company, and Germany BOSCH is the second majority shareholder of the Company.

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

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

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

Registered place and head office of the Company: No. 5 Huashan Road, New District, Wuxi

Unified social credit code: 91320200250456967N

The Company sets up Shareholders' General Meeting, the Board of Directors and the Supervisory Committee.

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

3. Business nature and major operation activities of the Company

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

Major subsidiaries respectively activate in production and sales of engine accessories, auto spare parts, mufflers, and purifiers.

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

Financial statements of the Company were approved by the Board of Directors for reporting dated 13 April 2018.

5. Scope of consolidate financial statement

Name of subsidiary	Shortname of subsidiary	Shareholding ratio (%)		Proportion of votes (%)	Registered capital (in 10 thousand Yuan)	Business scope	Statement consolidate (Y/N)
		Directly	Indirectly				
Nanjing Weifu Jinning Co., Ltd.	Weifu Jinning	80.00	--	80.00	34,628.70	Internal-combustion engine and accessories	Y
Wuxi Weifu Leader Catalytic Converter Co., Ltd.	Weifu Leader	94.81	--	94.81	50,259.63	Purifier and muffler	Y
Weifu Mashan Pump Glib Co., Ltd.	Weifu Mashan	100.00	--	100.00	16,500	Internal-combustion engine and accessories	Y
Wuxi Weifu Chang'an Co., Ltd.	Weifu Chang'an	100.00	--	100.00	21,000	Internal-combustion engine and accessories	Y

Wuxi Weifu Automotive Diesel System Co., Ltd.	Weifu Diesel System	100.00	--	100.00	30,000	Internal-combustion engine and accessories	Note ①
Wuxi Weifu International Trade Co. Ltd.	Weifu International Trade	100.00	--	100.00	3,000	Trade	Y
Wuxi Weifu ITM Supercharging Technique Co., Ltd.	Weifu ITM	100.00	--	100.00	16,000	Internal-combustion engine and accessories	Y
Wuxi Weifu Schmidt Power System Spare Parts Co., Ltd.	Weifu Schmidt	66.00	--	66.00	7,600	Internal-combustion engine and accessories	Y
Ningbo Weifu Tianli Supercharging Technique Co., Ltd.	Weifu Tianli	47.9436	--	47.9436	11,136	Internal-combustion engine and accessories	Y
Anhui Weifu Tianshi Machinery Co., Ltd.	Weifu Tianshi	52.00	--	52.00	1,000	Internal-combustion engine and accessories	Note ②
Kunming Xitong Machinery Co., Ltd.	Kunming Xitong	70.00	--	70.00	400	Internal-combustion engine and accessories	Note ③
Wuxi Weifu-Autocam Fine Machinery Co. Ltd.	Weifu Autocam	51.00	--	51.00	USD1,510	Auto parts	Y
Wuxi Weifu Leader Catalytic Converter (Wuhan) Co., Ltd.	Weifu Leader (Wuhan)	--	60.00	60.00	1,000	Purifier and muffler	Y
Weifu Leader (Chongqing) Automobile Parts Co., Ltd.	Weifu Leader (Chongqing)	--	100.00	100.00	2,615.17	Purifier and muffler	Note ④

Note ① Weifu Diesel System are consolidated by merger dated 1 October 2017 from the Company

Note ②: Weifu Tianshi cancellation in 2017, the profit and cash flow from beginning of the year to cancellation date reckoned into consolidate statement;

Note ③: Kunming Xitong cancellation in 2017, the profit and cash flow from beginning of the year to cancellation date reckoned into consolidate statement

Note ④: found more in 5-‘Change of consolidation scope for other reasons’ in Note VIII

IV. Basis of preparation of financial statements

1. Preparation base

The financial statement were stated in compliance with Accounting Standard for Business Enterprises –Basic Norms issued by Ministry of Finance, the specific 41 accounting rules revised and issued dated 15 February 2006 and later, the Application Instruments of Accounting Standards and interpretation on Accounting standards and other relevant regulations (together as “Accounting Standards for Business Enterprise”), as well as the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provision of Financial Report (Amended in 2014) issued by CSRC in respect of the actual transactions and proceedings, on a basis of ongoing operation.

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

2. Going concern

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

V. Major Accounting Policies and Estimation

Specific accounting policies and estimation attention:

The Company and its subsidiaries are mainly engaged in the manufacture and sales of engine fuel oil system products, Auto spare parts, mufflers and purifiers etc., in line with the real operational characteristics and relevant accounting standards, many specific accounting policies and estimation have been formulated for the transactions and events with revenue recognized concerned. As for the explanation on major accounting judgment and estimation, found more in Note V-28-“Other major accounting policy and accounting estimation”.

1. Statement on observation of Accounting Standard for Business Enterprises

Financial statements prepared by the Company were in accordance with requirements of Accounting Standard for Business Enterprises, which truly and completely reflected the financial information of the Company dated 31 December 2017, such as financial position, operation achievements and cash flow for the year of 2017.

2. Accounting period

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

3. Business cycles

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

4. Recording currency

The Company's reporting currency is the RMB Yuan.

5. Accounting Treatment Method for Business Combinations

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

combined under different control.

(1) The business combination under the same control

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

(2) Combine not under the same control

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

6. Preparation method for consolidated financial statement

(1) Recognition principle of consolidated scope

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

(2) Basis of control

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

(3) Consolidation process

Subsidiaries are consolidated from the date on which the company obtains their actual control, and are deconsolidated from the date that such control ceases. All significant inter-group balances, investment, transactions and unrealized profits are eliminated in the consolidated financial statements. For subsidiaries being

disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

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

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

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

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

When the control over a subsidiary is ceased due to disposal of a portion of an interest in a subsidiary, the fair value of the remaining equity interest is re-measured on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the company since the acquisition date, is recognized as the investment income from the loss of control. Other comprehensive income relating to original equity investment in subsidiaries shall be treated on the same basis as if the relevant assets or liabilities were disposed of by the

acquiree directly when the control is lost, namely be transferred to current investment income other than the relevant part of the movement arising from re-measuring net liabilities or net assets under defined benefit scheme by the original subsidiary. Subsequent measurement of the remaining equity interests shall be in accordance with relevant accounting standards such as “Accounting Standards for business Enterprises 2 – Long-term Equity Investments” or “Accounting Standards for business Enterprises 22 – Financial Instruments Recognition and Measurement”.

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: ①The transactions are entered into after considering the mutual consequences of each individual transaction; ② The transactions need to be considered as a whole in order to achieve a deal in commercial sense; ③The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; ④ The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as “disposal of a portion of an interest in a subsidiary which does not lead to loss of control” and “disposal of a portion of an interest in a subsidiary which lead to loss of control”. When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transactions before loss of control shall be recognized as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

7. Joint arrangement classification and accounting treatment for joint operations

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

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

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

8. Determining standards for cash and cash equivalent

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

9. Foreign currency business and conversion

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

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

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

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

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

10. Financial instrument

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

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

In terms of investment purposes and economic natures, the Company divides its financial assets into financial

assets(with its variation of fair value reckoned into current gains/losses), financial assets available for sale, account receivables and held-to-maturity investments, among which, transactional financial asset is measured at fair value and movement of its fair value is recorded in current gains and losses; financial asset available for sale is measured at fair value and movement of its fair value is recorded in owners' equity; account receivables and held-to-maturity investments are measured at amortized cost.

In terms of economic nature, the Company divides its financial liabilities into two groups, namely financial liabilities at fair value through gains and losses and other financial liabilities at amortized cost.

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

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

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

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

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

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

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

As for the financial assets which the Company has neither transferred nor retained all risks and remunerations

attached to ownership of such financial assets, while control upon such financial assets still exists, recognition shall be conducted in light of the degree of its continuous involvement in the transferred financial assets. Accordingly, relevant liabilities shall be recognized.

(4) Recognition for termination of financial assets and liability

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

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

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

(5) Impairment of financial assets

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

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

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

- ① Serious financial difficulty happens to issuer or debtor;
- ② Breach of terms of contract by debtor, such as breach or overdue in repaying interest or principal;
- ③ Creditor makes concession for debtors who experience financial trouble in light of consideration for economy or laws;
- ④ Debtor is very likely to experience bankrupt or financial reorganization;
- ⑤ Financial assets are not able to be traded in active market since material financial difficulty happens to issuer;
- ⑥ It is unable to judge whether cash flow from certain asset in a group of financial assets has decreased, while it is finally found that the estimated future cash flow of such financial asset has actually decreased since its initial recognition and the decrease can be reliably measured by reference to the general valuation based on open data. For example, payment capacity of debtor of such financial assets portfolio gradually worsens, or unemployment in country or region where the debtor locates risen, price of guaranty falls greatly in the place where it locate, and the industry in which it belongs to is unpromising;

- ⑦ Material negative changes happen to technologies, markets, economy or law environment in which debtor operates, which leads to that equity instrument investor is not likely to be able to recover investment cost;
- ⑧ Fair value of equity instrument investment experiences severe or non-temporary falling;
- ⑨ Other objective evidence indicating impairment happens to financial assets.

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

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

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

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

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

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

11. Account Receivable

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

single item

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

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

Combination	Bad debt provision accrual
Classify to many combination based on credit portfolio for those receivables with minor account singly and those with major amount but has no impairment been found after testing independently; base on the actual loss ratio of the receivables of previous years, with same or similar credit portfolio, and combining actual condition accrual bad debt reserves.	Age analysis method

In combination, accounts whose bad debts provision was accrued by age analysis:

☒ Applicable ☐ Not applicable

Account age	Rate for receivables	Rate for other receivables
Within 6 months		
6 months to 1 year	10.00%	10.00%
1—2 years	20.00%	20.00%
2—3 years	40.00%	40.00%
Over 3 years	100.00%	100.00%
3—4 years	100.00%	100.00%
4—5 years	100.00%	100.00%
Over 5 years	100.00%	100.00%

In combination, withdrawal proportion of bad debt provision based on balance proportion

☐ Applicable ☒ Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods:

☐ Applicable ☒ Not applicable

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

Reasons for withdrawal single item bad debt provision	The present value of future cash flow has major difference with the receivable group's present value of future cash flow
Withdrawal method for bad debt provision	Carried out impairment test independently, accrual bad debt reserves according to the difference of present value of future cash flow lower its book value

12. Inventories

(1) Classification of inventories

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

(2) Pricing for delivered inventories

A. Generally, stock materials are calculated at planned cost. Material cost difference is individually set according to classification of grant types. Pursuant to the difference between the planned cost of the received or delivered raw materials and the material cost the aforesaid cost should share after carrying forward at period-end, the Company adjusts the planned cost to effective cost; finished products are priced at effective costs, and carried forward to operating cost by weighted average method when being delivered;

B. Products in process are priced at effective costs, and carried forward to finished products at actually occurred cost;

C. Finished self-produced products are priced at effective costs, and carried forward to operating cost by weighted average method; external purchase goods (from import and export trades) are carried forward to sales cost by individual pricing method.

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

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

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

(4) Inventory system

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

(5) Amortization of low-value consumables and wrappage

①Low-value consumables

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

②Wrappage

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

13. Classified as assets held for sale

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

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

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

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

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

reverted amount charged in profit or loss for the current period. The written-off carrying value of goodwill shall not be reverted.

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

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

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

14. Long-term equity investment

Long-term equity investments refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss.

(1) Determination of initial investment cost

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

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

combination or recognized for available-for-sale financial assets will not be accounted for.)

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

③Long-term investments obtained through other ways:

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

(2) Subsequent measurement on long-term equity investment

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

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the

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

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

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

③Acquisition of minority interest

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

④Disposal of long-term equity investments

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

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

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

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

In the event of loss of control over investee due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence

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

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

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

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

Found more in Note V-20-"impairment of long-term investment"

(4) Criteria of Joint control and significant influence

Joint control is the Company's contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. All the

participants or participant group whether have controlling over such arrangement as a group or not shall be judge firstly, than judge that whether the decision-making for such arrangement are agreed unanimity by the participants or not.

Significant influence is the power of the Company to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties. While recognizing whether have significant influence by investee, the potential factors of voting power as current convertible bonds and current executable warrant of the investee held by investors and other parties shall be thank over.

15. Investment real estate

Measurement mode

Measured by cost method

Depreciation or amortization method

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

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

The basis of provision for impairment of properties held for investment is referred to Note V-20-“Impairment of long-term assets”

16. Fixed assets

(1) Confirmation conditions

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

(2) Depreciation methods

Categories	Method	Years of depreciation	Scrap value rate	Yearly depreciation rate
House and Building	Straight-line depreciation	20~35	5	2.71~4.75
Machinery equipment	Straight-line depreciation	10	5	9.50
Transportation equipment	Straight-line depreciation	4~5	5	19.00~23.75

Electronic and other equipment	Straight-line depreciation	3~10	5	9.50~31.67
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As for the fixed assets with impairment accrual, calculated depreciation amount based on the accumulative number of impairment of fixed assets accrual.

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

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

- ① Agreed in the lease contract (or made a reasonable judgment according to the correlated conditions on the lease commencement date), the ownership of lease fixed assets can be transferred to the Company after the expiry of the lease period;
 - ② The Company has the option to purchase or lease the fixed assets, and the purchase price is estimated to be much less than the fair value of the lease of fixed assets when exercises the options, so whether the Company will exercise the option can be reasonably determined on the lease commencement date;
 - ③ Even though the fixed asset ownership is not transferred, the lease term accounts for 75% of the service life of the lease fixed assets;
 - ④ The present value of the Company's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date; the present value of the leaser's of minimum lease payment on the lease commencement date is equivalent to 90% or more of the fair value of the lease fixed assets on the lease commencement date;
 - ⑤ The leased assets with special properties can only be used by the Company without major modifications. The fixed assets rented by finance leases is calculated as the book value according to the lower one between the fair value of leased assets on the lease commencement date and the present value of the minimum lease payments.
- (4) The impairment test method of fixed assets and the method of provision for impairment see Note V-20-"Long term asset impairment".

17. Construction in process

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

The basis of provision for impairment of properties held for construction in process is referred to Note V-20-"Impairment of long-term assets"

18. Borrowing costs

(1) Recognition of capitalization of borrowing costs

Borrowing costs comprise interest occurred, amortization of discounts or premiums, ancillary costs and exchange differences in connection with foreign currency borrowings. The borrowing costs of the Company, which incur

from the special borrowings occupied by the fixed assets that need more than one year (including one year) for construction, development of investment properties or inventories or from general borrowings, are capitalized and recorded in relevant assets costs; other borrowing costs are recognized as expenses and recorded in the profit or loss in the period when they are occurred. Relevant borrowing costs start to be capitalized when all of the following three conditions are met:

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

(2) Period of capitalization of borrowing costs

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

(3) Measure of capitalization for borrowing cost

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

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

19. Intangible assets

(1) Measurement, use of life and impairment testing

(1) Measurement, use of life and impairment testing

① Measurement of intangible assets

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

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

costs.

The cost of an intangible asset contributed by an investor shall be determined in accordance with the value stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair.

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

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

② Amortization methods and time limit for intangible assets:

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

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

Impairment testing methods and accrual for depreciation reserves for the intangible assets found more in Note V-20-“Long-term assets impairment”.

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

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

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

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

20. Impairment of long-term asset

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

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

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

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

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

21. Long-term Deferred Expenses

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

22. Employee compensation

(1) Accounting treatment for short-term compensation

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

(2) Accounting treatment for post-employment benefit

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

(3) Accounting for retirement benefits

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

(4)Accounting for other long-term employee benefits

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

23. Accrued liability**(1) Recognition principle**

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

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

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

24. Revenue**(1) Concrete judging criteria for time of recognized**

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

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

The Company's domestic sales revenue recognition time: The company delivers goods as agreed, checks the goods that the buyers have received and inspected during the period of the last reconciliation date and this reconciliation date with the buyers on the reconciliation date as agreed, and transfers the risks and remunerations to the buyers after checking, the Company issues the invoices to the buyers in accordance with the recognized varieties, quantities and amounts and affirms the sales revenue realization on the reconciliation date.

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

(2) Recognition of revenue of assets using right alienation

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

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

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

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

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

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

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

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

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

25. Government Grants**(1) Determination basis and accounting for government grants related to assets****(1) Types**

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

As for the assistance object not well-defined in government's documents, the classification criteria for

assets-related or income-related grants are as: whether the grants turn to long-term assets due to purchasing for construction or other means.

(2) Recognition and measure

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

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

(3) Accounting treatment

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

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

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

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

(2) Determination basis and accounting for government grants related to income

(1) Types

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

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

(2) Recognition and measure

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

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

(3) Accounting treatment

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

A government grant related to an asset shall be recognized as deferred income, and evenly amortized to profit or loss over the useful life of the asset.

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

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

26. Deferred tax assets / deferred income tax liabilities

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

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

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

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

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

27. Lease

(1) Accounting for operating lease

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

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

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

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

(2) Accounting for financing lease

Assets lease-in by financing: On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognized as unrecognized financing expenses. Unrecognized financing expenses shall be reckoned in financial expenses and amortized and using effective interest method during the leasing period. The initial direct costs incurred by the Company shall be reckoned into value of assets lease-in.

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

28. Other important accounting policy and accounting estimation

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

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

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

(1) Provision for bad debts

According to the accounting policies of the accounts receivable, the Company adopts the allowance method to calculate the bad debt losses. The impairment of receivables is based on the assessment to the collectability of the accounts receivable. The impairment of accounts receivable requires the management's judgments and estimates. The actual results and the differences between the previously estimated results shall affect the book value of accounts receivable and the provision or return of the receivables' bad debt reserves during the period estimated to

be changed.

(2) Inventory impairment

According to the inventory accounting policies, the Company measures by the comparison between the cost and the net realizable value, if the cost is higher than the net realizable value and the old and unsalable inventories, the Company calculates and withdraws the inventory impairment. The inventory devalues to the net realizable value by evaluating the inventory's vendibility and net realizable value. To identify the inventory impairment, the management needs to obtain the unambiguous evidences, and consider the purpose to hold the inventory, and judge and estimate the impacts of events after the balance sheet date. The actual results and the differences between the previously estimated results shall affect the book value of inventory and the provision or return of the inventory impairment during the period estimated to be changed.

(3) Held-to-maturity investments

The Company classifies the non-derivative financial assets that meet the requirements, have the fixed or ascertainable repayment amount and fixed due date, and that the Company has the positive intention and ability to hold to maturity as the held-to-maturity investment. This classification involves a lot of judgments. In the process of making the judgments, the Company will evaluate its willingness and ability to this held-to-maturity investment. Except in certain cases (such as the investments with insignificant sales amount when the maturity date comes), if the Company fails to hold these investments till the maturity date, then all the investments shall be reclassified to the available-for-sale financial assets which cannot be classified as the held-to-maturity investments in this fiscal year and the next two fiscal years. This kind of case may have a significant impact on the relevant financial assets value listed on the financial statements, and may affect the Company's financial instruments risk management strategy.

(4) Impairment of held-to-maturity investments

The Company determines that the impairment of held-to-maturity investments largely relies on management's judgments. The objective evidences of impairment include that the issuer has serious financial difficulties so that the financial assets cannot continue to be traded in an active market, or cannot be able to fulfill the contract terms (for example, breach the contract of paying the interests or principal), etc. In the process of making the judgments, the Company needs to evaluate the impact of the objective evidence of impairment to the expected future cash flows of the investment.

(5) Impairment of financial assets available for sale

The Company determines that the impairment of held-to-maturity investments largely relies on management's judgments and assumptions so as to determine whether it is needed to affirm its impairment loss in the profit statement. In the process of making the judgments and assumptions, the Company needs to evaluate the extent and duration when the fair value of the investment is less than the cost, as well as the financial situation and short-term business prospects of the investees, including the industry conditions, technological change, credit rating, default rates, and risks of the counterparty.

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

The Company checks whether the non-current assets except for the financial assets may decrease in value at the balance sheet date. For the intangible assets with indefinite service life, in addition to the annual impairment test, the impairment test is also needed when there is a sign of impairment. For the other non-current assets except for

the financial assets, the impairment test is needed when it indicates that the book amounts may not be recoverable.

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

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

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

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

(7) Depreciation and amortization

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

(8) Income tax

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

(9) Early retirement benefits and supplementary retirement benefits

The expenses of the Company's early retirement benefits and supplementary retirement benefits and the amount of liabilities are determined in accordance with various assumptions. These assumptions include the discount rate, the average growth rate of health care costs, the subsidy growth rate of the early retired personnel and retirees and the other factors. The differences between the actual results and assumptions will be immediately identified and included in the costs of the current year. Although the management thought the reasonable assumptions have been adopted, the changes in the actual experience and assumed conditions will impact the costs and liability balances

of the Company's internal early retirement benefits and supplementary retirement benefits.

29. Changes of important accounting policy and estimation

(1) Changes of major accounting policies

√Applicable □Not applicable

On 28 April 2017, the “Notice of Accounting Standards for Business Enterprise No.42- Holding of the non-current assets and disposal group ready for sale and Discontinued Operation (Cai Kuai [2017] No.13)” was issued by Ministry of Finance, the non-current assets and disposal group ready for sale are re-classified, measured and listed as well as the listing of discontinued operation; the rules are came into effect since 28 May 2017

On 10 May 2017, the Ministry of Finance issued the Notice Relating to Printing and Amending No.16 of Enterprise Accounting Standards - Government Subsidy (CK[2017]No.15) to effect amendment to No.16 of Enterprise Accounting Standards - Government Subsidy, which requires adoption by all the enterprises applying Enterprise Accounting Standards since 12 June 2017.

Pursuant to the Notice(CK[2017]No.15), the Company adopts future appropriate method for such government subsidy existed since 1 January 2017, and adjusts those government grants newly increased during the period from 1 January 2017 to 12 June 2017 under this standard. Adoption of future appropriate method requires no need to restate the previous comparative statements.

On 25 December 2017, the Ministry of Finance issued the Notice Relating to Printing and Amending the General Forms of Business Financial Statements (CK[2017]No.30) to effect amendment to the general forms of business financial statements, which requires non-financial enterprises implementing Enterprise Accounting Standards to prepare financial statements for 2017 and subsequent periods according to this Notice.

The above policies result in the following impact on the items and amount of the Company's comparative financial statements:

Content and reasons for accounting policy changed	Amount impact on relevant financial statement for year of 2016/dated 31 December 2016	
	Item	Amount increased+/-decreased-
“Continuous operation net profit” and “discontinued operation net profit” listed in profit statement. Corresponding date during the comparable accounting period shall be adjusted	/	/
As for the government grants with routine operation activity concerned of the Company will re-classified from “Non-operation income” to “Other income” since 1 st Jan. 2017.	/	/

Comparative data will not be adjusted		
The item of “income from assets disposal” will added in profit statement, part of the gains/losses of assets disposal originally listed under “non-operation income” and “non-operation expenditure” will re-classified to item of “income from assets disposal”. Comparative data will be adjusted correspondingly	Non-operation income	-1,313,513.35
	Non-operation expenditure	-2,607,996.52
	Income from assets disposal	-1,294,483.17

(2) Changes of important accounting estimate

☐ Applicable ☒ Not applicable

30. Other

VI. Taxation

1. Major taxes and tax rates

Tax	Basis	Tax rate
VAT	Taxable income	Tax rate of 17%, 11%, 6% and 5%, rate for exported commodities is stipulated by the state with declaration of export tax rebate, rate of tax may be “exempted, credited and refunded”
City maintaining & construction tax	Turnover tax payable	7%
Corporation income tax	Taxable income	25%、15%
Educational surtax	Turnover tax payable	5%

Disclose reasons for different taxpaying body

Taxpaying body	Income tax rate
Weifu Mashan、Weifu Chang'an、Weifu International Trade、Weifu ITM、Weifu Schmidt、Weifu Leader (Wuhan)、Weifu Leader (Chongqing)	25%
The Company、Weifu Jinning、Weifu Leader、Weifu Tianli、Weifu Autocam	15%

2. Tax preference

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

On 27 December 2017, Weifu Jinning got a “High-Tech Enterprise Certificate” issued jointly by Science & Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Taxation Bureau, certificate No.: GR201732004010. Corporate income tax of the

Weifu Jinning shall be taxed by 15% in three years since 1 January 2017 in accordance with State regulations.

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

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

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

3. Other

Nil

VII. Notes to major items in consolidated financial statements

1. Monetary capital

In RMB

Item	Closing balance	Opening balance
Cash on hand	736,773.22	776,872.53
Cash in bank	3,027,702,581.00	3,893,357,790.61
Other monetary fund	90,270,058.61	75,539,405.42
Total	3,118,709,412.83	3,969,674,068.56

Other explanation

Separate explanation is required for accounts with restricted application purposes, deposited overseas and of potential recovery risks arising from pledge, mortgage or frozen:

Item	2017-12-31	2016-12-31
Bank acceptance bill, L/C and other collateral	89,623,690.04	75,539,405.42
Frozen dividend	646,368.57	--
Total	90,270,058.61	75,539,405.42

Other note:

The frozen dividend of RMB646,368.57 represents the part of dividends distributed by SDEC Power (stock code:600841) and Miracle Automation (stock code:002009) in 2017 held by the Company as financial assets available for sale. According to the notices numbered Yue 03MC[2016]2490 and Yue 03MC[2016]2492 served by Guangdong Shenzhen Intermediate People's Court, these dividends were frozen.

2. Note receivables

(1) Classification of notes receivable

In RMB

Item	Closing balance	Opening balance
Bank acceptance bill	1,399,006,661.54	1,150,084,383.06
Commercial acceptance bill	65,250,273.29	129,760,394.04
Total	1,464,256,934.83	1,279,844,777.10

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

In RMB

Item	Amount pledge at period-end
Bank acceptance bill	583,421,990.27
Total	583,421,990.27

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

In RMB

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance bill	500,948,055.50	
Total	500,948,055.50	

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

Nil

3. Accounts receivable**(1) Accounts receivable by category:**

In RMB

Types	Closing balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable with single significant amount and withdrawal bad debt provision separately						1,112,231.00	0.08%	1,112,231.00	100.00%	
Receivables with bad debt provision accrual by credit portfolio	2,006,937,035.11	99.90%	11,359,204.21	0.57%	1,995,577,830.90	1,332,696,113.95	99.75%	7,992,570.78	0.60%	1,324,703,543.17
Accounts with single significant amount and bad debts provision accrued individually	1,935,107.25	0.10%	1,935,107.25	100.00%		2,237,015.22	0.17%	2,237,015.22	100.00%	
Total	2,008,872,142.36	100.00%	13,294,311.46	0.66%	1,995,577,830.90	1,336,045,360.17	100.00%	11,341,817.00	0.85%	1,324,703,543.17

Account receivable with single significant amount and withdrawal bad debt provision separately at period end:

☐ Applicable ☒ Not applicable

Account receivable provided for bad debt reserve under aging analysis method in the groups:

√ Applicable □ Not applicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt reserve	Accrual ratio
Subitem of within one year			
Within 6 months	1,946,072,738.39		
6 months to 1 year	48,721,713.45	4,872,171.35	10.00%
Subtotal of within 1 year	1,994,794,451.84	4,872,171.35	
1-2 years	5,471,704.60	1,094,340.92	20.00%
2-3 years	2,130,311.21	852,124.48	40.00%
Over 3 years	4,540,567.46	4,540,567.46	100.00%
Total	2,006,937,035.11	11,359,204.21	0.57%

Explanation on combination determines:

Excluding the account receivable accrual impairment provision separately; based on actual loss ratio of the receivable groups that owes same or similar risk features, which has classify by age in previous years, determine accrual ratio for bad debt provision combine with real condition

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable

□ Applicable √ Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable: Nil

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 4,981,813.13 Yuan; the amount collected or switches back amounting to 2,574,244.07 Yuan.

Important bad debt provision collected or switch back: Nil

The bad debt provision switch back in the Period refers to the bad debt provision accrual independently from part accounts at end of last period, are collected in the period in way of cash. The bad debt verified in the period amounted as 455,074.60 Yuan.

(3) Account receivable actual charge off in the Period

In RMB

Item	Amount written off
Changzhou Mengfa Fuel Injector Co., Ltd.	353,111.39
Other small companies	101,963.21
Total	455,074.60

Major written-off for the major receivable: Nil

Written-off for the major receivable:

The amount are arising from non-related transactions

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

Total year-end balance of top five receivables by arrears party amounting to 1,025,805,396.02 Yuan, takes 51.06 percent of the total account receivable at year-end, bad debt provision accrual correspondingly at year-end amounting as 636,135.42 Yuan.

(5) Account receivable derecognition due to financial assets transfer

Nil

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

Nil

4. Advance payment**(1) Advance payment by age**

In RMB

Age	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	94,641,350.21	96.99%	70,920,782.92	95.80%
1-2 years	2,550,321.91	2.61%	2,014,547.03	2.72%
2-3 years	319,185.79	0.33%	1,095,156.43	1.48%
Over 3 years	65,339.97	0.07%		
Total	97,576,197.88	--	74,030,486.38	--

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

Nil

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

Total year-end balance of top five advance payment by prepayment object amounted to 49,968,494.23 Yuan, takes 51.21 percent of the total advance payment at year-end.

5. Interest receivable**(1) Category**

In RMB

Item	Closing balance	Opening balance
Time deposit	2,281,979.17	2,487,527.65

Total	2,281,979.17	2,487,527.65
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(2) Major overdue interest

Nil

6. Other accounts receivable**(1) Other accounts receivable by category**

In RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other account receivable with single significant amount and withdrawal bad debt provision separately	2,775,552.63	25.60%	2,775,552.63	100.00%		3,358,098.66	27.84%	3,358,098.66	100.00%	
Other receivables with bad debt provision accrual by credit portfolio	8,067,466.20	74.40%	2,852,842.79	35.36%	5,214,623.41	8,705,106.54	72.16%	2,797,232.62	32.13%	5,907,873.92
Total	10,843,018.83	100.00%	5,628,395.42	51.91%	5,214,623.41	12,063,205.20	100.00%	6,155,331.28	51.03%	5,907,873.92

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

√ Applicable □ Not applicable

In RMB

Account receivable(units)	Closing balance			
	Account receivable	Bad debt reserve	Accrual ratio	Reasons
American HESS	1,514,671.20	1,514,671.20	100.00%	Bankruptcy
Nanjing Jinning Machinery Factory	1,260,881.43	1,260,881.43	100.00%	Un-recyclable
Total	2,775,552.63	2,775,552.63	--	--

In combination, other accounts receivable whose bad debts provision was accrued by age analysis:

√ Applicable □ Not applicable

In RMB

Age	Closing balance		
	Other accounts receivable	Bad debt provision	Accrual ratio
Subitem of within one year			
Within 6 months	4,117,983.20		
6 months to one year	82,147.40	8,214.74	10.00%
Subtotal within one year	4,200,130.60	8,214.74	
1-2 years	1,116,534.44	223,306.89	20.00%
2-3 years	215,800.00	86,320.00	40.00%
Over 3 years	2,535,001.16	2,535,001.16	100.00%
Total	8,067,466.20	2,852,842.79	35.36%

Explanations on combination determine:

Explanations on combination determine: Excluding the other account receivable accrual impairment provision separately; based on actual loss ratio of the receivable groups that owes same or similar risk features, which has classify by age in previous years, determine accrual ratio for bad debt provision combine with real condition.

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

☐ Applicable ☒ Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

☐ Applicable ☒ Not applicable

(2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 265,059.52 Yuan; the amount collected or switches back amounting to 663,214.59 Yuan.

The major switch back or collected of the bad debt provision in the Period: Nil

The bad debt provision switch-back in the Period mainly refers to the amount that accrual for bad debt provision was collected in the Period by monetary fund. The bad debt verified in the period amounted as 128,780.79 Yuan.

(3) Other receivables actually written-off during the reporting period

In RMB

Items	written-off
Other small companies	128,780.79

Note of important other receivables of written-off: Nil

Note of other receivables of written-off:

The current written-off other receivables are sporadic households, every detail has small amount and is not generated by non-related transaction.

(4) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Intercourse funds receivable from units	4,883,788.59	5,124,447.95
Cash deposit	3,457,080.65	3,550,402.75
Staff loans and petty cash	2,099,504.91	1,958,084.34
Other	402,644.68	1,430,270.16
Total	10,843,018.83	12,063,205.20

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

In RMB

Company	Nature	Ending balance	Age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Wuxi Aimingqi Automotive Electronic System Co., Ltd.	Intercourse funds of unit	1,949,507.34	Within 2 years	17.98%	218,628.69
Ningbo Jiangbei High-Tech Industry Park Development Construction Co., Ltd.	Performance bond	1,767,000.00	Over 3 years	16.29%	1,767,000.00
American HESS	Advance payment transfer-in	1,514,671.20	Specific identification	13.97%	1,514,671.20
Nanjing Jinning Machinery Factory	Intercourse funds of unit	1,260,881.43	Specific identification	11.63%	1,260,881.43
Wuxi Tianyuan International Logistic Co.,Ltd.	Customs import deposit	158,177.98	Within 6 months	1.46%	
Total	--	6,650,237.95	--	61.33%	4,761,181.32

(6) Account receivables related to government subsidies

Nil

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

Nil

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

Nil

7. Inventory

(1) Inventory classification

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	444,304,506.71	83,879,268.03	360,425,238.68	344,263,200.85	95,153,127.76	249,110,073.09
Goods in process	198,648,407.88	15,483,517.38	183,164,890.50	158,783,541.69	16,100,730.42	142,682,811.27
Finished goods	1,098,294,008.21	162,945,096.69	935,348,911.52	1,102,621,081.29	144,969,430.40	957,651,650.89
Total	1,741,246,922.80	262,307,882.10	1,478,939,040.70	1,605,667,823.83	256,223,288.58	1,349,444,535.25

(2) Inventory depreciation reserve

In RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Accrual	Other	Switch back or write-off	Other	
Raw materials	95,153,127.76	26,336,415.76		8,079,454.21	29,530,821.28	83,879,268.03
Goods in process	16,100,730.42	7,977,467.48			8,594,680.52	15,483,517.38
Finished goods	144,969,430.40	71,091,751.86			53,116,085.57	162,945,096.69
Total	256,223,288.58	105,405,635.10		8,079,454.21	91,241,587.37	262,307,882.10

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

② Accrual basis for inventory depreciation reserve:

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

③ Reasons of switch-back for inventory falling price reserves:

Item	Reasons of switch-back
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Materials on hand	The market price for the materials for selling soaring in the Period, thus switch-back in the inventory falling price reserves which was accrual
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④ Reasons of write-off for inventory falling price reserves:

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

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

Nil

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

Nil

8. Other current assets

In RMB

Item	Closing balance	Opening balance
Entrust financing products	3,841,320,000.00	1,870,000,000.00
Receivable export tax rebates	14,289,026.22	8,633,684.76
Prepaid taxes and VAT retained	25,338,518.05	31,578,246.17
Input tax to be deducted and certification	2,568,145.27	937,665.59
Other	4,481,600.99	3,076,283.15
Total	3,887,997,290.53	1,914,225,879.67

9. Financial assets available for sale**(1) Particular about financial assets available for sale**

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Instrument equity available for sale:	469,495,975.95	59,433,106.95	410,062,869.00	624,668,567.95	59,433,106.95	565,235,461.00
Measured by fair value	266,376,600.00		266,376,600.00	361,847,700.00		361,847,700.00
Measured by cost	203,119,375.95	59,433,106.95	143,686,269.00	262,820,867.95	59,433,106.95	203,387,761.00
Other -- financial products	178,080,000.00		178,080,000.00	130,000,000.00		130,000,000.00

Total	647,575,975.95	59,433,106.95	588,142,869.00	754,668,567.95	59,433,106.95	695,235,461.00
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(2) Financial assets available for sale measured by fair value at period-end

In RMB

Type	Instrument equity available for sale	Instrument debt available for sale	Total
Cost /liability of equity instrument/ amortization cost of debt instrument	163,824,300.00		163,824,300.00
Fair value	266,376,600.00		266,376,600.00
Amount of fair value changes that accumulatively reckoned in other comprehensive gains	102,552,300.00		102,552,300.00

(3) Financial assets available for sale measured by cost at period-end

In RMB

The invested entity	Book balance				Depreciation reserves				Ratio of share-holding in invested entity	Cash dividend
	Period-beginning	Increased	Decreased	Period-end	Period-beginning	Increased	Decreased	Period-end		
Guolian Securities	12,000,000.00			12,000,000.00					0.95%	2,520,000.00
Guangxi Liufa Co., Ltd.	1,600,000.00			1,600,000.00	1,600,000.00			1,600,000.00	1.22%	
Financial Company of Changchai Group Co., Ltd.	800,000.00			800,000.00	800,000.00			800,000.00		
H&J Vanguard Investment Co., Ltd.	33,000,000.00			33,000,000.00	33,000,000.00			33,000,000.00	11.72%	
Nanjing Hengtai Insurance and Broker Co., Ltd.	1,000,000.00			1,000,000.00	1,000,000.00			1,000,000.00	1.85%	
Henan Gushi Weining Oil Pump &	2,033,106.95			2,033,106.95	2,033,106.95			2,033,106.95		

Nozzle Co., Ltd.										
Beijing Zhike Industrial Investment Holding Group Co., Ltd.(Note)	86,940,000.00			86,940,000.00	11,000,000.00			11,000,000.00	12.66%	
Wuxi Xidong Technological Industry Park Co., Ltd.	5,000,000.00			5,000,000.00					1.43%	
Shanghai IMS Automotive Electronic System Co., Ltd.	10,000,000.00			10,000,000.00	10,000,000.00			10,000,000.00	12.27%	
Shanghai CD Dengtong Equity Investment Fund	110,447,761.00		59,701,492.00	50,746,269.00					14.93%	
Total	262,820,867.95		59,701,492.00	203,119,375.95	59,433,106.95			59,433,106.95	--	2,520,000.00

Note: In August 2017, the enterprise changed its name to “Beijing Zhike Industrial Investment Holding Group Co., Ltd.” from “Beijing Futian Industrial Investment Holding Group Co., Ltd.”

(4) Changes of impairment in Period

In RMB

Type	Instrument equity available for sale	Instrument debt available for sale	Total
Balance of impairment accrual at period-begin	59,433,106.95		59,433,106.95
Balance of impairment accrual at period-end	59,433,106.95		59,433,106.95

(5) Where the fair value of equity instruments available for sale drops significantly or not contemporarily at period-end, without impairment provision is made

Nil

10. Long-term equity investment

In RMB

The invested entity	Opening balance	+,-								Closing balance	Ending balance of impairment provision
		Add itio nal investm ent	Ca pit al re duction	Investment gains recognized under equity	Other compr ehensi ve incom e adjust ment	Other equit y chan ge	Cash dividend or profit announced to issued	Impai rment accru al	Oth er		
I. Joint venture											
Wuxi Weifu Environment Protection Catalyst Co., Ltd.	447,259,593.58			75,623,195.68						522,882,789.26	
Subtotal	447,259,593.58			75,623,195.68						522,882,789.26	
II. Associated enterprise											
RBCD	2,115,920,812.13			1,159,336,578.29			666,460,456.42			2,608,796,934.00	
Zhonglian Automobile Electronic Co., Ltd	811,404,971.22			355,431,222.14			207,800,000.00			959,036,193.36	
Wuxi Weifu Fine Machinery Manufacturing Co., Ltd.	46,445,383.85			6,503,525.11			3,600,000.00			49,348,908.96	
Subtotal	2,973,771,167.20			1,521,271,325.54			877,860,456.42			3,617,182,036.32	
Total	3,421,030,760.78			1,596,894,521.22			877,860,456.42			4,140,064,825.58	

11. Investment real estate

(1) Investment real estate measured at cost

√ Applicable □ Not applicable

In RMB

Item	House and building	Land use right	Construction in process	Total
I. original book value				

1. Opening balance	63,545,325.48			63,545,325.48
2. increased in the Period				
(1) outsourcing				
(2) Inventory\fixed assets\construction in process transfer-in				
(3) increased by combination				
3. decreased in the Period				
(1) disposal				
(2) other transfer-out				
4. Closing balance	63,545,325.48			63,545,325.48
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	38,431,852.94			38,431,852.94
2. increased in the Period	1,568,641.76			1,568,641.76
(1) accrual or amortization	1,568,641.76			1,568,641.76
3. decreased in the Period				
(1) disposal				
(2) other transfer-out				
4. Closing balance	40,000,494.70			40,000,494.70
III. Depreciation reserves				
1. Opening balance				
2. increased in the Period				
(1) accrual				
3. decreased in the Period				
(1) disposal				
(2) other transfer-out				
4. Closing balance				
IV. Book value				
1. Ending Book value	23,544,830.78			23,544,830.78
2. Opening Book value	25,113,472.54			25,113,472.54

(2) Investment real estate measured at fair value

□ Applicable √ Not applicable

(3) Investment real estate without property certification held

Nil

12. Fixed assets**(1) Fixed assets**

In RMB

Item	Housing buildings	Machinery equipment	Transportation equipment	Electronic and other equipment	Total
I. original book value					
1. Opening balance	1,325,757,440.87	2,039,144,555.18	42,046,936.44	427,745,109.70	3,834,694,042.19
2. increased in the Period	212,123,756.33	200,415,621.16	2,582,780.52	14,551,201.99	429,673,360.00
(1) Purchase	20,206,400.00	1,645,309.36	340,758.08	11,647,893.21	33,840,360.65
(2) construction in process transfer-in	191,917,356.33	198,770,311.80	2,242,022.44	2,903,308.78	395,832,999.35
(3) increased by combination					
3. decreased in the Period		25,424,784.73	3,950,949.37	18,813,532.51	48,189,266.61
(1) disposal or scrapping		25,339,464.73	3,950,949.37	18,813,532.51	48,103,946.61
(2) Construction in process transfer-in		85,320.00			85,320.00
4. Closing balance	1,537,881,197.20	2,214,135,391.61	40,678,767.59	423,482,779.18	4,216,178,135.58
II. Accumulated depreciation					
1. Opening balance	237,002,543.29	910,479,996.85	29,379,831.90	174,403,406.82	1,351,265,778.86
2. increased in the Period	46,665,628.52	188,268,669.95	3,754,121.33	26,637,294.01	265,325,713.81
(1) accrual	46,665,628.52	188,268,669.95	3,754,121.33	26,637,294.01	265,325,713.81
3. decreased in the Period		21,565,017.28	3,436,620.97	15,207,482.21	40,209,120.46
(1) disposal or scrapping		21,534,747.23	3,436,620.97	15,207,482.21	40,178,850.41
(2) Construction in process transfer-in		30,270.05			30,270.05
4. Closing balance	283,668,171.81	1,077,183,649.52	29,697,332.26	185,833,218.62	1,576,382,372.21
III. Depreciation reserves					
1. Opening balance		29,086,874.78	73,320.38	6,428,032.83	35,588,227.99
2. increased in the Period		19,372,017.18		512,118.31	19,884,135.49
(1) accrual		19,372,017.18		512,118.31	19,884,135.49
3. decreased in the Period		420,841.98		128,386.67	549,228.65

(1) disposal or scrapping		420,841.98		128,386.67	549,228.65
4.Closing balance		48,038,049.98	73,320.38	6,811,764.47	54,923,134.83
IV. Book value					
1. Ending Book value	1,254,213,025.39	1,088,913,692.11	10,908,114.95	230,837,796.09	2,584,872,628.54
2. Opening Book value	1,088,754,897.58	1,099,577,683.55	12,593,784.16	246,913,670.05	2,447,840,035.34

(2) Temporarily idle fixed assets

Nil

(3) Fixed assets acquired by financing lease

Nil

(4) Fixed assets acquired by operating lease

Nil

(5) Certificate of title un-completed

In RMB

Item	Book value	Reasons
Boiler room and guard house of Weifu Jinning	2,950,289.41	Still in process of relevant property procedures
Plant and office building of Weifu Chang'an	46,024,371.74	Still in process of relevant property procedures

13. Construction in progress**(1) Construction in progress**

In RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
2nd Phase construction project in industrial park	3,364,768.05		3,364,768.05	29,844,630.44		29,844,630.44
Weifu Tianli Technical Transformation Project	16,518,417.24		16,518,417.24	5,500,132.00		5,500,132.00
Technical transformation of parent	23,611,775.63	1,470,033.00	22,141,742.63	9,282,761.21	4,820,033.00	4,462,728.21

company						
Technical transformation of Weifu Autocam	32,705,249.53		32,705,249.53	6,368,843.92		6,368,843.92
Other project	27,711,626.45	2,096,342.62	25,615,283.83	46,541,110.25	2,096,342.62	44,444,767.63
Total	103,911,836.90	3,566,375.62	100,345,461.28	97,537,477.82	6,916,375.62	90,621,102.20

(2) Changes of major projects under construction

In RMB

Item	Budget	Opening balance	increased in the Period	Fixed assets transfer-in in the Period	Other decreased in the Period	Closing balance	Proportion of project investment in budget	Progress	Accumulated amount of interest capitalization	including: interest capital amount of the year	Interest capitalization rate of the year	Source of funds
2nd Phase construction project in industrial park		29,844,630.44	104,126,157.56	130,606,019.95		3,364,768.05						Other
Weifu Tianli Technical Transformation Project		5,500,132.00	30,002,691.07	18,929,277.62	55,128.21	16,518,417.24						Other
Technical transformation of parent company		9,282,761.21	69,638,622.09	51,959,607.67	3,350,000.00	23,611,775.63						Other
Technical transformation of		6,368,843.92	38,349,408.41	12,013,002.80		32,705,249.53						Other

Weifu Autocam												
Weifu ITMA 102 warehouse project		29,241,859.96	24,862,322.29	54,104,182.25								Other
Total		80,238,227.53	266,979,201.42	267,612,090.29	3,405,128.21	76,200,210.45	--	--				--

(3) The provision for impairment of construction projects

Nil

14. Intangible assets

(1) Particular about intangible assets

In RMB

Item	Land use right	Patent	Non-patent technology	Trademark and trademark license	Computer software	Total
I. original book value						
1. Opening balance	376,128,220.00		3,539,793.05	41,597,126.47	45,121,813.31	466,386,952.83
2. increased in the Period	5,945,300.00				6,096,636.15	12,041,936.15
(1) purchase	5,945,300.00				6,096,636.15	12,041,936.15
(2) internal R&D						
(3) increased by combination						
3. decreased in the Period						
(1) disposal						
4. Closing balance	382,073,520.00		3,539,793.05	41,597,126.47	51,218,449.46	478,428,888.98
II. accumulated amortization						
1. Opening balance	62,562,716.74		1,917,389.04	9,709,000.00	28,344,428.29	102,533,534.07
2. increased in the Period	8,262,512.32		353,979.73		9,999,819.50	18,616,311.55
(1) Accrual	8,262,512.32		353,979.73		9,999,819.50	18,616,311.55
3. decreased in the Period						
(1) disposal						
4. Closing balance	70,825,229.06		2,271,368.77	9,709,000.00	38,344,247.79	121,149,845.62
III. impairment provision						
1. Opening balance				16,646,900.00		16,646,900.00
2. increased in the Period						

(1) Accrual						
3. decreased in the Period						
(1) disposal						
4. Closing balance				16,646,900.00		16,646,900.00
IV. Book value						
1. Ending Book value	311,248,290.94		1,268,424.28	15,241,226.47	12,874,201.67	340,632,143.36
2. Opening Book value	313,565,503.26		1,622,404.01	15,241,226.47	16,777,385.02	347,206,518.76

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

(2) Land use rights without certificate of ownership

Nil

15. Goodwill

(1) Original book value of goodwill

In RMB

The invested entity or items	Opening balance	Increase during the year	Decreased during the year	Closing balance
Weifu Tianli	1,784,086.79			1,784,086.79
Total	1,784,086.79			1,784,086.79

(2) Goodwill depreciation reserves

Nil

Other note

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

16. Long-term unamortized expenses

In RMB

Item	Opening balance	increased in the Period	Amortized in the Period	Other decrease	Closing balance
Remodeling costs etc.	1,753,413.10	2,265,544.82	1,049,187.11		2,969,770.81
Total	1,753,413.10	2,265,544.82	1,049,187.11		2,969,770.81

17. Deferred income tax assets and deferred income tax liabilities**(1) Deferred income tax assets un-offset**

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt reserves	18,591,825.81	2,834,842.52	17,188,291.28	2,742,375.77
Inventory falling price reserves	240,520,904.57	37,599,678.75	229,240,920.42	36,065,833.01
Fixed assets depreciation reserves	20,459,349.51	3,285,096.52	20,616,046.44	3,283,362.97
Construction in process depreciation reserves	3,566,375.62	534,956.34	6,916,375.62	1,037,456.34
Intangible assets depreciation reserves	16,646,900.00	2,497,035.00	16,646,900.00	2,497,035.00
Financial assets available for sale depreciation reserves	10,000,000.00	1,500,000.00	10,000,000.00	1,500,000.00
Deferred income	447,676,720.31	67,151,508.04	474,885,844.12	71,232,876.62
Internal un-realized profit	28,149,575.30	4,972,350.93	40,535,949.54	6,461,650.41
Payable salary, accrued expenses etc.	526,642,684.53	81,166,909.39	526,809,750.78	81,793,955.82
Depreciation assets, amortization difference	9,768,298.31	1,465,244.74	13,486,412.32	2,022,961.84
Deductible loss of subsidiary			10,394,711.11	1,559,206.67
Total	1,322,022,633.96	203,007,622.23	1,366,721,201.63	210,196,714.45

(2) Deferred income tax liabilities un-offset

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment for combination not under the same control	13,491,849.42	2,023,777.40	14,232,069.40	2,134,810.40
Change of fair value for the financial assets available for sale	102,552,300.00	15,382,844.99	170,262,150.00	25,539,322.49
Total	116,044,149.42	17,406,622.39	184,494,219.40	27,674,132.89

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

In RMB

Item	Trade-off between the	Ending balance of	Trade-off between the	Opening balance of
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	deferred income tax assets and liabilities	deferred income tax assets or liabilities after off-set	deferred income tax assets and liabilities at period-begin	deferred income tax assets or liabilities after off-set
Deferred income tax assets		203,007,622.23		210,196,714.45
Deferred income tax liabilities		17,406,622.39		27,674,132.89

(4) Details of unrecognized deferred income tax assets

In RMB

Item	Closing balance	Opening balance
Bad debt reserves	330,881.07	308,857.00
Inventory falling price reserves	21,786,977.53	26,982,368.16
Loss of subsidiary of Weifu ITM etc.	160,376,822.42	188,242,036.00
Fixed assets depreciation reserves	34,463,785.32	14,972,181.55
Provision for impairment of financial assets available for sale	49,433,106.95	49,433,106.95
Total	266,391,573.29	279,938,549.66

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

In RMB

Year	Ending amount	Opening amount	Note
2017		12,490,509.17	Weifu ITM and other subsidiaries have operating losses
2018	23,365,456.08	24,828,326.76	Weifu ITM and other subsidiaries have operating losses
2019	35,159,237.40	35,159,237.40	Weifu ITM and other subsidiaries have operating losses
2020	44,811,748.35	69,683,006.19	Weifu ITM and other subsidiaries have operating losses
2021	46,080,956.48	46,080,956.48	Weifu ITM and other subsidiaries have operating losses
2022	10,959,424.11		Weifu Mashan and other subsidiaries have operating losses
Total	160,376,822.42	188,242,036.00	--

18. Other non-current assets

In RMB

Item	Closing balance	Opening balance
Engineering equipment paid in advance	195,088,675.74	102,671,641.12
Total	195,088,675.74	102,671,641.12

19. Short-term loans**(1) Types of short-term loans**

In RMB

Item	Closing balance	Opening balance
Debt of honor	243,000,000.00	150,000,000.00
Total	243,000,000.00	150,000,000.00

(2) Overdue short-term loans without payment

Nil

20. Notes payable

In RMB

Type	Closing balance	Opening balance
Trade acceptance	947,976,759.10	837,045,962.78
Total	947,976,759.10	837,045,962.78

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

21. Account payable**(1) Account payable**

In RMB

Item	Closing balance	Opening balance
Within 1 year	2,452,140,381.86	1,636,965,593.87
1-2 years	43,524,905.85	16,364,736.14
2-3 years	2,318,008.01	14,228,347.57
Over 3 years	72,972,910.11	61,691,678.35
Total	2,570,956,205.83	1,729,250,355.93

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

Nil

22. Account received in advance**(1) Account received in advance**

In RMB

Item	Closing balance	Opening balance
Within 1 year	34,272,416.20	38,892,005.51
1-2 years	7,271,092.26	1,416,022.00
2-3 years	346,383.11	1,136,183.04
Over 3 years	930,344.50	1,539,142.29
Total	42,820,236.07	42,983,352.84

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

Nil

23. Wages payable**(1) Wages payable**

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Closing balance
I. Short-term compensation	136,636,786.19	945,065,740.44	934,258,260.70	147,444,265.93
II. Post-employment welfare- defined contribution plans	36,740,154.48	142,692,020.99	145,132,773.57	34,299,401.90
III. Dismissed welfare	3,020,952.05	4,095,398.78	3,718,708.67	3,397,642.16
IV. Other welfare due within one year	40,630,779.35	155,567,668.94	74,528,448.29	121,670,000.00
V. Other short-term welfare-Housing subsidies, employee benefits and welfare funds	13,643,597.51	9,800,000.00	2,476,230.21	20,967,367.30
Total	230,672,269.58	1,257,220,829.15	1,160,114,421.44	327,778,677.29

(2) Short-term compensation

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Closing balance
1. Wages, bonuses, allowances and subsidies	117,735,616.49	758,653,597.63	748,243,755.27	128,145,458.85
2. Welfare for workers and staff		64,954,528.63	64,954,528.63	
3. Social insurance	8,302,424.95	58,069,961.68	57,729,505.96	8,642,880.67

Including: Medical insurance	6,437,720.69	47,013,312.48	46,701,998.15	6,749,035.02
Work injury insurance	1,238,371.21	7,442,985.84	7,460,250.49	1,221,106.56
Maternity insurance	626,333.05	3,613,663.36	3,567,257.32	672,739.09
4. Housing accumulation fund	1,059,081.00	50,678,562.06	50,675,632.06	1,062,011.00
5. Labor union expenditure and personnel education expense	9,539,663.75	12,709,090.44	12,654,838.78	9,593,915.41
Total	136,636,786.19	945,065,740.44	934,258,260.70	147,444,265.93

(3) Defined contribution plans

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Item
1. Basic endowment insurance	20,102,944.48	106,813,915.51	109,098,616.35	17,818,243.64
2. Unemployment insurance	2,044,905.57	3,050,672.12	3,431,094.43	1,664,483.26
3. Enterprise annuity	14,592,304.43	32,827,433.36	32,603,062.79	14,816,675.00
Total	36,740,154.48	142,692,020.99	145,132,773.57	34,299,401.90

Other explanation:

1. Reclassification of long-term staff remuneration payable:

① An amount of RMB83,610,000.00 in short-term remuneration is reclassified into long-term staff remuneration payable, which represents the incentive fund of RMB83,610,000.00 provided for in this period.

② An amount of RMB168,184,763.19 is recorded in post office benefits - defined benefit plan and incentive fund payable within one year, which represents the difference between the incentive fund of RMB136,200,000.00 expected to be paid in 2018 and the beginning balance of incentive fund payable within one year, post office benefits-defined benefit plan and the actual amount paid in this period.

2. Post-employment welfare- defined contribution plans:

The Company participates in the pension insurance and unemployment insurance plans established by government authorities by laws. Under these plans, the Company makes monthly contribution to these plans based on 19% and 0.5% of the social insurance contribution base for 2017 respectively. Other than the aforesaid monthly contribution, the Company takes no further payment obligation. The relevant expenditure is included in current profit or loss or cost of relevant assets when occurs. Found more of enterprise annuity in Note XVI-4." Annuity plan"

3. Dismiss welfare

The wages payable resulted from the implementation of inner retirement plan, the amount will pay one year later RMB 2,207,191.56 will re-classified into the long-term wage payable.

24. Tax payable

In RMB

Item	Closing balance	Opening balance
Value-added tax	26,675,795.24	8,586,317.81
Enterprise income tax	53,333,508.69	43,081,662.09
Individual income tax	3,102,645.73	2,510,107.17
Urban maintenance and construction tax	1,873,973.56	619,918.29
Educational surtax	1,338,552.54	442,680.76
Other (including stamp tax and local funds)	7,545,214.60	7,394,236.76
Total	93,869,690.36	62,634,922.88

25. Interest payable

In RMB

Item	Closing balance	Opening balance
Long-term borrowing interest for installment	79,826.39	87,083.33
Interest payable for short-term loans	322,102.04	350,854.94
Total	401,928.43	437,938.27

Major overdue interest: Nil

26. Other payable**(1) Classification of other payable according to nature of account**

In RMB

Item	Closing balance	Opening balance
Deposit and margin	20,977,476.26	53,757,126.76
Social insurance and reserves funds that withholding	7,689,385.68	6,213,209.51
Intercourse funds of units	25,754,545.98	25,512,145.98
Other	8,516,532.98	11,032,003.34
Total	62,937,940.90	96,514,485.59

(2) Significant other payable with over one year age

In RMB

Item	Closing balance	Reasons of un-paid or carry-over
Nanjing Jidian Industrial Group Co., Ltd.	4,500,000.00	Intercourse funds

Total	4,500,000.00	--
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27. Non current liabilities due within one year

In RMB

Item	Closing balance	Opening balance
Long-term loans due within one year	10,000,000.00	
Total	10,000,000.00	

28. Long-term loans**(1) Classification of long-term loans**

In RMB

Item	Closing balance	Opening balance
Guaranteed loan	45,000,000.00	60,000,000.00
Total	45,000,000.00	60,000,000.00

29. Long-term account payable**(1) Listed by nature**

In RMB

Item	Closing balance	Opening balance
Hi-tech Branch of Nanjing Finance Bureau [note ①]	1,140,000.00	1,140,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ②]	1,250,000.00	1,250,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ③]	1,230,000.00	1,230,000.00
Loan transferred from treasury bond [note ④]	1,356,363.00	1,695,454.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑤]	2,750,000.00	2,750,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑥]	1,030,000.00	1,030,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑦]	960,000.00	960,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑧]	5,040,000.00	5,040,000.00
Hi-tech Branch of Nanjing Finance Bureau[note ⑨]	2,740,000.00	2,740,000.00
Total	17,496,363.00	17,835,454.00

Other explanation:

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

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

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

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

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

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

[Note ⑦] To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from 27 December 2010 to 27 December 2025. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

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

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

30. Long-term employee payable

(1) Long-term employee payable

In RMB

Item	Closing balance	Opening balance
I. Post-employment welfare-defined contribution plans net indebtedness		
II. Dismiss welfare	13,782,896.07	11,575,704.51
III. Other long-term welfare	16,665,236.81	101,240,000.00

Total	30,448,132.88	112,815,704.51
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(2) Change of defined benefit plans

Nil

31. Special payable

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Closing balance	Causes
Removal compensation of subsidiary Weifu Jinning [note]	18,265,082.11			18,265,082.11	
Total	18,265,082.11			18,265,082.11	--

Other explanation:

Note: Removal compensation of subsidiary Weifu Jinning: in line with regulation of the house acquisition decision of People's government of Xuanwu District, Nanjing City, Ning Xuan Fu Zheng Zi (2012) No.001, part of the lands and property of Weifu Jinning needs expropriation in order to carry out the comprehensively improvement of Ming Great Wall. According to the house expropriation and compensation agreement in state-owned lands signed between Weifu Jinning and House Expropriation Management Office of Xuanwu District, Nanjing City, RMB 19.7067 million in total are compensate, including operation losses from lessee RMB 1.4416 million in total. The above compensation was received in last period and is making up for the losses from lessee, and the above lands and property have not been collected up to 31 December 2017.

32. Deferred income

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Closing balance	Causes
Government grand	479,211,845.88	10,964,600.00	38,894,724.11	451,281,721.77	收到财政拨款
Total	479,211,845.88	10,964,600.00	38,894,724.11	451,281,721.77	--

Item with government grants involved:

In RMB

Item	Opening balance	New grants in the Period	Amount reckoned in non-operation revenue	Amount reckoned into other income in the period	Cost reduction in the period	Other changes	Ending balance	Assets related/Income related
Industrialization project for injection	4,326,001.76			721,000.30			3,605,001.46	Assets related/Income related

VE pump system with electronically controlled high pressure for less-emission diesel used								e related
Appropriation on reforming of production line technology and R&D ability of common rail system for diesel by distributive high-voltage	7,100,000.00						7,100,000.00	Assets related
Fund of industry upgrade (2012)	60,400,000.00						60,400,000.00	Income related
Fund of industry upgrade (2013)	60,520,000.00						60,520,000.00	Income related
Appropriation on central basic construction investment	3,571,428.58			714,285.71			2,857,142.87	Assets related
R&D and industrialization of the high pressure variable pump of the common rail system of diesel engine for automobile	11,500,000.00			1,543,095.28			9,956,904.72	Assets related
Research institute of motor vehicle exhaust aftertreatment technology	4,000,000.00			883,874.66			3,116,125.34	Assets related
Fund of industry upgrade (2014)	36,831,000.00						36,831,000.00	Income related
New-built assets compensation after the removal of parent company	196,590,113.55			25,638,810.77			170,951,302.78	Assets related

Fund of industry upgrade (2016)	40,000,000.00					40,000,000.00	Income related
Guiding capital for the technical reform from State Hi-Tech Technical Commission	9,740,000.00					9,740,000.00	Assets related
Implementation of the variable cross-section turbocharger for diesel engine	16,970,000.00			4,531,768.46		12,438,231.54	Assets related
Demonstration project for intelligent manufacturing		3,000,000.00		1,191,193.36		1,808,806.64	Assets related
Other	27,663,301.99	7,964,600.00		3,670,695.57		31,957,206.42	Assets related Income related
Total	479,211,845.88	10,964,600.00		38,894,724.11		451,281,721.77	--

Other explanation:

(1) Appropriation on industrialization project of electrical control and high voltage jet VE system of low emissions diesel: in September 2009, Weifu Jinning signed “Project Contract of Technology Outcome Transferring Special Capital in Jiangsu Province” with Nanjing Technical Bureau, according to which Weifu Jinning received appropriation RMB 6.35 million in 2009, RMB 4.775 million received in 2010 and RMB 0.875 million received in 2011. According to the contract, the attendance date of this project was: from October of 2009 to March of 2012. This contract agreed 62% of newly increased investment in project would be spent in fixed assets investment which are belongs to the government grand with assets/income concerned. In 2013, accepted by the science & technology agency of Jiangsu Province, and RMB 4,789,997.04 with income related was reckoned into current operation revenue directly; the RMB 7,210,002.96 with assets related was amortized during the predicted service period of the assets, and RMB 721,000.30 amortized in the Period.

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

(3) Industry upgrading funds (2012): In accordance with the document Xi Xin Guanjing Fa [2012] No.216 and

Document Xi Xin Guancai Fa [2012] No. 85, the Company received funds of 60.4 million Yuan appropriated for industry upgrading this year.

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

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

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

(7) Vehicle exhaust after-treatment technology research institute project: in 2012, the subsidiary Weifu Leader has applied for equipment purchase assisting funds to Wuxi Huishan Science and Technology Bureau and Wuxi Science and Technology Bureau for the vehicle exhaust after-treatment technology research institute project. This declaration has been approved by Wuxi Huishan Science and Technology Bureau and Wuxi Science and Technology Bureau in 2012, and the company has received appropriation of 2.4 million Yuan in 2012, and received appropriation of 1.6 million Yuan in 2013. This appropriation belongs to government subsidies related to assets and will be amortized according to the depreciation process, amount of 883,874.66 Yuan amortize in the year.

(8) Industry upgrading funds (2014): In accordance with the document Xi Xin Guan Jing Fa [2014] No.427 and Xi Xin Guan Cai Fa [2014] No.143, the Company received funds of 36.831 million Yuan appropriated for industry upgrading in 2014.

(9) New-built assets compensation after the removal of parent company: policy relocation compensation received by the Company, and will be amortized according to the depreciation of new-built assets, amount of 25,638,810.77 Yuan amortize in the year.

(10) Fund of industry upgrade (2016): In accordance with the document Xi Xin Guan Jing Fa [2016] No.585 and Xi Xin Fa [2016] No.70, the Company received funds of 40 million Yuan appropriated for industry upgrading in 2016.

(11) Guiding capital for the technical reform from State Hi-Tech Technical Commission: In accordance with the document Xi Jing Xin ZH [2016] No.9 and Xi Cai GM [2016] No.56, the Company received a 9.74 million Yuan

for the guiding capital of technical reform (1st batch) from Wuxi for year of 2016, which included in the government subsidy with assets-concerned, and will amortized according to the depreciation process after acceptance

(12) Implementation of the variable cross-section turbocharger for diesel engine: In accordance with the document YCZ Fa[2016] NO.623 and “Strong Industrial Base Project Contract for year of 2016”, subsidiary Weifu Tianli received a specific subsidy of 16.97 million Yuan, the fund supporting strong industrial base project (made-in-China 2025) of central industrial transformation and upgrading 2016 from Ministry of Industry and Information Technology; and belongs to government grant with assets concerned, and shall be amortized according to the depreciation process, amount of 4,531,768.46 Yuan amortize in the year.

(13) Demonstration project for intelligent manufacturing: under the Notice Relating to Selection of the Intelligent Manufacturing Model Project in Huishan District in 2016 (HJXF[2016]No.36), a fiscal subsidy of 3,000,000 Yuan was granted by relevant government authority in Huishan district to our subsidiary Weifu Leader in 2017 to be utilized for transformation and upgrade of Weifu Leader’s intelligent manufacturing facilities. This subsidy belongs to government grant related to assets which shall be amortized based on the depreciation progress of the assets. Amortization for the year amounts to 1,191,193.36 Yuan.

33. Share capital

In RMB

	Opening balance	Change during the year(+,-)					Closing balance
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Total shares	1,008,950,570.00						1,008,950,570.00

34. Capital reserve

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Closing balance
Capital premium (Share capital premium)	3,372,647,413.97			3,372,647,413.97
Other Capital reserves	45,193,988.92			45,193,988.92
Total	3,417,841,402.89			3,417,841,402.89

35. Other consolidated income

In RMB

Item	Opening balance	Current period					Closing balance
		Account before income tax in the	Less: written in other comprehensive income in	Less : income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	

		year	previous period and carried forward to gains and losses in current period				
I. Other comprehensive income items which will not be reclassified subsequently to profit or loss							
II. Other comprehensive income items which will be reclassified subsequently to profit or loss	144,722,827.51	-43,364,100.00	24,345,750.00	-10,156,477.50	-57,553,372.50		87,169,455.01
Gains or losses arising from changes in fair value of available-for-sale financial assets	144,722,827.51	-43,364,100.00	24,345,750.00	-10,156,477.50	-57,553,372.50		87,169,455.01
Total other consolidated income	144,722,827.51	-43,364,100.00	24,345,750.00	-10,156,477.50	-57,553,372.50		87,169,455.01

Other explanation, including the adjustment on initial recognition for arbitrage items that transfer from the effective part of cash flow hedge profit/loss

Nil

36. Reasonable reserve

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
Safety production costs	89,005.19	17,947,661.67	18,034,059.93	2,606.93
Total	89,005.19	17,947,661.67	18,034,059.93	2,606.93

Other explanation, including changes and reasons for changes:

According to the “management method of extraction and use the safety production costs for enterprise” Cai Qi [2012] No.16 jointly issued by Ministry of Finance and Administration of Production Safety Supervision, the provision is based on the actual operation revenue of last period, extract on average month-by-month basis through excess regressive method

Among the above safety production costs, including the safety production costs accrual by the Company in line with regulations and the parts enjoy by shareholders of the Company in safety production costs accrual by subsidiary in line with regulations.

37. Surplus reserves

In RMB

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
Statutory surplus reserves	510,100,496.00			510,100,496.00
Total	510,100,496.00			510,100,496.00

Other explanation, including changes and reasons for changes:

Withdrawal of the statutory surplus reserves: Pursuit to the Company Law and Article of Association, the Company extracted statutory surplus reserve on 10 percent of the net profit. No more amounts shall be withdrawal if the accumulated statutory surplus reserve takes over 50 percent of the registered capital.

38. Retained profit

In RMB

Item	Current period	Last period
Retained profits at the end of last year before adjustment	7,845,639,990.88	6,677,890,958.83
Retained profits at the beginning of the year after adjustment	7,845,639,990.88	6,677,890,958.83
Add: The net profits belong to owners of patent company of this period	2,571,339,490.04	1,672,224,317.05
Common dividend payable	605,370,342.00	504,475,285.00
Retained profit at period-end	9,811,609,138.92	7,845,639,990.88

Details about adjusting the retained profits at the beginning of the period:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan

39. Operating income and cost

In RMB

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main operating	8,535,599,504.73	6,420,982,285.26	6,043,223,608.00	4,586,960,342.60
Other operating	481,680,655.07	340,747,113.10	379,476,791.27	297,497,783.27
Total	9,017,280,159.80	6,761,729,398.36	6,422,700,399.27	4,884,458,125.87

40. Business tax and surcharges

In RMB

Item	Current period	Last period
City maintenance and construction tax	27,342,047.81	18,334,084.89
Educational surtax	19,529,544.78	13,095,739.09
Property tax	16,168,030.42	10,183,124.84
Land use tax	6,297,452.61	4,463,446.01
Vehicle use tax	38,597.80	697,078.00
Stamp duty	3,033,552.04	839,312.20
Other taxes	3,915.02	106,191.33
Total	72,413,140.48	47,718,976.36

41. Sales expenses

In RMB

Item	Current period	Last period
Salary and fringe benefit	34,445,822.91	31,879,042.58
Consumption of office materials and business travel charge	11,190,696.17	9,715,093.68
Transportation charge	38,950,920.39	35,177,995.06
Warehouse charge	12,028,839.44	15,400,576.80
Three-guarantee fee	75,299,163.49	100,581,521.59
Business entertainment fee	14,336,526.65	11,748,997.33
Other	8,602,811.32	8,801,137.85
Total	194,854,780.37	213,304,364.89

42. Administration expenses

In RMB

Item	Current period	Last period
Salary and fringe benefit	258,766,943.35	232,942,949.11
Depreciation charger and long-term assets amortization	45,736,858.43	57,334,583.77
Consumption of office materials and business travel charge	21,626,135.74	25,551,714.81
Tax		5,349,304.61
Incentive fund	83,610,000.00	45,460,000.00
Other	521,068,850.09	430,787,647.16

Total	930,808,787.61	797,426,199.46
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43. Financial expenses

In RMB

Item	Current period	Last period
Interest expenses	10,044,328.07	11,510,506.28
Note discount interest expenses	1,196,392.60	1,057,040.13
Saving interest income	-18,726,974.19	-21,087,556.23
Gains/losses from exchange	11,345,354.36	-2,740,615.24
Handling charges	3,457,895.95	2,151,182.44
Total	7,316,996.79	-9,109,442.62

Other explanation:

The interest expenses for year of 2017 including the 1,135,848.00 Yuan received of regards for the provincial engineering center

44. Asset impairment loss

In RMB

Item	Current period	Last period
I. Bad debt loss	2,009,413.99	-8,072,606.95
II. Inventory falling price loss	97,326,180.89	64,388,256.01
III. Impairment loss of financial assets available for sale		10,000,000.00
VII. Impairment loss of fixed assets	19,884,135.49	17,454,535.19
IX. Impairment loss of construction in process		4,820,033.00
Total	119,219,730.37	88,590,217.25

45. Investment income

In RMB

Item	Current period	Last period
Income of long-term equity investment calculated based on equity	1,604,027,207.30	1,131,546,611.25
Investment income from holding financial assets available for sales	3,291,000.00	9,702,039.13
Investment income obtained from disposal of financial assets available for sales	24,625,516.88	31,650,057.18
Entrust financial income	221,705,034.02	205,047,032.68
Gains/losses of subsidiary liquidation	-10,473.00	
Total	1,853,638,285.20	1,377,945,740.24

46. Income from assets disposal

In RMB

Sources	Current period	Last period
Income from disposal of non-current assets	1,156,664.72	1,313,513.35
Losses from disposal of non-current assets	-1,905,592.35	-2,607,996.52
Total	-748,927.63	-1,294,483.17

47. Other income

In RMB

Source of other income	Current period	Last period
Government subsidy related with daily operation activities	40,394,724.11	
Total	40,394,724.11	

48. Non-operating income

In RMB

Item	Current period	Last period	Amount reckoned into current non-recurring gains/losses
Government subsidy	6,631,568.54	43,963,942.28	6,631,568.54
Other	5,336,599.33	5,339,757.07	5,336,599.33
Total	11,968,167.87	49,303,699.35	11,968,167.87

Government subsidy reckoned into current gains/losses:

In RMB

Item	Granting subject	Cause of distribution	Nature type	Whether the impact of subsidies on the current profit and loss	Whether special subsidies	Current period	Last period	Assets related/Income related
Industrialization project for injection VE pump system with electronically controlled high pressure for less-emission diesel used				N	N		721,000.30	Assets related/Income related
Grants for R&D of new products				N	N		2,244,225.03	Assets related
Scientific research grants for THU light diesel 863 project				N	N		31,000.00	Assets related/Income related

Scientific research grants of Eco-environment Research Center of CAS				N	N		30,000.00	Assets related/Income related
Key lab (engineering centers) for the tail-gas pollution control of motor vehicles in Jiangsu Province				N	N		170,000.00	Assets related/Income related
Allocation of the key labs in Wuxi City				N	N		70,000.00	Assets related/Income related
Supporting funds for the technology reform of packaging lines of the catalyst reduction for commercial vehicles with annual 140,000 pieces output (2014)				N	N		259,000.00	Assets related
Technology reform of four cylinder engine supercharger with annual 300000 sets output				N	N		191,935.57	Assets related
Gasoline supercharger with annual 150000 sets output				N	N		100,000.00	Assets related
Compensation of relocation losses of parent company				N	N		57,116.41	Assets related/Income related
Depreciation / amortization compensation of new assets after the relocation of the parent company				N	N		26,977,435.34	Assets related
Regards for the Provincial engineering center				N	N		1,771,838.00	Income related
Wuxi Finance Bureau central infrastructure investment funds (R & D center)				N	N		714,285.71	Assets related
Provincial science technology innovation and results transformation special guide funds				N	N		328,571.43	Assets related
Technical improvement of annual output 180 thousand commercial vehicle catalytic reduction system				N	N		118,000.00	Assets related
Stabilization subsidy					N	3,202,219.54	2,962,051.59	Income related
Patent funding				N	N	451,800.		Income

						00		related
Support funds				N	N	1,100,000.00		Income related
Reward for acceptance of new third board				N	N	500,000.00		Income related
Innovation ability reward				N	N	500,000.00		Income related
The reward of top thirty industrial enterprise, Star enterprise in service industry and demonstration award for enterprise innovation and development for the year of 2016 in Jiangbei District from People's Government of Jiangbei District, Ningbo City				N	N	400,000.00		Income related
Capital for 38th batch industrial upgrading for year of 2016				N	N		995,000.00	Income related
Specific fund for industrial guiding				N	N		1,900,000.00	Income related
Other				N	N	477,549.00	4,322,482.90	Income related/Income related
Total	--	--	--	--	--	6,631,568.54	43,963,942.28	--

49. Non-operating expenditure

In RMB

Item	Current period	Last period	Amount reckoned into current non-recurring gains/losses
Non-current assets disposal losses	2,473,919.63	4,935,120.99	2,473,919.63
Including: fixed assets disposal losses	2,473,919.63	4,935,120.99	2,473,919.63
Loss of intangible assets			
Donations		13,500.00	
Relocation expenditures of parent company		57,116.41	
Local fund	2,442,882.51	1,869,546.60	
Other	856,791.48	844,939.98	856,791.48
Total	5,773,593.62	7,720,223.98	3,330,711.11

50. Income tax expense**(1) Statement of income tax expense**

In RMB

Item	Current period	Last period
Payable tax in current period	176,981,021.79	140,818,512.69
Adjusted the previous income tax	-853,023.84	3,157,419.37
Increase/decrease of deferred income tax assets	7,189,092.22	-51,322,989.08
Increase/decrease of deferred income tax liability	-111,033.00	-111,033.00
Total	183,206,057.17	92,541,909.98

(2) Adjustment on accounting profit and income tax expenses

In RMB

Item	Current period
Total profit	2,830,415,981.75
Income tax measured by statutory/applicable tax rate	424,562,397.26
Impact by different tax rate applied by subsidies	1,045,515.54
Adjusted the previous income tax	-853,023.84
Impact by non-taxable revenue	-241,722,284.86
Impact on cost, expenses and losses that unable to deducted	4,233,532.70
Impact by the deductible losses of the un-recognized previous deferred income tax	-20,428,216.04
The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period	23,183,835.02
Weighted deduction the expenses	-12,014,200.13
Other	5,198,501.52
Income tax expense	183,206,057.17

51. Other comprehensive income

See Note VII. 35 "Other comprehensive income"

52. Items of cash flow statement**(1) Other cash received in relation to operation activities**

In RMB

Item	Current period	Last period
Income from bank deposit interest	18,726,974.19	21,881,968.54
Operational government subsidy	15,752,016.54	50,691,030.59
Other	31,499,688.17	55,816,351.96
Total	65,978,678.90	128,389,351.09

(2) Other cash paid in relation to operation activities

In RMB

Item	Current period	Last period
Expenses of sales cash paid	159,219,856.67	178,306,563.20
Expenses of management cash paid	346,090,020.60	281,935,537.01
Other	42,308,458.75	13,222,255.93
Total	547,618,336.02	473,464,356.14

(3) Cash received from other investment activities

In RMB

Item	Current period	Last period
Relocation compensation received		25,301,600.00
Letter of credit for import equipment margin	79,984.34	4,343,020.61
Government subsidy received relevant to assets	4,480,000.00	40,534,134.00
Total	4,559,984.34	70,178,754.61

(4) Cash paid related with investment activities

In RMB

Item	Current period	Last period
Relocation expenses paid		57,116.41
Total		57,116.41

(5) Other cash received in relation to financing activities

Nil

(6) Cash paid related with financing activities

In RMB

Item	Current period	Last period
Liquidation charges	1,049,711.28	
National debt paid transfer to loans	339,091.00	339,091.00
Total	1,388,802.28	339,091.00

53. Supplementary information to statement of cash flow**(1) Supplementary information to statement of cash flow**

In RMB

Supplementary information	This Period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	2,647,209,924.58	1,726,004,780.52
Add: Assets impairment provision	119,219,730.37	88,590,217.25
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	266,894,355.57	249,424,267.49
Amortization of intangible assets	18,616,311.55	19,154,524.79
Amortization of long-term deferred expenses	1,049,187.11	13,435,341.57
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is listed with "-")	748,927.63	6,229,604.16
Losses on scrapping of fixed assets (gain is listed with "-")	2,473,919.63	
Financial expenses (gain is listed with "-")	19,423,542.44	10,765,118.21
Investment loss (gain is listed with "-")	-1,849,764,125.27	-1,373,834,429.04
Decrease of deferred income tax asset (increase is listed with "-")	7,189,092.22	-51,322,989.08
Increase of deferred income tax liability (decrease is listed with "-")	-111,033.00	-111,033.00
Decrease of inventory (increase is listed with "-")	-223,562,160.19	-547,666,391.11
Decrease of operating receivable accounts (increase is listed with "-")	-899,544,673.74	-331,181,894.37
Increase of operating payable accounts (decrease is listed with "-")	848,035,110.26	745,605,044.55
Other	-180,208.09	-27,747,797.90
Net cash flow arising from operating activities	957,697,901.07	527,344,364.04
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	2,948,439,354.22	3,795,223,678.11
Less: Balance of cash equivalent at year-begin	3,795,223,678.11	3,040,315,198.85
Net increasing of cash and cash equivalents	-846,784,323.89	754,908,479.26

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

Nil

(3) Net cash received from the disposal of subsidiaries

Nil

(4) Constitution of cash and cash equivalent

In RMB

Item	Closing balance	Opening balance
I . Cash	2,948,439,354.22	3,795,223,678.11
Including: stock cash	736,773.22	776,872.53
Bank deposit available for payment at any time	2,947,702,581.00	3,794,446,805.58
III. Balance of cash and cash equivalent at period-end	2,948,439,354.22	3,795,223,678.11

54. Assets with ownership or use right restricted

In RMB

Item	Book value at period-end	Restriction reason
Monetary fund	359,224.68	Cash deposit paid for LC
Notes receivable	583,421,990.27	Notes pledge for bank acceptance
Monetary fund	89,264,465.36	Cash deposit paid for bank acceptance
Monetary fund	646,368.57	Court freeze
Financial assets availablefor sale	222,862,426.44	In accordance with the civil ruling No.(2016)Y03MC2490 and No.(2016)Y03MC2492 of Guangdong Shenzhen Intermediate People's Court (Hereinafter referred to as "Shenzhen Intermediate People's Court"), the property with the value of 217 million Yuan under the name of the Company and other seven respondents and the third party Shenzhen Hejun Chuangye Holdings Co., Ltd. was frozen. As of the end of the reporting period, 4.71 million shares of Miracle Logistics and 11,739,102 shares of SDEC held by the Company were frozen.
Total	896,554,475.32	--

55. Item of foreign currency**(1) Item of foreign currency**

In RMB

Item	Closing balance of foreign currency	Rate of conversion	Ending RMB balance converted
Including: USD	11,317,269.71	6.5342	73,949,303.74
EUR	621,661.11	7.8023	4,850,386.48
HKD	9,101,934.27	0.8359	7,608,306.86
JPY	8,460,010.00	0.057883	489,690.75
Including: USD	3,768,923.70	6.5342	24,626,901.24
EUR	806,574.48	7.8023	6,293,136.06

JPY	7,757,706.80	0.057883	449,039.34
Accounts payable			
Including: USD	561,551.16	6.5342	3,669,287.60
EUR	6,032,199.70	7.8023	47,065,031.72
CHF	52,255.30	6.6779	348,955.67
JPY	189,826,753.00	0.057883	10,987,741.94

(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons

☐ Applicable ☒ Not applicable

VIII. Changes of consolidation range

1. Enterprise merger not under the same control

Nil

2. Enterprise merger under the same control

Nil

3. Reverse purchase

Nil

4. The disposal of subsidiaries

Whether there is a subsidiary disposal on one time, which is loss control of rights

☐ Yes ☒ No

Whether there is a subsidiary disposal by steps through multiple trading and loss control of rights in the period

☐ Yes ☒ No

5. Other reasons for consolidation range changed

Explain the reasons on consolidate scope changes (i.e. subsidiary newly established, subsidiary liquidation ect.) and relevant information:

- (1) Weifu Tianshi cancellation in the year;
- (2) Kunming Xitong cancellation in the year
- (3) Our subsidiary Weifu Leader acquired the 100% equity interests of Chongqing Chiyang Machine and Electrical Company Limited (“Chiyang M&E”) from its original shareholders based on the valuation price of its lands and plants in this year. On 26 December 2017, Chiyang M&E completed registration change in competent industrial and commercial authorities and renamed as Weifu Leader (Chongqing) Auto Components Co.,

Ltd.(“Weifu Leader (Chongqing)”). Weifu Leader (Chongqing) was included in our consolidated financial statement with its assets and liabilities as of 31 December 2017.

Chiyang M&E was incorporated on 28 November 2013 and had not commenced business operation despite of the lands and plants held under its name after incorporation.

IX. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Weifu Jinning	Nanjing	Nanjing	Spare parts of internal-combustion engine	80.00%		Enterprise merger under the same control
Weifu Leader	Wuxi	Wuxi	Automobile exhaust purifier, muffler	94.81%		Enterprise merger under the same control
Weifu Mashan	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
Weifu Chang'an	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Investment
Weifu International Trade	Wuxi	Wuxi	Trading	100.00%		Enterprise merger under the same control
Weifu ITM	Wuxi	Wuxi	Spare parts of internal-combustion engine	100.00%		Enterprise merger not under the same control
Weifu Schmidt	Wuxi	Wuxi	Spare parts of internal-combustion engine	66.00%		Investment
Weifu Tianli	Ningbo	Ningbo	Spare parts of internal-combustion engine	47.94%		Enterprise merger not under the same control
Weifu Autocam	Wuxi	Wuxi	Spare parts of internal-combustion engine	51.00%		Enterprise merger not under the same control
Weifu Leader(Wuhan)	Wuhan	Wuhan	Automobile exhaust purifier, muffler		60.00%	Investment
Weifu Leader (Chongqing)	Chongqing	Chongqing	Automobile exhaust purifier, muffler		100.00%	Investment

Explanation on share-holding ratio in subsidiary different from ratio of voting right:

Nil

Basis of the invested unit control by the Company though holds half or below voting rights; and the invested unit without controls by the Company but with over half voting rights hold:

Nil

Major structured entity included in consolidate statement:

Nil

Basis of termination of agent or consigner:

Nil

(2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Weifu Jinning	20.00%	24,701,491.17	11,958,920.00	168,130,005.51
Weifu Schmidt	34.00%	120,383.91		9,595,963.02
Weifu Leader	5.19%	4,826,855.16		80,560,419.79
Weifu Tianli	52.06%	4,601,383.25		110,054,245.81
Weifu Autocam	49.00%	41,686,383.81	27,691,370.00	147,352,560.35
Total		75,936,497.30	39,650,290.00	515,693,194.48

Explanation on holding ratio different from the voting right ratio for minority shareholders:

Nil

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

In RMB

Subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Weifu Jinning	804,641,137.00	337,158,270.17	1,141,799,407.17	245,091,101.59	54,199,342.64	299,290,444.23
Weifu Schmidt	88,975,034.68	33,405,432.30	122,380,466.98	93,741,159.45		93,741,159.45
Weifu Leader	2,392,378,693.81	978,224,529.85	3,370,603,223.66	1,793,072,212.90	23,503,280.34	1,816,575,493.24
Weifu Tianli	290,628,819.00	243,156,899.42	533,785,718.42	259,270,617.16	63,076,581.29	322,347,198.45
Weifu Autocam	250,884,987.49	216,134,430.81	467,019,418.30	169,012,066.26		169,012,066.26
Total	3,827,508,671.98	1,808,079,562.55	5,635,588,234.53	2,550,187,157.36	150,779,204.27	2,700,966,361.63

Subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Weifu Jinning	704,567,574.80	334,497,494.21	1,039,065,069.01	208,605,344.48	52,002,242.38	260,607,586.86

Weifu Schmidt	43,023,122.51	29,182,497.84	72,205,620.35	71,942,032.80		71,942,032.80
Weifu Leader	1,958,025,236.22	845,267,016.51	2,803,292,252.73	1,330,812,656.43	20,882,446.54	1,351,695,102.97
Weifu Tianli	241,373,421.77	233,429,329.63	474,802,751.40	188,362,850.74	83,442,808.71	271,805,659.45
Weifu Autocam	214,880,467.89	161,333,232.95	376,213,700.84	106,756,967.31		106,756,967.31
Total	3,161,869,823.19	1,603,709,571.14	4,765,579,394.33	1,906,479,851.76	156,327,497.63	2,062,807,349.39

In RMB

Subsidiary	Current period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	639,266,713.42	123,846,080.79	123,846,080.79	-14,327,763.61
Weifu Schmidt	132,237,721.83	375,719.98	375,719.98	-1,277,329.17
Weifu Leader	2,545,737,100.66	102,430,580.66	102,430,580.66	138,916,907.91
Weifu Tianli	331,060,782.23	8,621,636.11	8,621,636.11	13,915,991.57
Weifu Autocam	518,304,786.01	85,063,618.51	85,063,618.51	70,463,396.99
Total	4,166,607,104.15	320,337,636.05	320,337,636.05	207,691,203.69

Subsidiary	Last period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Weifu Jinning	515,817,815.62	57,021,640.41	57,021,640.41	-44,286,799.66
Weifu Schmidt	41,515,396.31	-19,294,562.50	-19,294,562.50	3,744,825.26
Weifu Leader	2,261,240,878.55	160,034,554.74	160,034,554.74	69,333,270.00
Weifu Tianli	238,826,392.82	2,350,574.36	2,350,574.36	16,005,182.23
Weifu Autocam	442,412,632.85	80,733,315.52	80,733,315.52	96,404,531.61
Total	3,499,813,116.15	280,845,522.53	280,845,522.53	141,201,009.44

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

Nil

(5) Financial or other supporting offers to the structured entity included in consolidated financial statement range

Nil

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

Nil

3. Equity in joint venture and cooperative enterprise

(1) Important joint venture and cooperative enterprise

Name	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and cooperative enterprise
				Directly	Indirectly	
I. Joint venture						
Wuxi Weifu Environment Catalyst Co., Ltd.	Wuxi	Wuxi	Catalyst		49.00%	Equity method
II. Cooperative enterprise						
Bosch Automobile Diesel System Co., Ltd.	Wuxi	Wuxi	Internal combustion engine and attachment	32.50%	1.50%	Equity method
Zhonglian Automobile Electronic Co., Ltd.	Shanghai	Shanghai	Internal combustion engine and attachment	20.00%		Equity method
Weifu Precision Machinery Manufacturing Co., Ltd.	Wuxi	Wuxi	Internal combustion engine and attachment	20.00%		Equity method

Holding shares ratio different from the voting right ratio: Nil

Has major influence with less 20% voting rights hold, or has minor influence with over 20% (20% included) voting rights hold: Nil

(2) Main financial information of the important joint venture

In RMB

	Closing balance /Current period	Opening balance /Last period
	Weifu Environment	Weifu Environment
Current assets	3,011,258,785.42	1,530,401,216.10
Including: cash and cash equivalents	120,584,888.35	11,576,044.86
Non-current assets	284,089,421.89	258,367,134.06
Total assets	3,295,348,207.31	1,788,768,350.16
Current liabilities	2,211,790,474.13	866,593,669.41
Non-current liabilities	16,450,000.00	9,400,000.00
Total liabilities	2,228,240,474.13	875,993,669.41
Shareholders' equity attributable to parent company	1,067,107,733.18	912,774,680.75
Share of net assets calculated by shareholding ratio	522,882,789.26	447,259,593.58
Book value of equity investment in joint ventures	522,882,789.26	447,259,593.58

Operation income	2,949,564,841.97	2,219,892,366.83
Financial expense	77,268,038.98	37,388,529.63
Income tax expense	13,745,114.70	39,127,406.61
Net profit	162,415,440.00	130,607,596.11
Total comprehensive income	162,415,440.00	130,607,596.11

(3) Main financial information of the important cooperative enterprise

In RMB

	Closing balance /Current period			Opening balance /Last period		
	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery	Bosch Diesel System	Zhonglian Automobile	Weifu Precision Machinery
Current assets	8,194,014,833.80	688,116,022.56	238,511,756.68	5,471,459,217.00	122,411,917.46	204,443,742.38
Non-current assets	2,696,164,046.92	4,668,848,226.74	123,616,959.50	2,909,694,161.00	3,951,068,747.60	132,442,239.42
Total assets	10,890,178,880.72	5,356,964,249.30	362,128,716.18	8,381,153,378.00	4,073,480,665.06	336,885,981.80
Current liabilities	3,949,654,684.13	566,609,302.26	112,597,321.52	2,901,611,413.00	21,234,488.74	101,953,828.01
Non-current liabilities		2,210,310.00			2,257,650.00	
Total liabilities	3,949,654,684.13	568,819,612.26	112,597,321.52	2,901,611,413.00	23,492,138.74	101,953,828.01
Attributable to parent company shareholders' equity	6,940,524,196.59	4,788,144,637.04	249,531,394.66	5,479,541,965.00	4,049,988,526.32	234,932,153.79
Share of net assets calculated by shareholding ratio	2,359,778,226.84	957,628,927.40	49,906,278.93	1,863,044,268.10	809,997,705.26	46,986,430.76
--Goodwill	267,788,761.35	1,407,265.96		267,788,761.35	1,407,265.96	
--Unrealized profit of internal trading	-18,770,053.91		-28,335.94	-14,912,217.04		-12,012.88
--Other	-0.28		-529,034.03	-0.28		-529,034.03
Book value of equity investment in joint ventures	2,608,796,934.00	959,036,193.36	49,348,908.96	2,115,920,812.13	811,404,971.22	46,445,383.85
Operation income	15,389,748,441.44	21,430,344.10	235,059,618.08	10,539,139,732.00	21,543,597.74	170,236,735.36
Net profit	3,421,160,042.39	1,777,156,110.72	32,599,240.87	2,162,700,491.00	1,644,739,922.31	30,404,115.65
Total comprehensive	3,421,160,042.39	1,777,156,110.72	32,599,240.87	2,162,700,491.00	1,644,739,922.31	30,404,115.65

income						
Dividends received from joint venture in the year	666,460,456.42	207,800,000.00	3,600,000.00	824,197,176.96	162,800,000.00	6,000,000.00

Other explanation

- ① adjustment item for other “-0.28”: the differential tail;
 ② The dividend of 3.6 million Yuan distributed from Weifu Precision Machinery are collected by bank acceptance in the year; the note still in balance of note receivable on 31st December 2017

(4) Financial summary for non-important Joint venture and affiliate enterprise

Nil

(5) Major limitation on capital transfer ability to the Company from joint venture or affiliates

Nil

(6) Excess loss occurred in joint venture or affiliates

Nil

(7) Unconfirmed commitment with joint venture investment concerned

Nil

(8) Intangible liability with joint venture or affiliates investment concerned

Nil

4. Major conduct joint operation

Nil

5. Structured body excluding in consolidate financial statement

Nil

6. Other

Nil

X. Risk related with financial instrument

Main financial instrument of the Company including equity investment, loans, account receivable, account payable etc., more details of the financial instrument can be found in relevant items of Note VII. Risks concerned with the above mentioned financial instrument, and the risk management policy takes for lower the risks are as follow:

Aims of engaging in the risk management is to achieve equilibrium between the risk and benefit, lower the adverse impact on performance of the Company to minimum standards, and maximized the benefit for shareholders and other investors. Base on the risk management targets, the basic tactics of the risk management is to recognized and analyzed the vary risks that the Company counted, established an appropriate risk exposure baseline and caring risk management, supervise the vary risks timely and reliably in order to control the risk in a limited range.

In business process, the risks with financial instrument concerned happen in front of the Company mainly including credit exposure, market risk and liquidity risk. BOD of the Company takes full charge of the risk management target and policy-making, and takes ultimate responsibility for the target of risk management and policy. Risk management department and financial control department manager and monitor those risk exposure to ensuring the risks are control in a limited range.

1. Credit Risk

Credit risk refers to the one party fails to perform the obligation of the financial instruments, form the other party company mainly face credit risk for financial loss caused by the customer credit risks. In order to prevent the risks, the Company formulated an evaluation system for the new client's credit and system to analyze the book credit for regular customer. The evaluation system for the new client's credit aims at the new clients, the Company will conduct an background investigation based on the established process, with purpose of determine whether offer credit limit to the client and the amount of the credit and credit terms or not. Whereby, the Company setting a credit limits and credit period for every new client, and such limit is the maximum amount without additional approval. The system to analyze the book credit for regular customer refers to after purchase order received by regular customer, the Company will examine the order amount and outstanding balance, if the total over the credit limit, on the premise of additional approval, sales on account shall be realized, or prepayments for relevant amount shall be required.

Furthermore, as for the sales on account occurred, the Company will guarantee the total credit risks in a controlling range by analyzed and review the monthly report of the risk attention for account receivables.

The maximum credit risk exposure of the Company is the book amount of such financial assets, till end of 31st December 2017; lists of the maximum credit risk exposure of the Company are as:

Item	Amount of merge	Amount of parent company
Accounts receivable	1,995,577,830.90	1,047,012,889.92
Other receivables	5,214,623.41	50,174,653.16

2. Market risk

Market risk of the financial instrument refers to the fair value of financial instrument or future cash flow due to fluctuations in the market price changes and produce, mainly includes the IRR, FX risk and other price risk.

(1) Interest rate risk (IRR)

IRR refers to the fluctuate risks on Company's financial status and cash flow arising from rates changes in market. IRR of the Company mainly related with the bank loans. In order to lower the fluctuate of IRR, the Company, in line with the anticipative change orientation, choose floating rate or fixed rate, that is the rate in future period will goes up prospectively, than choose fixed rate; if the rate in future period will decline prospectively, than choose

the floating rate. In order to minor the bad impact from difference between the expectation and real condition, loans for liquid funds of the Company are choose the short-term period, and agreed the terms of prepayment in particular.

(2) Foreign exchange (FX) risk

FX risks refer to the losses arising from exchange rate movement. The FX risk sustain by the Company mainly related with the USD, EUR, SF, JPY and GBP, except for the USD, EUR, SF and JPY carried out for the equipment purchasing of parent company and Autocam, material purchasing from business section of Weifu Diesel System, technical service and trademark usage costs from business section of Weifu Diesel System and the import and export of Weifu International Trade, other main business of the Company are pricing and settle with RMB (Yuan). In consequence of the foreign financial assets and liabilities takes minor ratio in total assets, the Company has small FX risk of the financial instrument, considered by management of the Company.

End as 31st December 2017, except for the follow assets or liabilities listed with foreign currency, assets and liabilities of the Company are carried with RMB

① Foreign currency assets of the Company till end of 31st December 2017:

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in assets(%)
Monetary fund				
Including: USD	11,317,269.71	6.5342	73,949,303.74	0.37
EUR	621,661.11	7.8023	4,850,386.48	0.02
JPY	8,460,010.00	0.057883	489,690.75	0.00
HKD	9,101,934.27	0.8359	7,608,306.86	0.04
Accounts receivable				
Including: USD	3,768,923.70	6.5342	24,626,901.24	0.12
EUR	806,574.48	7.8023	6,293,136.06	0.03
JPY	7,757,706.80	0.057883	449,039.34	0.00
Total ratio in assets				0.58

② Foreign currency liabilities of the Company till end of 31st December 2017:

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted	Ratio in liabilities(%)
Accounts payable				
Including: USD	561,551.16	6.5342	3,669,287.60	0.08
EUR	6,032,199.70	7.8023	47,065,031.72	0.96
CHF	52,255.30	6.6779	348,955.67	0.01
JPY	189,826,753.00	0.057883	10,987,741.94	0.23
Total ratio in liabilities				1.27

③ Other pricing risk

Classification of the Company held is the equity investments in financial assets available for sale, and such investment can be measured by fair value on balance sheet date, thus, the Company owns a risk of stock market changes.

Furthermore, on the premise of deliberated and approved in 10th meeting of 8th session of the Board, the Company exercise entrust financing with the self-owned idle capital; therefore, the Company has the risks of collecting no principal due to entrust financial products default. Aims at such risk, the Company formulated a "Management Mechanism of Capital Financing", and well-defined the authority approval, investment decision-making, calculation management and risk controls for the entrust financing in order to guarantee a security funds and prevent investment risk efficiently. In order to lower the adverse impact from unpredictable factors, the Company choose short-term and medium period for investment and investment product's term is up to 3 years in principle; in variety of investment, the Company did not invested for the stocks, derivative products, security investment fund and the entrust financial products aims at security investment as well as other investment with securities concerned.

3. Liquidity risk

Liquidity risk refers to the capital shortage risk occurred during the clearing obligation implemented by the enterprise in way of cash paid or other financial assets. The Company aims at guarantee the Company has rich capital to pay the due debts, therefore, a financial control department is established for collectively controlling such risks. On the one hand, the financial control department monitoring the cash balance, the marketable securities which can be converted into cash at any time and the rolling forecast on cash flow in future 12 months, ensuring the Company, on condition of reasonable prediction, owes rich capital to paid the debts; on the other hand, building a favorable relationship with the banks, rationally design the line of credit, credit products and credit terms, guarantee a sufficient limit for bank credits in order to satisfy vary short-term financing requirements.

XI. Disclosure of fair value

1. Ending fair value of the assets and liabilities measured by fair value

In RMB

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
(2) Equity instrument investment	266,376,600.00			266,376,600.00
Total assets sustaining measured by fair value	266,376,600.00			266,376,600.00
II. Non-persistent measure	--	--	--	--

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

According to relevant requirement of accounting standards, the Company continues to measure the financial assets available for sale-equity instrument investment by fair value on balance sheet date. On 31 December 2017, the financial assets available for sale-equity instrument investment held by the Company refers to the SDEC

(stock code: 600841) and Miracle Logistics (Stock code: 002009), determining basis of the market price at period-end refers to the closing price of 29 December 2017, the 30 December 2017 and 31 December 2017 are not working day.

3. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on second-order

Nil

4. The qualitative and quantitative information for the valuation technique and critical parameter that sustaining and non-persistent measured by fair value on third-order

Nil

5. Sensitivity analysis of non-observable parameters and adjustment information between the opening book value and ending book value that sustaining measured by fair value on third-order

Nil

6. If there are conversion between different orders that sustaining measured by fair value, explain the conversion cause and policy of determining the time point for conversion

Nil

7. The valuation technical change and reasons occurred in the period

Nil

8. The fair value of financial assets/liabilities that not measured under the fair value

Nil

XII. Related party and related transactions

1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
Wuxi Industry Group	Wuxi	Operation of state-owned assets	3,720,671,000 Yuan	20.22%	20.22%

Explanation on parent company of the enterprise

Wuxi Industry Development Group Co., Ltd was solely state-owned enterprise funded and established by Wuxi Municipal People's Government which mainly took responsibility of authorizing the state-owned assets operation within a certain areas, investment management of significant project, investment and development of manufacturing and services and venture capital in high-tech achievement

Ultimate controller of the Company is State-owned Assets Supervision & Administration Commission of Wuxi Municipality of Jiangsu Province.

2. Subsidiary of the Enterprise

Found more in Note IX. 1.” Equity in subsidiary”

3. Cooperative enterprise and joint venture

Found more in Note IX.3. “Equity in joint venture and cooperative enterprise”

4. Other related party

Other related party	Relationship with the Enterprise
ROBERT BOSCH GMBH	The second largest shareholder of the Company
Key executive	Director, supervisor and senior executive of the Company

Other explanation

5. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Content	Current period	Approved transaction limit	Whether more than the transaction limit	Last period
Weifu Precision Machinery	Goods and labor	43,069,065.48	400,000,000.00	Y	34,843,945.76
Bosch Diesel System	Goods and labor	200,508,313.30	170,000,000.00	Y	151,969,520.16
Weifu Environment	Goods	1,131,818,717.21	1,500,000,000.00	N	1,020,202,026.55
ROBERT BOSCH GMBH	Goods	158,733,424.37	120,000,000.00	Y	87,956,181.65

Goods sold/labor service providing

In RMB

Related party	Content	Current period	Last period
Weifu Precision Machinery	Goods and labor	3,377,877.84	2,755,368.45
Bosch Diesel System	Goods and labor	3,266,539,117.64	1,750,915,271.84
Weifu Environment	Goods and labor	46,216,269.37	40,162,148.27
ROBERT BOSCH GMBH	Goods	2,528,608.05	54,387.31

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

Nil

(3) Related lease

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
Weifu Environment	Workshop	2,388,626.00	2,274,881.90

Explanation on related lease

Weifu Leader entered into the house leasing contract with Weifu Environment, as for the plant locates at No.9 Linjiang Road, Wuxi new district, owed by Weifu Leader, rent-out to Weifu Environment, agreements are made as: Rental from 1 January 2017 to 31 December 2017 was 2,388,626.00 Yuan

(4) Related guarantee

Nil

(5) Related party's borrowed funds

Nil

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

Nil

(7) Remuneration of key manager

In RMB

Item	Current period	Last period
Remuneration of key manager	5,070,000.00	4,710,000.00

(8) Other related transactions

Item	Related party	2017	2016
Payable Technology service etc.	Bosch Diesel System	1,294,739.84	1,670,822.16
Fixed assets purchased	Bosch Diesel System	2,607,798.18	--
Technology royalties paid etc.	ROBERT BOSCH GMBH	7,945,222.80	4,693,461.19
Fixed assets purchased	Weifu Environment	--	316,512.82
Sales of fixed assets	Weifu Environment	--	4,832.84
Leasing fee payable	Wuxi Industry Group	--	971,700.00

6. Receivable/payable items of related parties**(1) Receivable item**

In RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Account receivable	Weifu Precision Machinery	425,363.64		457,862.89	
Account receivable	Bosch Diesel System	615,770,490.57	72,188.07	306,666,005.52	
Account receivable	ROBERT BOSCH GMBH			188,306.61	18,830.66
Account receivable	Weifu Environment	710,200.00		6,927,940.03	
Account paid in advance	Weifu Environment		1,034,644.92		
Other non-current assets	Bosch Diesel System	877,500.00			

(2) Payable item

In RMB

Item	Related party	Ending book balance	Opening book balance
Note payable	Weifu Environment		570,000,000.00
Account payables	Weifu Precision Machinery	9,737,530.74	10,028,895.19
Account payables	Weifu Environment	379,374,827.01	33,078,755.66
Account payables	Bosch Diesel System	44,262,749.15	11,419,814.38
Account payables	ROBERT BOSCH GMBH	38,202,192.76	17,804,420.30
Account received in advance	ROBERT BOSCH GMBH	579,650.36	
Account received in advance	Weifu Environment	6,514,951.87	

7. Commitments of related party

Nil

XIII. Share-based payment

Nil

XIV. Commitment or contingency**1. Important commitments**

Important commitments in balance sheet date

Nil

2. Contingency**(1) Contingency on balance sheet date**

Guarantees to subsidiary

Guarantee provided	Guarantee received	Debit bank	Guarantee amount (in 10 thousand Yuan)	Starting from	Terminated dated	Whether guarantee implemented or not
Weifu High-Technology Group Co., Ltd.	Weifu Tianli	Jiangbei branch of Bank of China in Ningbo	5,500.00	2016-11-15	2021-11-10	N

(2) For the important contingency not necessary to disclosed by the Company, explained reasons

The Company has no important contingency that need to disclosed

3. Other**XV. Events after balance sheet date****1. Important non adjustment matters**

Nil

2. Profit distribution

In RMB

Profit or dividend plans to distributed	1,210,740,684.00
Profit or dividend declare to distributed which have been approved	1,210,740,684.00

3. Sales return

Nil

4. Other events after balance sheet date

(1) According to the resolution passed at the 15th meeting of the 8th session of the board of directors of the Company held on 26 March 2018, the Company proposes to invest the preference shares of batch E issued by Protean Holdings Corp. And the two parties will cooperate to establish a Sino-foreign joint venture.

(2) According to the resolution passed at the 16th meeting of the 8th session of the board of directors of the Company held on 13 April 2018, the Company plans to make entrusted finance management with its own unused funds in 2018, the amount of which as at the end of the year shall not exceed 30% of the latest audited net assets. The aforesaid limit can be rolling for use to invest in finance management products with low risks.

XVI. Other important events**1. Previous accounting errors collection**

Nil

2. Debt restructuring

Nil

3. Assets replacement

Nil

4. Pension plan

The “Enterprise Annuity Plan under the name of WFHT” has deliberated and approved by 8th meeting of 7th session of the Board: in order to mobilize the initiative and creativity of the employees, established a talent long-term incentive mechanism, enhance the cohesive force and competitiveness in enterprise, the Company carried out the above mentioned annuity plan since the date of reply of plans reporting received from labor security administration department. Annuity plans are: the annuity fund are paid by the enterprise and employees together; the amount paid by enterprise shall not over the 1/12 of the total salary of last years, amount paid by individual and enterprise shall not over the 1/6 of the total salary of last year, in accordance with the State’s annuity policy, the Company will adjusted the economic benefits in due time, in principle of responding to the economic strength of the enterprise, the amount paid by the enterprise at current period control in the 8.33 percent of the total salary of last year, specific paying ratio later shall be adjust correspondingly in line with the operation condition of the Company.

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

5. Discontinued operations

Nil

6. Segment

(1) Recognition basis and accounting policy for reportable segment

Determine the operating segments in line with the internal organization structure, management requirement and internal reporting system. Operating segment of the Company refers to the followed components that have been satisfied at the same time:

- ①the component is able to generate revenues and expenses in routine activities;
- ②management of the Company is able to assess the operation results regularly, and determine resources allocation and performance evaluation for the component;
- ③being analyzed, financial status, operation results and cash flow of the components are able to required by the Company

The Company mainly engaged in the manufacture of fuel system of internal combustion engine products, auto parts, muffler and purifier etc., based on the product segment, the Company determine three reporting segment as auto fuel injection system, air intake system and car after-treatment system. Accounting policy for the three reporting segments are shares the same policy state in Note III

Segment assets exclude financial assets through profit or loss at fair value, derivative instruments, dividends receivables, interest receivables, financial management products due within one year, financial assets available for sale, long term equity investment and other undistributed assets, since these assets are not related to products operation.

(2) Financial information for reportable segment

In RMB

Item	Product segment of automotive fuel injection system	Product segment of automotive air intake system	Product segment of automotive post-processing system	Add: investment/income measured by equity, income of financial products or possession and disposal income, the retained assets or gains/losses as the financial assets available for sale or possession and disposal income	Offset of segment	Total
Operating revenue	6,299,483,005.74	2,545,737,100.66	439,147,012.82		267,086,959.42	9,017,280,159.80
Operating cost	4,481,479,201.61	2,215,044,234.10	331,438,447.20		266,232,484.55	6,761,729,398.36
Total profit	942,826,883.50	24,497,814.07	10,297,000.85	1,853,648,758.20	854,474.87	2,830,415,981.75
Net profit	798,132,517.23	23,480,691.30	9,516,979.72	1,816,699,175.57	619,439.24	2,647,209,924.58
Total assets	9,070,311,485.92	2,773,700,500.24	725,423,799.03	8,569,527,694.58	907,957,255.41	20,231,006,224.36
Total liabilities	2,822,813,020.33	1,816,575,493.24	429,996,701.30		189,745,854.74	4,879,639,360.13

(3) If there are no segment in the Company, or the total assets and liabilities of the segment are un-able to disclosed, explain the reasons

Not applicable

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

Nil

8. Other

Nil

XVII. Principle notes of financial statements of parent company

1. Accounts receivable

(1) Category

In RMB

Types	Closing balance					Opening balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Receivables with bad debt provision accrual by credit portfolio	1,049,489.92	100.00%	2,477,035.41	0.24%	1,047,012.89	614,418.71	100.00%	2,823,871.83	0.46%	611,594,846.92
Total	1,049,489.92	100.00%	2,477,035.41	0.24%	1,047,012.89	614,418.71	100.00%	2,823,871.83	0.46%	611,594,846.92

Account receivable with single significant amount and withdrawal bad debt provision separately at period end :

☐ Applicable ☒ Not applicable

Account receivable provided for bad debt reserve under aging analysis method in the groups:

☒ Applicable ☐ Not applicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt reserves	Accrual ratio
Subitem of within one year			
Within 6 months	816,388,783.88		
6 months to one year	5,516,726.01	551,672.60	10.00%
Subtotal within one year	821,905,509.89	551,672.60	

1-2 years	2,301,402.16	460,280.43	20.00%
2-3 years	50,704.32	20,281.73	40.00%
Over 3 years	1,444,800.65	1,444,800.65	100.00%
Total	825,702,417.02	2,477,035.41	0.30%

Explanations on combination determine:

Except for the receivables with impairment reserves accrual singly; base on the actual loss ratio of the receivables of previous years, with same or similar credit portfolio, and combining actual condition accrual bad debt reserves to determined the accrual ratio for bad debt reserves

In combination, withdrawal bad debt provision based on balance proportion for account receivable:

☐ Applicable ☒ Not applicable

In combination, withdrawal bad debt provision based on other methods for account receivable:

Combination of related party

Related party	Amount	Proportion of the bad debt provision withdrawal (%)
Weifu Leader	65,771,334.86	--
Weifu ITM	48,080,477.91	--
Weifu Autocam	3,677,783.76	--
Weifu International Trade	94,937,381.28	--
Weifu Tianli	4,079,453.74	--
Weifu Mashan	5,695,325.46	--
Weifu Schmidt	1,545,751.30	--
Total	223,787,508.31	--

(2) Bad debt provision accrual, collected or reversed

Accrual bad debt provision 242,273.04 Yuan; collected or reversed 623,339.53 Yuan.

Including major amount collected or reversed in the period: nil

Bad debt provision of 0 Yuan are verified in the period; and bad debt provision increased 34,230.07 Yuan for consolidation by merger of Weifu Diesel System in the period

(3) Receivables actually written-off during the reporting period

Nil

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

Total receivables collected by arrears party for the Period amounting to 869,999,381.60 Yuan, takes 82.90 percent in closing balance of the account receivables; 72,188.07 Yuan are accrual correspondingly for bad debt reserves.

(5) Account receivable derecognition due to financial assets transfer

Nil

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

Nil

2. Other accounts receivable**(1) Classification**

In RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other receivable with single significant amount and withdrawal bad debt provision separately	50,395,333.34	100.00 %	220,680.18	0.44 %	50,174,653.16	46,361,343.79	100.00 %	11,772.32	0.03 %	46,349,571.47
Total	50,395,333.34	100.00 %	220,680.18	0.44 %	50,174,653.16	46,361,343.79	100.00 %	11,772.32	0.03 %	46,349,571.47

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

☐ Applicable ☒ Not applicable

In combination, other accounts receivable whose bad debts provision was accrued by age analysis:

☒ Applicable ☐ Not applicable

In RMB

Age	Closing balance		
	Other receivable	Bad debt reserves	Accrual ratio
Subitem of within one year			
Within 6 months	2,281,674.98		
6 months to one year	20,514.92	2,051.49	10.00 %
Subtotal within one year	2,302,189.90	2,051.49	
1-2 years	1,093,143.44	218,628.69	20.00 %
Total	3,395,333.34	220,680.18	6.50 %

Explanations on combination determine:

Except for the other receivables with impairment reserves accrual singly; base on the actual loss ratio of the receivables of previous years, with same or similar credit portfolio, and combining actual condition accrual bad

debt reserves to determined the accrual ratio for bad debt reserves

In combination, withdrawal bad debt provision based on balance proportion for other account receivable

☐ Applicable ☒ Not applicable

In combination, withdrawal bad debt provision based on other methods for other account receivable

☒ Applicable ☐ Not applicable

Combination of related party

Related party	Amount	Proportion of the bad debt provision withdrawal
Weifu Chang'an	23,000,000.00	--
Weifu Schmidt	24,000,000.00	--
Total	47,000,000.00	

(2) Bad debt provision accrual, collected or reversed

Accrual bad debt provision 49,332.24 Yuan; collected or reversed 28,180.79 Yuan.

Including major amount collected or reversed in the period: nil

Bad debt provision increased 187,756.41 Yuan for consolidation by merger of Weifu Diesel System in the period

(3) Other receivables actually written-off during the reporting period

(4) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Staff loans and petty cash	1,438,626.00	690,885.00
Balance of related party within the scope of the merger	47,000,000.00	45,000,000.00
Current money with the enterprises	1,949,507.34	
Other	7,200.00	670,458.79
Total	50,395,333.34	46,361,343.79

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

In RMB

Company	Nature	Ending balance	Book age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Weifu Schmidt	Current money with the subsidiary	24,000,000.00	Within one year	47.62%	
Weifu Chang'an	Current money with the subsidiary	23,000,000.00	Within one year	45.64%	
Wuxi AMS Automotive Electronic System	Current money with the enterprises	1,949,507.34	Within 2 years	3.87%	218,628.69

Co., Ltd					
Staff 1	Reserve fund	80,000.00	Within 6 months	0.16%	
Staff 2	Reserve fund	70,000.00	Within 6 months	0.14%	
Total	--	49,099,507.34	--	97.43%	218,628.69

(6) Account receivable with government grand involved

Nil

(7) Other account receivable derecognition due to financial assets transfer

Nil

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

Nil

3. Long-term equity investment

In RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Investment for subsidiary	1,451,041,689.17		1,451,041,689.17	1,701,571,723.71		1,701,571,723.71
Investment for associates and joint venture	3,511,481,000.32		3,511,481,000.32	2,889,433,927.94		2,889,433,927.94
Total	4,962,522,689.49		4,962,522,689.49	4,591,005,651.65		4,591,005,651.65

(1) Investment for subsidiary

In RMB

The invested entity	Opening balance	Increased	Decreased	Ending balance	Impairment accrual	Ending balance of impairment provision
Weifu Jinning	178,639,593.52			178,639,593.52		
Weifu Leader	460,113,855.00			460,113,855.00		
Weifu Diesel System	260,187,500.00		260,187,500.00			
Weifu Mashan	168,693,380.51			168,693,380.51		
Weifu Chang'an	220,902,037.30			220,902,037.30		
Weifu	30,999,996.22	1,849,258.63		32,849,254.85		

International Trade						
Weifu ITM	167,000,000.00			167,000,000.00		
Weifu Schmidt	31,680,000.00	18,480,000.00		50,160,000.00		
Weifu Tianli	90,229,100.00			90,229,100.00		
Kunming Xitong	5,471,793.17		5,471,793.17			
Weifu Tianshi	5,200,000.00		5,200,000.00			
Weifu Autocam	82,454,467.99			82,454,467.99		
Total	1,701,571,723.71	20,329,258.63	270,859,293.17	1,451,041,689.17		

(2) Investment for associates and joint venture

In RMB

Company	Opening balance	+,-								Ending balance	Ending balance of impairment provision
		Addi onal invest ment	Capital reducti on	Investme nt gains/loss es recognize d under equity	Other comprehen sive income adjustment	Other equity change	Cash dividend or profit announce d to issued	Impairment accrual	Other		
I. Joint venture											
II. Associated enterprise											
Bosch Diesel System	2,031,654,137.70			1,108,558,466.12			637,057,789.23			2,503,154,814.59	
Zhonglian Automobile Electronic Co., Ltd	811,404,971.22			355,431,222.14			207,800,000.00			959,036,193.36	
Weifu Precision Machinery	46,374,819.02			6,515,173.35			3,600,000.00			49,289,992.37	
Subtotal	2,889,433,927.94			1,470,504,861.61			848,457,789.23			3,511,481,000.32	
Total	2,889,433,927.94			1,470,504,861.61			848,457,789.23			3,511,481,000.32	

(3) Other explanation

Nil

4. Operating income and cost

In RMB

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main business	3,258,274,223.36	2,457,655,148.49	1,815,564,820.28	1,414,944,944.94
Other business	387,741,030.12	315,062,753.47	221,235,082.59	184,205,041.94
Total	3,646,015,253.48	2,772,717,901.96	2,036,799,902.87	1,599,149,986.88

5. Investment gains

In RMB

Item	Current period	Last period
Income of long-term equity investment calculated based on cost	978,657,310.00	25,816,200.00
Income of long-term equity investment calculated based on equity	1,470,504,861.61	1,032,835,715.35
Investment income from period of holding the financial assets available for sale	3,291,000.00	9,702,039.13
Investment income obtained from disposal of financial assets available for sale	24,625,516.88	31,650,057.18
Entrust financial income	215,942,650.46	199,979,032.68
Gains/losses of equity liquidation	-8,261,290.60	
Total	2,684,760,048.35	1,299,983,044.34

XVIII. Supplementary Information**1. Current non-recurring gains/losses**

√ Applicable □ Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset	-3,233,320.26	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	48,162,140.65	
Profit and loss of assets delegation on others' investment or management	221,705,034.02	
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial	24,625,516.88	

liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company		
Switch-back of impairment of account receivable that practice impairment test independent	1,756,052.60	
Other non-operating income and expenditure except for the aforementioned items	4,479,807.85	
Relocation expenses		
Less: Impact on income tax	43,481,221.93	
Impact on minority shareholders' equity	4,893,116.76	
Total	249,120,893.05	--

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

☐ Applicable ☒ Not applicable

2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (RMB/Share)	Diluted EPS (RMB/Share)
Net profits belong to common stock stockholders of the Company	18.52%	2.55	2.55
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	16.73%	2.30	2.30

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Other

Nil

Section XII. Documents available for reference

- I. Financial statement carrying the signatures and seals of person in charge of the company, principal of the accounting works and person in charge of accounting organ (accounting Supervisor);
- II. Original audit report seal with accounting firms and signature and seal with CPA;
- III. Original documents of the Company and manuscripts of public notices that disclosed in the website Juchao (<http://www.cninfo.com.cn>) designated by CSRC in the report period;
- IV. Annual report published on *China Securities Journal*, *Securities Times* and *Hong Kong Commercial Daily* during the Period.

Board of Directors of

Weifu High-Technology Group Co., Ltd.

Chairman: _____

Chen Xuejun

17 April 2018