Chongqing Changan Automobile Company Limited

2017 Annual Report

April, 2018

Chapter 1 Important Notice, Contents, and Definitions

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of our company hereby guarantee that no false or misleading statement or major omission was made to the materials in this report and that they will assume all the responsibilities, individually and jointly, for the trueness, accuracy and completeness of the contents of this report.

The Chairman of the Board Zhang Baolin, the Chief Financial Officer Zhang Deyong and the responsible person of the accounting institution (Accountant in charge) Chen Jianfeng hereby declare that the Financial Statements enclosed in this annual report are true, accurate and complete.

Except the following directors, all the directors attended the board meeting for reviewing the annual report.

The name of the directors absent	Positions	Reasons for the absence	Name of the consignee
Tan Xiaogang	Directors	Business trip	Wang Xiaoxiang
Tan Xiaosheng	Independent Directors	Business trip	Li Qingwen

The prospective description regarding future business plan and development strategy in this report does not constitute virtual commitment. The investors shall pay attention to the risk.

The preplan profit distribution of the Company deliberated and approved by the Board is: taking the total shares 4,802,648,511 as of Dec. 31, 2017 as the radix, sending cash dividends of RMB 4.46 Yuan (tax included) per every 10 shares to all shareholders, and not converting capital reserve into share capital.

CONTENTS

Definitions

Items		Definitions
Changan Auto., the Company	Refers to	Chongqing Changan Automobile Company Limited
South Industries	Refers to	China South Industries Group Co., Ltd. , the Company’s actual controller
China Changan	Refers to	China Changan Automobile Group Corporation, old name: China South Industries automobile Co., Ltd., a subsidiary company of South Industries
Changan Industry	Refers to	Chongqing Changan Industry (Group) Co., Ltd., old name: Changan Automobile Co., Ltd., Changan Automobile (Group) Co., Ltd., a subsidiary company of South Industries, the controlling shareholder of the Company before December, 2005
Nanjing Changan	Refers to	Nanjing Changan Automobile Co., Ltd., a subsidiary company of the Company
Hebei Changan	Refers to	Hebei Changan Automobile Co., Ltd., a subsidiary company of the Company
Hefei Changan	Refers to	Hefei Changan Automobile Co., Ltd., a subsidiary company of the Company
Changan Bus	Refers to	Baoding Changan Bus Co., Ltd. , a subsidiary company of the Company
International Company	Refers to	Chongqing Changan Automobile International Sale Service Co., Ltd. , a subsidiary company of the Company
Changan Ford	Refers to	Changan Ford Automobile Co. Ltd,，a JV of the Company
Changan Mazda	Refers to	Changan Mazda Automobile Co. Ltd, a JV of the Company
CFME	Refers to	Changan Ford Mazda Engine Co. Ltd, a JV of the Company
Changan Suzuki	Refers to	Chongqing Changan Suzuki Auto. Co.Ltd., a JV of the Company
CAPSA	Refers to	Changan PSA Automobiles Co., Ltd，a JV of the Company
Jiangling Holding	Refers to	Jiangling Holding Co., a JV of the Company
Changan Finance	Refers to	Changan Auto Finance Co.Ltd Company's Joint Stock Company
Financial Co. of CSGC	Refers to	Financial Co. of China South Industries Group Co., Ltd. ,
UPI	Refers to	United Prosperity (Hong Kong)Investment Co., Ltd,a subsidiary company of China Changan
Hafei Group	Refers to	Harbin Hafei Automobile Industry Group Co., Ltd., a subsidiary company of China Changan
CMAL	Refers to	Chongqing Changan Minsheng APLL Logistics Co., Ltd, a Joint Stock Company of China Changan.

Chapter 2 Company Profile & Main Financial Indexes

I. Basic Information

Stock abbreviation	Changan Automobile 、 Changan B	Stock Code	000625、200625
Listed on	Shenzhen Stock Exchange		
Company in Chinese name	重庆长安汽车股份有限公司		
Company abbreviation in Chinese name	长安汽车		
Company name in English	Chongqing Changan Automobile Company Limited		
Legal representative	Zhang Baolin		
Registered address	No. 260, East Jianxin Road Jiangbei District, Chongqing		
Post code of the registered address	400023		
Office address	No. 260, East Jianxin Road, Jiangbei District, Chongqing		
Post code of the office address	400023		
Website	http://www.changan.com.cn		
E-mail address	cazqc@changan.com.cn		

Ⅱ. Contact Information

	Secretary of the Board of Directors	Securities affairs representative
Name	Li Jun	
Contact address	No. 260, East Jianxin Road, Jiangbei District, Chongqing	
TEL:	023-67594008	
FAX:	023-67866055	
E-mail address	cazqc@changan.com.cn	

Ⅲ. Information Disclosure and Filing Site

Newspaper selected by the Company for information disclosure	China Securities Journal, Securities Daily and Hong Kong Commercial Daily

Website selected by CSRC for publishing this annual report	www.cninfo.com.cn
The place where this annual report is prepared and kept	Secretary's Office of Board of Directors

IV. Changes of Registration Information

Organization Code	9150000020286320X6
Changes in the main business since the company's listing	Not applicable
All previous changes of dominant stockholders	In Dec. 2005, according to the restructuring program on automobile business, the Company's actual controller, China South Industries Group Corporation made transferring of all state-owned shares of the Company as part of funding for China South Industries Automobile Company Limited. In March 2006, all shares held by Changan Group have been transferred to China South Industries Automobile Company Limited. China South Industries Automobile Company Limited became the majority shareholder of the Company, and Changan Group holds zero share since then. In July 2009, with the approval of State Administration for Industry and Commerce, "China South Industries Automobile Company Limited", changed its name to "China Changan Automobile Group Co., Ltd.". With the change of its name, no change occurred in its property, ownership and control relation of the Company.

V. Other Relevant Information

The accounting firm employed by the Company:

Name of the accounting firm	Ernst & Young Hua Ming LLP (Special Ordinary Partner)
Address of the accounting firm	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, China
Name of the certified public accountant for signature	Chen Xiaoxiang, Hu Yan

The recommendation agency engaged by the Company executing the persistent supervision responsibilities in the reporting period

√ Applicable □ Not applicable

Recommendation Agency	Address of recommendation agency	Name of recommendation agency	Supervision duration
China Securities Co., Ltd.	Level 3, Block E, Kaiheng Center B, Chaonei Avenue 2, Dongcheng District, Beijing	Xu Zitong, Cai Yujie	October 2016 - December 2017

The financial consultant engaged by the Company performing the duties of persistent supervision and guidance in the reporting period

√ Applicable ☐ Not applicable

Financial Consultant	Address of financial consultant	Name of financial consultant	Supervision duration
Shanghai Realize Investment Consulting Co., Ltd.	No.639,Xinhua Road, Shanghai	Ye Suqin	September 2016 - September 2020

VI. Summary of Accounting Data and Financial Indexes

Does the company conduct the retrospective adjustment or restatement of previous years accounting data due to changes in accounting policies or accounting errors?

□Yes √ No

	2017	2016	Increase/decrease on a y-o-y basis (%)	2015
Operating revenue (Yuan)	80,012,205,182.37	78,542,441,757.19	1.87%	66,771,580,527.66
Net profit belonging to shareholders of the listed company (Yuan)	7,137,234,723.47	10,285,284,120.57	-30.61%	9,952,714,168.09
Net profit belonging to shareholders of the listed company after deduction of non-recurring profit and loss (Yuan)	5,716,114,648.34	9,448,723,644.17	-39.50%	9,560,013,288.84
Net cash flow arising from operating activities (Yuan)	-1,369,576,776.83	2,286,551,305.20	-159.90%	5,414,890,769.50
Basic earnings per share (Yuan/Share)	1.49	2.19	-31.96%	2.13
Diluted earnings per share (Yuan/Share)	Not applicable	Not applicable	Not applicable	Not applicable
Return on equity (ROE) (%)	15.65%	26.81%	Down 11.16 Points	33.14%
	End of 2017	End of 2016	Increase/decrease of the end of current year compared with that of the previous year (%)	End of 2015

Total assets (Yuan)	106,125,114,622.69	106,510,473,733.93	-0.36%	89,413,988,669.66
Net assets belonging to shareholders of the listed company (Yuan)	47,598,690,942.28	43,573,812,403.87	9.24%	34,385,189,070.36

VII. The differences between domestic and international accounting standards

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

□ Applicable √ Not applicable

No difference

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

□ Applicable √ Not applicable

No difference

VIII. Key financial indicators for the quarter

Unit: Yuan

	First Quarter	Second Quarter	Third Quarter	Forth Quarter
Business income	17,667,498,708.59	15,887,714,400.87	17,875,967,836.92	28,581,024,235.99
Net profit attributable to shareholders of listing Corporation	2,401,344,788.39	2,219,200,951.13	1,190,050,794.41	1,326,638,189.54
Net profit attributable to shareholders of the listing Corporation after deducting non-recurring gains and losses	2,271,469,057.47	1,285,292,389.61	1,073,458,948.50	1,085,894,252.76
Net cash flows from operating activities	4,326,402,675.44	633,302,048.67	-4,212,004,837.09	-2,117,276,663.85

Whether or not the above mentioned financial indicators and the total number of the company has disclosed the major difference between quarterly reports and semi-annual report

☐ Yes √ No

IX. Non-recurring items and amounts

√ Applicable □Not applicable

Unit: Yuan

Item	2017	2016	2015
Non-recurring items and amounts(including accrued reversal assets impairment part)	41,774,452.23	-26,176,073.44	-34,314,067.34
Government subsidies included in the profit and loss of the current period (Except closely related to business operations, in accordance with the national unified standard quota or quantitative enjoyment	1,613,343,216.59	864,258,952.35	441,926,607.20

of government subsidies)			
The current net profit and loss of the subsidiary period from the same control to the consolidated day	-	-	-
Except the normal operation of the company's business related to the effective hedging business , changes in the fair value of the transaction of financial assets and transaction financial liabilities , and dealing with transaction financial assets, transaction financial liabilities ,and Investment income available for sale of financial assets	-	-	-
Except the above other operating income and expenses	29,262,070.84	53,570,410.76	16,816,296.11
Interest on deferred payment of funds received by non financial enterprises	33,408,866.16	41,300,590.86	38,457,111.56
Reduction: the impact of income tax	188,136,520.19	94,404,693.21	65,174,314.56
Impact of minority shareholders' equity (after tax)	108,532,010.50	1,988,710.92	5,010,753.72
Total	1,421,120,075.13	836,560,476.40	392,700,879.25

According to “Public offering of securities information disclosure of the company's information disclosure announcement No. 1 – non-recurring gains and losses “Public offering of securities information disclosure of the company's information disclosure announcement No. 1 – non-recurring gains and losses” defined non-recurring items ,and Public offering of securities information disclosure of the company's information disclosure announcement No. 1 - non-recurring gains and losses “The items listed in the non-recurring items defined as recurring items shall be explained .

□ Applicable √Not applicable

The company in the reporting period does not base on the definition and listing of “Public offering of securities information disclosure of the company's information disclosure announcement No. 1 – non-recurring gains and losses” about non-recurring gains and losses to define a case of recurring profit or loss.

Chapter 3 Analysis of Main Business

I. The main business of the Company in the reporting period

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

☐Yes √ No

During the reporting period, the company's main business is the R&D, manufacturing and sale of cars (including sedan and commercial vehicles), the R&D and production of automobile engine products. Besides, the company actively develops new business including e-business and time sharing leasing with the advantage of its OEM position.

With the continuous growth of China's auto industry for many years, after years of accumulation and strategic layout, Changan has become the first camp in China's auto industry and ranked among the top 500 industrial enterprises for many years.

Changan automobile always adheres to the mission of "leading the car civilization for the benefit of human life", and the concept of "energy conservation, environmental protection, scientific and technological intelligence", vigorously develops new energy and smart cars, guides the automobile civilization by the use of scientific and technological innovation, and provides customers with high quality products and services. After years of development, the products cover low & middle class, wide range and various series such as sedans, mini cars, buses, trucks, SUV, MPV, including the traditional fuel and new energy models, and the engine platforms from 1.0L to 2.0L. The company owns many famous brands such as Changan passenger car, Changan Oushang, Changan Ford, Changan Mazda, Changan SUZUKI, Changan PSA, Changan Bus and so on. Up to now, the Company has successfully launched a series of classic brands such as Raeton CC, Eado series, Alsvin series, CS series SUV, CX70, Oushang and Honor; a series of famous JV products such as new Focus, new Mondeo, Kuga, Edge, CX-5, Axela,Vitara, Alivio and so on. At the same time, we have launched new energy vehicles such as Eado EV, New Benben EV, Eulove EV, Benben miniEV and CS15 EV, which are admired by the market and loved by the consumers.

II. Major changes in assets

1、 Major changes in assets

No significant changes in major assets during the reporting period

2、 Main Overseas Assets

□ Applicable √ Not applicable

III. Core Competence Analysis

In 2017, Changan automobile further elevated the strength of scientific and technological innovation. Through the benchmarking, Changan continued to improve and optimize the project management system with lean process control and focus, and R&D expense amounted to 3.631 billion yuan in 2017, and promoted more than 400 scientific research projects to carry out smoothly. The construction of the Changan automobile global R & D center was launched with the investment of 3.3 billion yuan and it will become the general hub of the global R & D system after the completion.

1、Explore the reform of management model

Build up the matrix management model of "customer centered, product service as the main line", set up The New Energy Industry Department, Modeling Design Institute and Intelligent Research Institute, focus on the technology research of modeling family, intelligence, net connection, lightweight and so on. Changan regards the business logic as the core and the stage goal as the orientation, optimizes the product development process and shortens the development cycle.

2、A series of new products released into the market

Nine new products, such as CS55 and A800, have been released into the market on schedule; Eleven products such as CS75 have been successfully upgraded; four new energy models, such as CS15 EV (300 km) and Eado plug-in PHEV; The H15TFR engine and DCT270 double clutch transmission placed on CX70T, Eado XT and other products were put into operation smoothly.

3、Create "3+N" product technology label

Changan digs into the needs of the users, utilizes the resources to create a highly experienced three technology labels of "fashion, intelligent, green" and N basic technology to ensure the achievement of the fantastic dream products. Changan released the design concept of "smart color double spin", formed a new generation of family modeling DNA in Changan, laid the foundation for speeding up product research and development. Changan released the intelligent "654" strategy, and aimed to realize motorway autopilot in 2020, and developed 11 intelligent driving technology, such as ACC-SG (Adaptive Cruise) and APA2.0 (auto parking). With the release of the new energy plan of Shangri-La, Changan will gradually transform to the new energy, and stop selling traditional fuel cars by 2025. Changan will focus on the users' experience, rapidly promote the new technology capabilities of collision safety, test, car body, chassis, electrical appliances, interior and exterior decoration, lightening and other fields.

4、The fruitful achievements of scientific and technological innovations

Changan was granted the award of "National industrial design center" and "national technological innovation demonstration enterprise"; the research and successful practice of automobile lightweight technology synergistic innovation model won the first prize of China automobile industry science and Technology Award in 2017, the advanced auto safety technology based on electronic stability control system and its large-scale application project won the first prize in Chongqing science and Technology Award; the 5 speed wet double clutch automatic transmission won the title of China's top ten best transmission in 2017, and the D20TGDI engine was awarded the title of top ten engine "China heart" in 2017.

5、The rapid development of the brand and the promotion of brand image

In 2017, Changan achieved the sales volume of 2.872 million vehicles. Among them, the sales volume of Changan brand reached 1.663 million, ranking the first in China's automobile industry. In 2017, Changan brand users broke through 15.65 million. CS55, CS95 and Lingxuan have won 32 titles in Chinese Mass Production Vehicle Performance Competition (CCPC), displayed the style and quality of Changan automobile as the leader of the Chinese automobile brand industry. In the first half of 2017 VCR (Vehicle Complaint Ratio) data issued by the National Quality Inspection Administration's defective product management center, Changan ranked first in the list with the lowest complaint ratio 0.77 points, surpassing the joint venture and the importing brands. In the "new light year smart color SUV" CS55 launch conference, the fourth-level intelligent driving (highly automatic driving) achieved the first appearance of domestic car companies. Changan acquired the "United States California road test license plate" issued by the California State Administration of transportation, which marked a speed-up pace of auto driving. On the "2017 315 Third China quality integrity brand forum" held by China Quality Promotion Association, Changan won the China Service Innovation Award. In November 2017, Changan was selected again as CCTV's "national brand plan" and continued to lead the Chinese brand cars.

Chapter 4　Business Discussion and Analysis

I、Overview

During the reporting period, the automobile industry carried out the decisions of the Communist Party Central Committee and the State Council, insisted on the overall key tone of the steady progress, regarded the supply side structural reform as the main line, actively promoted the industrial transformation and upgrading, pushed forward the strategy of innovation driven development and promoted the high quality development of the industry. In 2017, the production and sales of China's auto market hit the new high with the total production and sales of 29.015 million vehicles and 28.879 million vehicles. The growth rate of production and sales slowed sharply compared with the previous year to 3.2% and 3% respectively, which were lower than 11.3% and 10.6% compared with that of the 2016, and the growth was quite weak. 24.718 million passenger vehicles were sold, up 1.4% over the same period. Among them, SUV sales maintained a rapid growth of 13.3% year-on-year, but a significant slowdown compared with the 2016 growth rate (44.6% in 2016); the sales of MPV declined by 17.1%, the market share of Chinese brands continued to increase, achieving the growth in both domestic and international markets. In the new energy passenger car field, the production and sales of the pure electric passenger cars reached 478 thousand and 468 thousand vehicles respectively, up 81.7% and 82.1% y-o-y respectively with the strong development momentum. The Industrial concentration still maintained a high level, the sales of the top auto groups sold 25.562 million vehicles, up 3.2%, 0.2% higher than the industry growth rate, accounting for 88.5% of total car sales, 0.2% higher than the previous year. The above data comes from "China automobile industry production and sales express" (China Automobile Industry Association) and its industry information release.

	2017 Accumulated Production (10 thousand)	y-o-y increase (%)	2017 Accumulated Production (10 thousand)	y-o-y increase (%)
Automobile	2901.5	3.2	2887.9	3.0
Passenger cars	2480.7	1.6	2471.8	1.4
Sedan	1193.8	-1.4	1184.8	-2.5
MPV	205.2	-17.6	207.1	-17.1
SUV	1028.7	12.4	1025.3	13.3
cross-passenger car	53	-20.4	54.7	-20.0
New energy cars	79.4	53.8	77.7	53.3
New energy Passenger cars	59.3	71.9	57.8	72.0
EV	47.8	81.7	46.8	82.1

During the reporting period, Changan was guided by the "Vision 2025", with the key to "hitting the pain point, increasing income and saving money, reforming and innovating, improving the overall aspect". Changan insisted on the development of independent innovation and joint venture cooperation to promote the leading plan. The main achievements in the reporting period are as follows:

1.The position in the industry remaining stable

In 2017, the status of Changan automobile industry remained stable with the sales of 2.872 million cars, ranking the fourth among China automobile groups with 9.95% market share; The sales of Changan brand and Changan Passenger cars reached 1.663 million and 1.164 million.

2.Accelerate the transformation and upgrading, and start the third-time entrepreneurship

On October 13th, 2017, Changan started "the third-time entrepreneurship - innovation and entrepreneurship program", which is driven by innovation, renders the "efficiency" into the core competitiveness of the Company, and adopts the four strategic measures. Eventually, Changan could achieve the product innovation, brand upgrading, and enterprise transformation.

3.Conform to the general trend of industrial development, and speed up the promotion of new energy strategy

The sales of new energy vehicles increased significantly, and a large number of new energy products were released into the market rapidly with the annual sales volume of over 60 thousand vehicles, an increase of 180% over the same period. In 2017, Changan proposed a brand new strategy of new energy - the "Shangri-La plan", which aims to complete the construction of three new energy special platforms through the four major strategic actions of "100 billion action", "ten thousand people research and development", "partner plan" and "extreme experience", completely cancel the sale of traditional fuel vehicles in 2025 and achieve the electrification of the whole pedigree products.

In the field of intelligent technology, Changan speeds up the transformation from traditional vehicles into intelligent vehicles and has mastered 60 kinds of intelligent technology in three fields of intelligent interconnection, intelligent interaction and intelligent driving. Changan has established six major system platforms and five core technologies, and gradually realized the single intelligence to full automatic driving in four stages.

4. Promising results of structural adjustments, and increasing transformation of independent brands

The automobile industry is undergoing profound changes. Electrification and intellectualization have become the development direction of the new chain in the automobile industry. Changan complied with the development trend of the industry, and implemented the product structure upgrading by producing the third-generation independent brand. The restructuring of Changan's independent brand has achieved initial success with the continuously improving operation quality. The hot sales for the new product CS55 continued with the total volume of 15 thousand units in the second month after its release, and the average monthly sales of CS75 from August to December amounted to 24 thousand units, of which the sales volume even reached 27 thousand in September.

5. Integrate global advantages and deepen strategic transformation

As the leader of China's automobile brand industry, Changan actively embraced the Internet and join hands with Baidu, Alibaba, Wei Lai and other transboundary enterprises to work together in the field of intelligent network and new energy vehicles; Changan works together with the industrial elites of China FAW, Dongfeng Automobile and other enterprises, and makes progress in the field of technological innovation and the value chain operation of the automobile industry, the construction of the ecological circle. Changan must vigorously promote the integration of industry and finance, build Changan financing platform, and launch 100 -billion industrial funds to boost the growth of main business. Changan will intensify the future research on car sharing, travel service and the new automobile industry ecology; "Changan travel" platform is completed. The travel business of time sharing, long and short rent and trial ride is synchronized in the four cities.

6. Strive to enhance brand value and corporate image

On April 7th, 2017, Changan issued the design concept of "life dynamic, intelligent and double spin" in Beijing, and infused the soul and essence for the brand, and gradually formed the familization of products. In 2017, Changan was selected as the national technological innovation demonstration enterprise as the only car enterprise, and was re-elected to the CCTV "national brand plan".

In the future, Changan will continue to focus on the independent brand, further deepen the cooperation with joint ventures, and innovate the development mode of the joint venture and cooperation. Changan should vigorously enhance the brand image of Changan and continue to promote new product introduction and product upgrading according to the market demand. Changan needs to accelerate the development of new businesses and lays the foundation for the transformation and upgrading. Changan automobile will carry out the new development concept in the new era of China, regard the new energy technology and intelligent interconnection as the breakthrough, and rely on its own global coordination and China's leading R & D force to enhance the brand competitiveness, and accelerate the promotion of new energy and intelligence strategy with a more open mind. The Internet, the big data, the artificial intelligence and the real economy should be deeply integrated to promote the new round of industrial change and leapfrog development of China brands.

II. Analysis of Main Business

1、Overview

Whether it is the same as the summary in the business discussion and analysis.

√ Yes □ No

2、Income and cost

（1）Composition of the operating revenue

Unit :Yuan

	2017		2016		Increase/decrease on a y-o-y basis (%)
	Sum	Share of operating income（%）	Sum	Share of operating income(%)	
Operating revenue	80,012,205,182	100.00%	78,542,441,757	100.00%	1.87%
Industry					
Automobile	80,012,205,182	100.00%	78,542,441,757	100.00%	1.87%
Products					
Vehicles	79,980,063,485	99.96%	78,506,025,517	99.95%	1.88%

Outsourcing	32,141,697	0.04%	36,416,240	0.05%	-11.74%
Area					
China	78,348,298,046	97.92%	77,516,026,598	98.69%	1.07%
Overseas	1,663,907,136	2.08%	1,026,415,159	1.31%	62.11%

（2）Accounted for more than 10% of the company's operating income or operating profit of the industry, products or area

√ Applicable □ Not applicable

Unit : Yuan

	Operating Revenue	Operating Cost	Gross margin	Increase/decrease on a year-on-year basis Operating Revenue (%)	Increase/decrease on a year-on-year basis Operating Cost (%)	Increase/decrease on a year-on-year basis gross margin
Industry						
automobile	80,012,205,182	69,363,032,741	13.31%	1.87%	7.56%	Down 4.58 points
Products						
Sales of products	79,980,063,485	69,335,887,863	13.31%	1.88%	7.56%	Down 4.58 points

The company's statistics scope of main business in the reporting period was adjusted, and the company has adjusted its main business data last year according to the scope in the reporting period.

□Applicable √ Not applicable

（3）Is the income from sales in kind greater than the service income

√ Yes □ No

Unit：One set

Industry	Item	2017	2016	Increase/decrease on a year-on-year basis (%)
Automobile Industry	Sales volume	2,872,456	3,063,403	-6.23%
	Production volume	2,814,792	3,042,098	-7.47%
	Stock volume	46,660	37,105	25.75%
	Market share（%）	9.95%	10.90%	Down 0.95 Points

Note：The above sales volume and production volume are consistent with the date from the Company and its subsidiaries and JVs. The analysis over market share is based on the data from China Automobile Industry Association.

Notes to the year-on-year change of the relevant data by over 30%

□Applicable √Not applicable

（4）The company has signed a major sales contract as of the time of the fulfillment of this report

□Applicable √ Not applicable

（5）Cost

Unit: Ten Thousand Yuan

Industry classification	Item	2017		2016		Increase/decrease on a year-on-year basis (%)
		Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Automobile Production	Product Sale	6,933,589	99.96%	6,446,401	99.96%	7.56%
	Outsourcing	2,714	0.04%	2,360	0.04%	15.00%
Total		6,936,303	100%	6,448,761	100%	7.56%

（6）Notes to the change of the consolidated scope in the reporting year

√ Applicable ☐ Not applicable

During the reporting period, four wholly owned subsidiaries, Yinchuan Changan Automobile Sales Co., Ltd., Xi'an Changan Automobile Sales Co., Ltd., Changan auto (Group) limited liability Company Harbin sales branch, Liaoning Changan Automobile Sales Co., Ltd., were liquidated. Therefore, they are no longer included in the consolidated statements in 2017.

（7）Significant change or adjustment of the business, products or services in the reporting period

☐ Applicable √ Not applicable

（8）Main Customers and principal suppliers

Main Customers

Total sales amount to top 5 customers (RMB)	6,326,200,820.88
Proportion of sales to top 5 customers in the annual sales (%)	7.90%
Sales amount of the related party in the top 5 customers（(RMB）	3,540,677,817.43
Proportion of sales amount of the related party in the top 5 customers（%）	4.43%

Top 5 customers

Unit : Yuan

Serial No.	company	Sales value	proportion in total sales（%）	Whether it is a related party
1	First	1,667,512,922.01	2.08%	N
2	Second	1,561,916,357.55	1.95%	Y

3	Third	1,118,010,081.44	1.40%	N
4	Fourth	1,003,042,141.84	1.25%	Y
5	Fifth	975,719,318.04	1.22%	Y
total		6,326,200,820.88	7.90%	

Principal suppliers

Total purchase amount to top 5 suppliers (RMB)	7,980,895,006.58
Proportion of purchase to top 5 suppliers in the annual purchase (%)	11.50%
Purchase amount of the related party in the top 5 suppliers (RMB)	6,001,233,462.54
Proportion of purchase amount of the related party in the top 5 suppliers（%）	8.65%

Top 5 suppliers

Unit : Yuan

Serial No.	Company name	Purchase value	Proportion in the total purchase(%)	Whether it is a related party
1	First	1,979,661,544.04	2.85%	N
2	Second	1,920,824,540.34	2.77%	Y
3	Third	1,685,162,025.13	2.43%	Y
4	Fourth	1,351,597,111.16	1.95%	Y
5	Fifth	1,043,649,785.91	1.50%	Y
Total		7,980,895,006.58	11.50%	

3、Expenses

Unit: Ten Thousand Yuan

Item	2017	2016	increase/decrease（%）
Selling expense	397,812	529,374	-24.85%
G&A expense	528,030	512,886	2.95%
Financial expenses	-52,497	-30,539	-71.90%
Income tax expense	-2,755	7,323	-137.62%

During the reporting period, the significant decrease of financial expenses was due to the increase of bank deposits and the significant decrease of the income tax expense was due to the decrease of total profit and income tax payables.

4、Research and Development Expenditure

√ Applicable ☐ Not applicable

In 2017, Changan automobile further elevated the strength of scientific and technological innovation. Through the benchmarking, Changan continued to improve and optimize the project management system with lean process control and focus, and

R&D expense amounted to 3.631 billion yuan in 2017, and promoted more than 400 scientific research projects to carry out smoothly.

R&D investment Table

	2017	2016	Changes in ratio
Labor Number	7,177	6,640	8.09%
Proportion of labor in the Company	18.34%	16.13%	Up 2.21 points
Investment value(100 million yuan)	36.31	32.03	13.36%
Proportion of investment in the revenue	4.54%	4.08%	Up 0.46 points
Capitalization(100 million yuan)	10.15	9.45	7.41%
Proportion of capitalization in R&D investment	27.94%	29.50%	Down 1.56 points

Significant Change of the proportion of R&D investment in the revenue

☐Applicable √ Not applicable

Significant change of the proportion of capitalization in the R&D investment

□Applicable √ Not applicable

5、Cash Flow

Unit: Ten Thousand Yuan

Item	2017	2016	Increase/decrease（%）
net cash flows from operating activities	-136,958	228,655	-159.90%
net cash flows from investing activities	442,799	543,721	-18.56%
net cash flows from financing activity	-457,497	-244,965	-86.76%
Net increase in cash and cash equivalents	-154,213	526,751	-129.28%
Cash and cash equivalents at end of year	2,145,131	2,299,343	-6.71%

Notes to the year-on-year change of the relevant data by over 30%

√ Applicable □ Not applicable

In 2017, the net cash flow generated from operating activities witnessed a year-on-year decrease of 3.128 Billion Yuan, mainly resulting from the significant increase of cash payments for purchase of goods or services; the net cash flow generated from financing activities witnessed a year-on-year decrease of 2.125 Billion Yuan, mainly resulting from the repayment of debts.

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

√Applicable □ Not applicable

As for the significant difference between cash flow from operating activities and net profit in the reporting period, refer to the item “Supplementary Information of the Cash Flow Statement” in the Financial Statements Note 56.

III. Analysis of non principal business

□ Applicable √Not applicable

IV. Assets and liability

1. The significant changes of the assets

Unit: Ten Thousand Yuan

Item	Dec.31,2017		Dec.31,2016		Increase/ decrease (%)	YoY change （%）	instructions
	Amount	Ratio in total assets （%）	Amount	Ratio in total assets （%）			
Inventory	466,618.34	4.40%	730,410.68	6.86%	-2.46%	-36.12%	The year-end balance of inventories and its proportion of total assets decreased year-on-year mainly attributed to the optimization of auto sales finance mode and the reduction of the inventory from cooperative financial institutions in 2017
Other current assets	170,591.05	1.61%	92,606.03	0.87%	0.74%	84.21%	The year-end balance of other current assets and its proportion of total assets increased year-on-year mainly due to the increase of the deductible input tax at the end of 2017.

2、The significant changes of the liability

Unit: Ten Thousand Yuan

Item	Dec.31,2017		Dec.31,2016		Increase/decrease (%)	YoY change	Instructions
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)			
Advanced payment	387,838.26	3.65%	685,433.74	6.44%	-2.79%	-43.42%	The year-end balance of the accounts receivable and the proportion of the total assets decreased year-on-year mainly due to the increase of customers' purchase with advance payment at the end of the reporting period.

Other payable	259,901.34	2.45%	144,902.86	1.36%	1.09%	79.36%	The year-end balance of other payables and the proportion of the total assets decreased year-on-year mainly due to the increase of payments for construction projects at the end of the reporting period.
Special payable	29,060.72	0.27%	21,749.75	0.20%	0.07%	33.61%	The year-end balance of special payable and the proportion of the total assets increased year-on-year mainly due to receiving the funds allocated to the project in 2017.
Deferred revenue	362,781.74	3.42%	278,588.56	2.62%	0.80%	30.22%	The year-end balance of deferred revenue and the proportion of the total assets increased year-on-year mainly due to the receipt of an asset related government subsidy in 2017.

3、Assets and liabilities measured by fair value

Unit: Ten Thousand Yuan

Item	Amount at year beginning	Comprehensive income in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Amount at year end
Financial assets					
Financial assets available for sales	25,311.50	-7,543.75	14,148.50		16,436.50
Subtotal of financial assets	25,311.50	-7,543.75	14,148.50		16,436.50
Others					
Total	25,311.50	-7,543.75	14,148.50		16,436.50
Financial liabilities					

Whether the measurement attributes of main assets in the reporting period have significantly changed

□Yes √No

4、Property rights limits by the end of report period

Item	book value at the end of this year	Limited Reason

Monetary fund	1,180,231,406.00	Used to open the acceptance deposit
Notes receivable	287,427,970.00	Notes receivable pledge to issue notes payable
Intangible assets	45,862,242.27	Obtain liquidity borrowings and obtain commercial acceptance bills
Total	1,513,521,618.27	

V. Analysis of Investment

1、General information

√ Applicable □ Not applicable

External investment		
Investment Amount in the report period（RMB）	Investment Amount in 2016（RMB）	Variance rate
1,217,743,029.48	330,899,566.00	268.01%
Particulars of investees		
Company Name	Principal business	Proportion in the investees' equity (%
Zhenjiang de Mao Hai Run equity investment fund partnership (limited partnership)	Engaged in non-securities equity investment activities and related consulting businesses	32.67%
Changan Auto Finance Co., Ltd.	Provide car loan; provide vehicle loans and operating equipment loans to car dealers, including the construction loans of exhibition hall,spare parts loans and maintenance equipment loans, etc.	28.66%
Changan NIO new energy Automotive Co., Ltd.,	The design and development of new energy vehicles and its components, automobile sales and related after-sales services	50%

2、Major equity investment in the reporting period

Unit: Yuan

Company name	Principal business	Investment mode	Investment amount	Share-holding ratio	Capital source	Partner	Investment period	Progress on book closing date	Any litigations	Disclosure date(in case)	Disclosure index(in case)
Zhenjiang de Mao Hai Run equity investment	Engaged in non-securities equity investment	Equity investment	518,743,029.48	32.67%	Its own capital	Merchants wealth Asset Management Limited,	Indefinite duration	Equity purchase completed, industrial and	No	2017-11-1	Announcement on equity purchase of the fund proportions

fund partnership (limited partnership)	activities and related consulting businesses					Suzhou gold Shengshuo Akira Investment Center (limited partnership)		commercial registration procedures completed			from Zhenjiang de Mao Hai Run (Bulletin No: 2017-62)
Changan Auto Finance Co., Ltd.	Provide car loan; provide vehicle loans and operating equipment loans to car dealers, including the construction loans of exhibition hall,spare parts loans and maintenance equipment loans, etc.	Increasing capital	600,000,000.00	28.66%	Its own capital	South Industries,Chongqing Yufu Asset Management Group Co., Ltd.	Indefinite duration	Capital increase completed, industrial and commercial registration procedures completed	No	2017-12-23	Announcement on capital increase to Changan Auto Finance Co., Ltd. (Bulletin No: 2017-75)
Changan NIO new energy Automotive Co., Ltd.,	The design and development of new energy vehicles and its components, automobile sales and related after-sales services	Newly established	49,000,000.00	50%	Its own capital	Shanghai NIO Automobile Co., Ltd.	Indefinite duration	New enterprise is not set up yet	No		
Total	--	--	1,217,743,029.48	--	--	--	--	--	--	--	--

3、Major non-equity investment in the reporting period

Please refer to Notes V to Financial Statement Item 13” Construction in progress”.

4、Investment of Financial Assets

(1)Equity-holdings in financial enterprises

√ Applicable □ Not applicable

Company name	Company variety	Initial investment cost (RMB Yuan)	Opening equity Holdings (share)	Opening equity holding ratio (%)	Closing equity holdings (share)	Closing equity Holdings（%）	Closing book value (RMB Yuan)	Gain/loss in the reporting period (RMB Yuan)	Accounting title	Equity source
Southwest Securities	Securities Firm	50,000,000	35,500,000	0.63%	35,500,000	0.63%	164,365,000	3,550,000	Tradable financial assets	Initial investment

(2) Derivative Investments

□ Applicable √Not applicable

5、Use of raised funds

□ Applicable √Not applicable

VI. Selling of major assets and major equity

1、Selling of major assets

□Applicable √ Not applicable

There is no selling of major assets.

2、Selling of Equity

□Applicable √ Not applicable

There is no selling of major equity.

VII. Analysis of main holding companies and equity companies

√ Applicable □Not applicable

Basic information of main subsidiary companies and shareholding companies which have an impact on over 10% of net profits

Unit: ten thousand yuan

Name	Registered capital	Equity held	Main businesses	Total assets	Main operating income	Net profit

Hebei Changan Automobile Co., Ltd.	46,469	94.22%	Produce and sell auto and parts	163,027	444,109	3,859
Nanjing Changan Automobile Co., Ltd.	60,181	84.73%	Produce and sell auto and parts	163,266	367,773	41,733
Hefei Changan Automobile Co., Ltd.	77,500	100%	Produce and sell auto and parts	244,062	521,148	27,169
Baoding Changan Bus Manufacture Co., Ltd.	3,000	100%	Produce and sell auto and parts	340,417	340,622	-5,289
Changan Ford Automobile Co., Ltd	24,100 USD	50%	Produce and sell auto and parts	4,532,639	10,602,752	1,217,117
Changan Mazda Automobile Co. Ltd	11,097 USD	50%	Produce and sell auto and parts	1,623,115	2,298,317	253,617

Subsidiaries acquired and sold in the reporting period

√ Applicable □ Not applicable

During the reporting period, Four wholly owned subsidiaries, Yinchuan Changan Automobile Sales Co., Ltd., Xi'an Changan Automobile Sales Co., Ltd., Changan auto (Group) limited liability Company Harbin sales branch, Liaoning Changan Automobile Sales Co., Ltd., were liquidated. Therefore, they are no longer included in the consolidated statements in 2017.

Name	Acquisition and disposal of subsidiaries during the reporting period	On the overall production and operation and performance impact
Yinchuan Changan Automobile Sales Co., Ltd.	liquidation	None
Xi'an Changan Automobile Sales Co., Ltd.	liquidation	None
Changan auto (Group) limited liability Company Harbin sales branch	liquidation	None
Liaoning Changan Automobile Sales Co., Ltd.	liquidation	None

VIII. Structural main business under the company control

□Applicable √Not applicable

IX. The company's future development prospect

1、Industry competition pattern and trend of development

In 2018, China's economy will enter a new era, from high-speed growth to high quality development. GDP growth is expected to be 6.5% over the whole year, and the auto industry is expected to increase by 2.2%.

Industry trend: under the drive of "4 (electric, intelligent, net-linked, lightweight) +2 (sharing, intelligent manufacturing)", the automobile industry will usher in the shuffle, and China will become the most important market of "four modernizations".

Policy trend: share lift and tariff reduction will bring challenges to the upgrading of Chinese brands and to the Chinese side of joint ventures. New energy and intelligence have risen to the national strategy, prompting enterprises to upgrade their products and technologies, and expand their business risks.

Consumption trend: product consumption is upgrading obviously. The compound growth rate is 10.5% for the price of products higher than 250 thousand yuan, and the compound growth rate is 4.1% for the price of products below 250 thousand yuan. Consumer demand is diversified, and consumers pursue refined, motorized, cosmetic, cross border and tasteful products.

Competitive situation: the traditional car enterprises have accelerated the strategic transformation to brand upward, new energy, intelligent network, shared travel and post market, and changed from single manufacturing to the competition in the whole industry chain. At the end of the era of high profit from joint venture, the profit level will return to normal. The new force will bring new challenges to traditional car enterprises in terms of business mode, partner mode and talent competition.

2、Development strategy of the Company

Changan takes innovation as the driving force, and renders "efficiency" into the core competitiveness of the company; Changan insists on walking by two legs with strong independent brand and deepening joint venture cooperation to expand new business; with the four strategies as the grab, Changan will become strong by ripping off the inferior. In 2025, the sales volume of the cars will reach 6 million and Changan will achieve the goal of world-class car enterprise.

3、Business plan

The business objective of the board of directors of the company in 2018 is: work hard to produce and sell more than 3.1 million vehicles. In order to realize the above objective, the company will take the concept of "strengthen the efficiency, promote brand image, stick to the experience-oriented policy, and achieve the innovation and breakthrough" as the key, focus on "four consciousness - opening, operation, innovation and undertaking", and insist on the main line of "four pairs - double growth, double innovation, double promotion and double reduction" so as to resolutely realize the goal of the whole year. The key work of the company is as follows: firstly, make full use of the reform and innovation to fight hard; secondly, unswervingly improve the efficiency and benefit; thirdly, build a new ecology of the automobile industry; fourthly, achieve the lean and comprehensive promotion of the marketing system ability; fifthly, make the transition to managing the customers directly; sixthly, make plans of resolutely implementing the brand strategy; seventhly, speed up the pace of product upgrading in an all-round way; eighthly, work together to fully implement the Shangri-La plan; ninthly, grasp the three key points with perseverance and passion - quality, cost reduction, data; tenthly, face the challenge and push forward the joint venture management and control; eleventh, strive to make breakthroughs in the key overseas markets; twelfthly, bear the mission in mind and give full play to the leading role of the party.

4、Capital requirement and use plan of 2017

In order to achieve the strategic goal of the company, the investment of fixed assets in 2018 is expected to focus mainly on the investments in capacity construction, product structure adjustment and construction, R & D capacity construction, logistics and infrastructure construction, technological transformation of safety and environmental protection, technical transformation projects, overseas research and development projects, new energy and intelligent projects. The company will implement the approval process of specific projects and disclose the information according to the new projects implementation plan and the relevant regulations of listing rules. In accordance with the progress of the project and the situation of the company's management and financing environment, the company needs to study and formulate various channels of fund raising plan and fund use plan, so as to improve the efficiency of the use of funds and reduce the cost of funds.

5、Possible risks

The adjustment of industrial policy bringing the risk of joint venture: the lifting of the restrictions on the shares proportion, the accelerating implementation of imported vehicle taxes, the world-class automobile enterprises have increasing power to squeeze the development space of the independent brands.

Actions: have precise consumer insight, take electrification, intelligence, networking and lightweight as breakthrough, and create differentiated product charm and DNA.

The risk of joint-venture's profitability: in the next three years it will be a great challenge for joint ventures to achieve the profit goals due to the slow growth of industry and the aggravation of competition.

Actions: focus on products, speed up the product upgrading and new product introduction, and accelerate the localization of vehicle parts.

The risk of new energy business development: the demand for new energy points is increasing year by year, and the subsidy is declining year by year, which forces the enterprise to accelerate the upgrading of products and technology and increases the pressure of operation.

Actions: reduce losses, cancel the loss-making products, share cost expenditures and accelerate the industrial layout so as to reduce the loss of new energy business effectively.

X. Registration form for reception, research, communication, interview，etc. during the reporting period

Date	Manner	Type of Reception Object	Index
2017.01.11	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.11, 2017 ” issued on http://irm.cninfo.com.cn on Jan.13, 2017
2017.01.24	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.24, 2017 ” issued on http://irm.cninfo.com.cn on Jan.25, 2017
2017.01.25	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Jan.25, 2017 ” issued on http://irm.cninfo.com.cn on Jan.25, 2017
2017.02.09	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Feb.9, 2017 ” issued on http://irm.cninfo.com.cn on Feb.10, 2017
2017.02.15	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Feb.15, 2017 ” issued on http://irm.cninfo.com.cn on Feb.16, 2017
2017.02.21	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Feb.21, 2017 ” issued on http://irm.cninfo.com.cn on Feb.23, 2017
2017.02.22	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Feb.22, 2017 ” issued on http://irm.cninfo.com.cn on Feb.23, 2017
2017.03.03	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Mar.3, 2017 ” issued on http://irm.cninfo.com.cn on Mar.13, 2017
2017.03.07	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Mar.7, 2017 ” issued on http://irm.cninfo.com.cn on Mar.13, 2017
2017.03.10	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Mar.10, 2017 ” issued on http://irm.cninfo.com.cn on Mar.13, 2017
2017.03.16	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Mar.16, 2017 ” issued on http://irm.cninfo.com.cn on Mar.20, 2017
2017.04.20	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Apr.20, 2017 ” issued on http://irm.cninfo.com.cn on Apr.21, 2017
2017.04.24	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Apr.24, 2017 ” issued on http://irm.cninfo.com.cn on Apr.26, 2017
2017.04.26	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Apr.26, 2017 ” issued on http://irm.cninfo.com.cn on Apr.28, 2017
2017.04.27	On-Site Survey	Agency	For more information, refer to “Changan Automobile: Investor Relation Record Form on Apr.27, 2017(Ⅰ) ” issued on http://irm.cninfo.com.cn on Apr.28, 2017

2017.04.27	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Apr.27, 2017 (Ⅱ)" issued on http://irm.cninfo.com.cn on Apr.28, 2017
2017.04.28	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Apr.28, 2017(Ⅰ)" issued on http://irm.cninfo.com.cn on May.3, 2017
2017.04.28	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Apr.28, 2017 (Ⅱ)" issued on http://irm.cninfo.com.cn on May.3, 2017
2017.05.03	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on May.3, 2017 " issued on http://irm.cninfo.com.cn on May.4, 2017
2017.05.04	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on May.4, 2017 " issued on http://irm.cninfo.com.cn on May.5, 2017
2017.05.12	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on May.12, 2017 " issued on http://irm.cninfo.com.cn on May.16, 2017
2017.05.18	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on May.18, 2017 " issued on http://irm.cninfo.com.cn on May.19, 2017
2017.05.26	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on May.26, 2017 " issued on http://irm.cninfo.com.cn on May.30, 2017
2017.06.09	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on June.9, 2017(I) " issued on http://irm.cninfo.com.cn on June.12, 2017
2017.06.09	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on June.9, 2017(II) " issued on http://irm.cninfo.com.cn on June.12, 2017
2017.06.14	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on June.14, 2017" issued on http://irm.cninfo.com.cn on June.15, 2017
2017.07.04	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on July.4, 2017 " issued on http://irm.cninfo.com.cn on July.6, 2017
2017.07.14	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on July.14, 2017 " issued on http://irm.cninfo.com.cn on July.17, 2017
2017.08.31	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Aug.31, 2017" issued on http://irm.cninfo.com.cn on Sep. 1, 2017
2017.09.06	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Sep.6, 2017 " issued on http://irm.cninfo.com.cn on Sep.8, 2017
2017.09.12	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Sep.12, 2017 " issued on http://irm.cninfo.com.cn on Sep.14, 2017
2017.09.27	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Sep.27, 2017 " issued on http://irm.cninfo.com.cn on Sep.29, 2017
2017.10.12	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Oct.12, 2017 " issued on http://irm.cninfo.com.cn on Oct.13, 2017
2017.10.19	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Oct.19, 2017(I) " issued on http://irm.cninfo.com.cn on Oct.23, 2017

2017.10.19	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Oct.19, 2017(II) " issued on http://irm.cninfo.com.cn on Oct.23, 2017
2017.10.26	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Oct.26, 2017(I) " issued on http://irm.cninfo.com.cn on Oct.27, 2017
2017.10.26	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Oct.26, 2017(II) " issued on http://irm.cninfo.com.cn on Oct.27, 2017
2017.11.06	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Nov.6, 2017 " issued on http://irm.cninfo.com.cn on Nov.8, 2017
2017.11.14	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Nov.14, 2017 " issued on http://irm.cninfo.com.cn on Nov.15, 2017
2017.11.27	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Nov.27, 2017 " issued on http://irm.cninfo.com.cn on Nov.28, 2017
2017.11.30	On-Site Survey	Agency	For more information, refer to "Changan Automobile: Investor Relation Record Form on Nov.30, 2017 " issued on http://irm.cninfo.com.cn on Dec.1, 2017
Reception Times			41
Number of Agencies			107
Number of Individuals			0
Number of other entities			0
Whether to disclose undisclosed important information			No

Chapter 5　Important Matters

Ⅰ.Company common stock profit distribution and capital reserves converting into share capital

During the reporting period, the common stock profit distribution policy, especially the formulation, implementation or the adjustment situation of cash dividend policy.

√ applicable　□ not applicable

According to the China Securities Regulatory Commission requirements, in combination with the practical situation of the company, the Company has rectified the "Articles of Association" and clarified about the distributable profit caliber, dividend distribution way, principle, form, cash dividend conditions and proportion, stock dividend condition, plans to set up and review procedures, the implementation, the conditions of distribution policy adjustment, and decision-making procedures, etc, to strengthen the supervision function of independent directors in the profit distribution plan, policy adjustment, and strengthen the guarantee system of the dividend return for investors. The company's specific distribution policy: an annual profit of cash dividend payment shall not be less than 15% of the realized consolidated profit available for distribution, and not less than any on the principle of profit for three consecutive years, the cumulative distribution of cash the consolidated financial statements for three years to achieve an average annual allocation of 45% of profits. Company reported profit distribution plan and equity shares in line with the relevant provisions of the Articles of Association and relevant provisions.

During the reporting period, profit distribution plan and capital reserves converting into share capital plans conforming to the relevant provisions of the company's articles of association, etc.

Special Statement for Cash Dividend Policy	
Whether comply with the company's articles of association or requirements of resolutions of the shareholders' general meeting:	Yes
Whether the standard of distribution and the proportion is clear:	Yes
Whether the related decision-making process and mechanism is complete:	Yes
Whether the independent directors play a proper role:	Yes
Whether the small and medium-sized shareholders have the chance to fully express their views and demands, whether the legitimate rights and interests get fully protected:	Yes
Whether cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Not Applicable

For the last three years (including the reporting period), the company profit distribution draft or plan, and draft or plan that the capital reserves converting into share capital

2015 annual profit distribution plan is: Based on the existing total shares of 4,662,886,108, distribute cash of RMB 6.4 yuan (including tax) to all the shareholders every 10 shares.

2016 annual profit distribution plan is: Based on the existing total shares of 4,802,648,511, distribute cash of RMB 6.42 yuan (including tax) to all the shareholders every 10 shares

2017 annual profit distribution plan is: Based on the existing total shares of 4,802,648,511, distribute cash of RMB 4.46 yuan (including tax) to all the shareholders every 10 shares.

Share out Cash Bonus Table for last three years

Unit: Yuan

Year	Cash dividend amount (tax included)	Net profit attributable to shareholders of listed companies in dividends annual consolidated statements	The net profit ratio (%) attributable to shareholders of listed companies in consolidated statements
2017	2,141,981,235.91	7,137,234,723.47	30.01%
2016	3,083,300,344.06	10,285,284,120.57	29.98%
2015	2,984,247,109.12	9,952,714,168.09	29.98%

Ⅱ. Preplan of profit allocation and capital reserve converting into share equity during the reporting period

For every 10 shares to send bonus shares	0
For every 10 shares dividend number (RMB) (tax included)	4.46
The equity base of distribution plan(shares)	4,802,648,511
Total cash dividends (yuan) (tax included)	2,141,981,235.91
Distributable profits (yuan)	36,640,962,334.05
Proportion (%) of cash dividends to total profit distribution	100%
Cash dividend policy：	
Others	
Detailed statement of profit allocation or plan that capital accumulation fund turn to be added	
Audited by Ernst &Young Huaming certified public accountants (special ordinary partnership) , the parent company annual net profit of 2017 is RMB 6,232,347,168.90 yuan, added with early undistributed profit of RMB33,488,484,537.62 yuan, minus the allocated cash dividend of RMB3,079,869,372.47 yuan during the reporting period, so at the end of 2017 the undistributed profits can be used for distribution is RMB 36,640,962,334.05 yuan. At the end of 2017, monetary fund balance of the parent company is RMB 20,634,514,487.95 yuan. 2017 annual profit distribution plan is: Based on the existing total shares of 4,802,648,511, send cash of RMB 4.46 yuan (including tax) to all the shareholders every 10 shares with total cash of RMB 2,141,981,235.91 yuan (including tax).	

III. Commitments Fulfillment Condition

1、Commitments that company, shareholders, actual controllers, the acquirer, directors, supervisors and senior management personnel or other affiliated parties during the report period fulfilled and by the end of report period not yet fulfilled.

commitments	Commitment entity	Commitment content	Commitment time	period for commitment	Performance

Share limited commitment	China Changan	When the company non-publicly subscribes for new shares of listed companies in 2016, the newly acquired shares of listed company can not be transferred within 36 months since the listing, but can be transferred after 36 months according to relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange.	Oct., 2016	36 months	China Changan did not sell company shares during the reporting period
Other small shareholders commitment	China Changan	In order to avoid and eventually solve the possible competition or potential competitors, better maintain the interests of investors, the company controlling shareholder China Changan made the commitment: In two consecutive years profit of Harbin Hf Automobile Industry Group Co, With the continuous development ability and management level is improved significantly. Under such condition, the enterprise will be affiliated into the company.	September, 2010		The Harbin Hefei Automobile Industry Group Co at present is still running at a loss, The conditions have not yet reached the profitable for two consecutive years.

2、The assets of the company or project include the earnings forecast, and during the report period, the profit forecast still existed, the company assets or projects achieve the profit forecast and explain the reasons

□Applicable √Not-applicable

IV. The non-operating fund occupation situation of the controlling shareholders and their affiliates to the listed companies

□Applicable √Not-applicable

During the reporting period there does not exist non-operating fund of the listed company occupied by the controlling shareholder and its affiliated parties.

V. The board of directors, supervisors, and independent directors (if applicable) explaining the "non standard audit report" from the accounting firm during the reporting period

□Applicable √ Not-applicable

Certified public accountants do not issue "non-standard audit report" for the current report.

VI. Explaining the change with last year's financial statements, accounting policies, accounting estimate and accounting methods

√Applicable □ Not-applicable

During the reporting period, according to the relevant provisions of "Enterprise Accounting Standards No. sixteenth - government subsidies" (Finance [2017]15), since January 1, 2017, the government grants related to daily activities of enterprises should be included in "other income" or offset related costs, and be listed singly on the profit table above the "operating profit"; as for the government subsidies nothing to do with the daily operations of enterprises, it should be included in non-operating income. The company should make the adjustments to the government subsidies between January 1, 2017 and the effective date of the above guidelines, and the amount of 1,613,343,216.59 yuan government subsidies should be included in other income in 2017.The change of the accounting policy related to "Enterprise Accounting Standards No. sixteenth: government subsidies" has no effect on the net profit attributable to shareholders of listed companies, and has no material impact on the semi-annual financial status, the operating results and cash flow.

According to the *Notice of the Ministry of Finance on the revision of the format of the general enterprise financial statements (accounting [2017]30)*, the item of "asset disposal income" is separately listed above the "operating profit" item in the profit statement, and non-operating income and non-operating expense, originally listed in the account of non-current asset disposal, are listed in the item of "asset disposal income". The comparative profit statement is recounted accordingly. The change of accounting policy has no effect on the company's net profit and shareholders' equity.

VII. During the reporting period, big accounting errors correction and the need for trace restatement

□Applicable √ Not-applicable

During the reporting period, no significant accounting errors correction and no need for trace restatement.

VIII、Compared with financial report for last year, the explanation to the scope change of consolidated statements

√applicable ☐ not applicable

During the reporting period, four wholly owned subsidiaries, Yinchuan Changan Automobile Sales Co., Ltd., Xi'an Changan Automobile Sales Co., Ltd., Changan auto (Group) limited liability company Harbin sales branch, Liaoning Changan Automobile Sales Co., Ltd., were liquidated. Therefore, they are no longer included in the consolidated statements in 2017.

IX. The appointment, dismissal of the accounting firm

The appointment of the accounting firm

The name of the domestic accounting firm	Ernst & Young Hua Ming LLP
Domestic accounting firms payment (ten thousand Yuan)	348
A continuous years of domestic accounting firms audit service	11
Domestic accounting firm of Certified Public	Chen Xiaoxiang, Hu Yan

Accountants name	

Whether to change the accounting firms

□Applicable √ Not-applicable

Employ audit of internal control accounting firms, financial adviser or sponsor

√Applicable □Not-applicable

Through the approval from the company's first extraordinary shareholders' general meeting of 2017, the company hired Ernst &Young Huaming certified public accountants (special ordinary partnership) as the company's 2017 annual internal control audit certified public accountants. In 2017 the internal control audit fee paid for the internal control auditing services provided by Ernst &Young Huaming certified public accountants (special ordinary partnership) is RMB 1.17 million yuan.

X. After the disclosure of the annual report, the Company faces the suspension and termination of the listing

□Applicable √ Not-applicable

XI. Bankruptcy restructuring related matters

□Applicable √ Not-applicable

During the report period no bankruptcy restructure related matters occur.

XII. Crucial litigation and arbitration events

□Applicable √ Not-applicable

During the reporting period the company has no crucial litigation and arbitration events.

XIII．Punishment and rectification

□Applicable √ Not-applicable

During the reporting period there’s no punishment and rectification.

XIV. The integrity of company and its controlling shareholder, actual controller

□Applicable √ Not-applicable

XV. Company equity incentive plan, the implementation of the employee stock ownership plan or other staff incentives.

√ Applicable ☐Not-applicable

The company has disclosed in June 1, 2017 "The 2016 annual notice of the implementation of equity distribution", with the company's existing total share capital of 4,802,648,511 shares as the base, to all shareholders 6.42 yuan cash dividends (including tax) per 10 shares. According to the company's stock option incentive plan (Revised Draft), the relevant provisions on the stock option price adjustment, if dividends and capital reserve capitalization, stock dividends, stock split delivery, allotment, issuance or reduced matters occur before the stock exercise, the stock option price should be adjusted. The exercise price of the adjusted stock option is 13.478 yuan.

In 2016, the company granted the stock option plan (Option abbreviation: Changan JLC1, Option code: 037046).The stock options entered into the waiting period.

XVI. Significant related party transactions

1、Related transactions related to day-to-day operation

For details, please refer to Note 9 "Related Party Relationships and Transactions" in the Financial Statements.

2、Assets or equity acquisition, sales related transactions

For details, please refer to Note 9 "Related Party Relationships and Transactions" in the Financial Statements.

3、Related transactions of common investment

√Applicable □Not-applicable

For details, please refer to Chapter four " Major equity investment in the reporting period " in the Financial Statements.

4、Related rights and debt relations

√Applicable □Not-applicable

For details, please refer to Note 9 "Related Party Relationships and Transactions" in the Financial Statements.

Whether there is any non-business related credits and debts

□Applicable √ Not-applicable

There is no non-operating associated credits and debts during the reporting period.

5、Other significant related transactions

√applicable □ not applicable

Related queries in disclosure website of interim report of related transactions

Name of temporary announcement	Temporary announcement date	Temporary announcement site name
Related Transactions Announcement that China South Industry Group Finance Co.,Ltd provides financial service for the company（Note 1）	2017.3.25	http://www.cninfo.com.cn
Related Transactions Announcement about approving of United Prosperity (Hong Kong)Investment Co., Ltd trade financing	2017.3.25	http://www.cninfo.com.cn
Related transaction announcement that Chongqing Automobile Finance Co.,Ltd provides financial service（Note 2）	2017.3.25	http://www.cninfo.com.cn
Announcement about increasing estimated amount of 2017 daily related transaction	2017.4.18	http://www.cninfo.com.cn

Announcement about increasing estimated amount of 2017 daily related transaction	2017.11.24	http://www.cninfo.com.cn
Announcement on capital increase to Changan Auto Finance Co., Ltd.	2017.12.23	http://www.cninfo.com.cn

Note 1：Changan Automobile has signed a Financial Service Agreement with China South Industry Group Finance Co.,Ltd and strictly implemented the approval procedures from BOD meeting and Shareholders' meeting. In accordance with " Administrative Measures for Financial Companies of Enterprise Groups" issued by CBRC, Changan Automobile reviewed China South Industry Group Finance Co.,Ltd and issued a risk assessment report.(For details, please refer to " A report on risk assessment of China South Industry Group Finance Co.,Ltd " disclosed on http://www.cninfo.com.cn on April, 4th 2018)

In 2017, China South Industry Group Finance Co.,Ltd will provide the following services for the company:

①Provide the maximum deposit balance of not more than 4.5 billion, and the deposit interest rates should not be lower than that of other domestic financial institutions over the same period;

②Provide the maximum credit total of 7 billion yuan and related credit services, the credit rate provided by the finance Company for Changan Automobile should not be higher than that of other domestic financial institutions over the same period;

③Provide the maximum credit total of 10 billion auto financial services and other financial services, and set the prices for financial services in accordance with the standards not higher than market fair prices or national standards.

Note 2：Changan Automobile has signed a Financial Service Agreement with Changan Automobile Fiannce Co.,Ltd and strictly implemented the approval procedures from BOD meeting and Shareholders' meeting. In accordance with "Administrative Measures for Motor Financing Companies" issued by CBRC, Changan Automobile reviewed Changan auto finance and issued a risk assessment report.(For details, please refer to " A report on risk assessment of Changan Automobile Finance" disclosed on http://www.cninfo.com.cn on April, 4th 2018)

In 2017, Changan auto Finance will provide the following services for the company:

①Provide the maximum deposit balance of not more than 1.5 billion, and the deposit interest rates should not be lower than that of other domestic financial institutions over the same period;

②Provide the maximum credit total of 3 billion auto financial services and other financial services, and set the prices for financial services in accordance with the standards not higher than market fair prices or national standards.

XVII. Major contract and its performance

1、Trusteeship, contracting, leasing matters

（1）Trusteeship

□Applicable √ Not-applicable

Information about Trusteeship

There is no Trusteeship during the reporting period.

（2）contracting

□Applicable √ Not-applicable

Information about contracting

There is no contracting during the reporting period.

（3）Leasing

√Applicable □Not-applicable

Information about leasing

Related party rental situation can be found in the note nine of financial statements 5 (2) related party relationships and transactions.

Projects whose profit and loss to the company during the reporting period is more than 10% of total profits

□Applicable √ Not-applicable

Projects whose profit and loss to the company during the reporting period can't be more than 10% of total profits

2、Major guarantee

□Applicable √ Not-applicable

There's no major guarantee during the report period.

3、 Entrust others for cash assets management

(1) Entrust financial situation

□Applicable √ Not-applicable

There's no entrusting situation during the reporting period.

(2) Entrusted loans situation

□Applicable √ Not-applicable

There's no entrusted loan during the reporting period.

4、Other major contract

□Applicable √ Not-applicable

There's no other major contract during the reporting period.

XVIII. Social responsibility

Fulfill social responsibility of targeted poverty alleviation

√ applicable ☐ not applicable

In 2017, Changan Automobile positively responded to the "poverty alleviation plan for the 13th Five-Year-Plan period ", and fully implemented the guiding principles of the Eighteenth National Congress of the CPC , the third , fourth, fifth, sixth plenums of the 18th CPC Central Committee, poverty alleviation and development meeting of the central government. Changan Automobile promoted the poverty alleviation through society and education, public welfare and public utilities construction, etc in full compliance with the decisions and arrangements of the Party Central Committee and the State Council based on the enterprise actual situation to push forward the better and faster economic and social development of poverty-stricken area.

1、 The designated "two counties" of poverty alleviation in Yunnan in 2017

(1) 11.8 million yuan of funds for poverty alleviation and donation in Luxi County

a.T**he industrial poverty alleviation project:** firstly, Changan donated 1.4658 million yuan for the comprehensive construction project for the processing and packing of fruit and vegetable and the annual treatment of 600 tons of fruit and vegetable cold storage by the village committee of Xiangyang Township. Secondly, Changan donated 1.5342 million yuan for the base project for the construction of 230 vegetable sheds and the supporting facilities of the Bai village committee of Xiangyang Township.

b.The education and poverty alleviation project: the special training of teachers' ability in the health care construction and the employment projects of the students' old-age nursing training with the investment of 797 thousand yuan.

c. The poverty alleviation project of the people's Livelihood: firstly, according to the principle of unified evaluation, unified construction and strict control of the area, the poor housing reform projects are carried out for the poor households in Xiangyang Township and SanTang Township with the investment of 5.44 million yuan; secondly, Changan conducted other poverty alleviation projects with the investment of 18 thousand yuan; thirdly, Changan used the vehicles for the poverty project and donated 20 Changan brand cars, with the value of 1.17188 million yuan (58.594 thousand yuan per car); lastly, 14 medical emergency vehicles were allocated in 10 township and county hospitals, traditional Chinese medicine hospitals, maternal and child health planning service centers and disease prevention and control centers, with the value of 1.37312 million yuan (98.08 thousand yuan per car).

(2) 13.2 million yuan of funds for Poverty alleviation in Yanshan County

a. T**he industrial poverty alleviation project:** firstly, Changan invested about 4 million yuan on the construction of 2500 mu fruit tree planting base(5 years of cooperation period) in Pingyuan Town; secondly, Changan invested about 2 million yuan in the 700 mu plant vegetables (3 years of cooperation) in Bagazena town.

b. The education and poverty alleviation project: firstly, the construction of the Changan auto 4S teaching and training base is following the project in 2016 and configured the corresponding automobile teaching equipment with the value of 1 million yuan; secondly, the genuine South Industries- subsidizing poor students in Yanshan County about 4.2 million yuan: 1000 yuan / people for high school students , and 2000 yuan / people for professional high school students. 5000 yuan / people for college students.

c. The poverty alleviation project of the people's Livelihood: firstly, renovate the shattered house for 178 incompetent families, and build 178 sets of housing with the value of 1.6 million yuan; secondly, emergent rescue: the construction of the flood disaster of the village of Kihei village with 200 thousand yuan; thirdly, build 5 townships (towns) E-commerce service station, and focus on building 10 villages (community) e-commerce service points with the investment of 1 million yuan; fourthly, the medical vehicle poverty alleviation: configure a total of 10 medical emergency vehicles in 9 township hospitals with investment of 1 million yuan (100 thousand yuan / car).

In addition, the company launched consumption poverty alleviation, and the employees voluntarily purchased Luxi plateau pear for 33180 Jin, with the total value of 157.42 thousand yuan.

2、Designated poverty alleviation in Chongqing "one county and one area" in 2017

(1) According to the notice of the leading group of the Chongqing development and Reform Commission on the aid of the poor group and carrying out the 2017 counterpart donation (2017-03 Notice), Changan automobile donated 300 thousand yuan in cash to Pengshui County, which is used in the construction of the rural roads and the town facilities in one town, one township, and two villages (long Se Town, Di Tang Township, Yan Jiao Village and Xiaoping Village).

(2) Changan, following the Chongqing Municipal Development and Reform Commission, went to Pengshui County and checked the poverty alleviation work in 2017, and conducted the research of the poverty alleviation work in 2018; the representatives from Changan listened to the report of poverty alleviation work in San Yi Township, and inspected the two production bases of sweet potato powder. The two sides negotiated on the purchase of sweet potato powder and vermicelli for the Company’s staff canteen.

(3) According to the Circular of the people's Government Office of Jiangbei District, *the Jiangbei District of Chongqing on the proposal for the work proposal of the helping member unit in 2017 (2017-100 Notice)*, Changan automobile donated cash 200 thousand yuan to the Kai Zhou District, which is used for the interior refurbishment of the central primary school teaching building in Zhen An town.

2017 targeted poverty alleviation of Changan Automobile statistical table

Indicator	Unit	Amount
Overall Performance		
including：1 Fund	10 thousand yuan	2530.742
2. Materials converted into cash	10 thousand yuan	35
Project Input		
1.Industrial poverty alleviation		
Among: 1.1 poverty alleviation categories		1.Fruit and vegetable processing and packaging comprehensive construction project in Xiangyang Township of Luxi county. 2.Vegetable greenhouse base construction project in Xiangyang Township of Luxi County 3.Fruit tree planting project in Pingyuan town of Yanshan County 4. Vegetable planting base project in BaGa town of Yanshan County Rural
1.2 poverty alleviation fund	10 thousand yuan	900
2. poverty alleviation on education	-	-
2.1 Input in poverty alleviation of poor students	10 thousand yuan	290
2.2 The input of improving the poor-stricken area	10 thousand yuan	179.7
3. Health poor-stricken area		
3.1 Input in medical and health resources in poverty-stricken areas	10 thousand yuan	237.312
4. other projects		

4.1 Amount of money	10 thousand yuan	958.73

3、The following targeted poverty alleviation plan

In 2018, Changan Automobile will positively implement poverty alleviation and continue to promote the fixed-point poverty alleviation in Luxi County, Yanshan County, Pengshui County, Kaizhou District, the donation on public welfare.

Fulfill other social responsibilities

Whether the listed companies and their subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

√ Yes □No

Changan Automobile mainly produces engines and automobiles. The main pollutants are chemical oxygen demand, ammonia nitrogen, total nickel, toluene, xylene and non-methane hydrocarbon,etc. Waste water mainly comes from the treatment of surface treatment wastewater, spray painting wastewater and oil containing wastewater before the coating workshop, which is discharged after physicochemical and biochemical treatment. The exhaust gas is mainly painted waste gas and flue gas. The exhaust gas of the spray paint is absorbed, concentrated and burned, and the exhaust gas of the oven is discharged after burning. Two sulfur oxide and nitrogen oxide are mainly from the waste gas from the clean energy of natural gas. All of the exhaust gases from energy and natural gas combustion are organized emissions. During the reporting period, there were 216 air pollutant outlets and 14 water pollutant outlets. The emission standards were strictly implemented according to the national sewage comprehensive discharge standard, the water pollutant discharge standard in Beijing, the national standard for the comprehensive emission of air pollutants, the standard for the emission of air pollutants on the surface of automobile manufacturing in Chongqing, the standard for the comprehensive emission of air pollutants, and the vehicle Manufacturing industry (painting process) air pollutant emission standard in Beijing, national industrial enterprise boundary environmental noise emission standard and so on. The total emission of major pollutants: 169.58 tons of chemical oxygen, 28.08 tons of ammonia nitrogen, 69.33 tons of sulfur dioxide and 228.99 tons of nitrogen oxides. All the pollutants in the company are discharged, and there is no excess total emission.

All departments put pollution control facilities as well as production equipment into preventive maintenance management of equipment with normal operation, pollutant discharge up to normal standard, the total amount of discharged key pollutant within the total amount of indicators. Solid wastes are separately collected and stored. Main dangerous wastes are wastewater and sludge treatment, paint slag, phosphated residue and waste solvent, etc. Hazardous wastes are entrusted to be disposed by the units with hazardous waste business qualification. The general industrial solid wastes and household garbage are disposed by the units with qualification according to the requirement of the local government. The waste electrical and electronic products are disassembled by the units with qualification and are safely disposed by the units with hazardous waste business qualification. In November 2017, the three party certification was replaced by environmental management system.

In 2017, more than 10 environmental protection measures were implemented by the company, and the cumulative environmental investment was 200 million yuan. The main projects included the VOC terminal treatment project in Beijing Changan, the Hefei Changan painting VOC end treatment project, the Changan low nitrogen burner transformation, the new sound insulation screen in the North factory of Yubei factory, and so on. The Company shouldered the social responsibility.

Administrative licensing of environmental impact assessment and other environmental protection for construction projects.

In accordance with the regulations of the State Council on environmental protection and management of construction projects, the People's Republic of China Environmental Impact Assessment Law, the regulations on environmental protection in Chongqing, and the Interim Measures for the construction project completion of environmental protection and acceptance by the Ministry of environmental protection of the state, the environmental impact assessment and completion ring of the new, modified and expanded projects are required and strictly enforce the environmental impact assessment system and the "Three Simultaneity" system.

In 2017, 6 construction projects, such as VDC (vehicle allocation center), new energy battery system (one phase) and emission test room, have been approved, and the environmental protection site acceptance of the second phase construction project of Dianjiang comprehensive test yard has been completed, and the acceptance approval of the Dianjiang county environmental protection Bureau has been obtained; initiate structural adjustment of the passenger car and engine capacity. Independent environmental acceptance of 3 construction projects in H series engine parts casting production line is raised.

Carry out environmental protection risk management, and enhance emergency response capacity

The Company continued to carry out environmental protection emergency drills to enhance the response capacity to environmental emergencies. In 2017, The Company completed the revision and filing of the environmental risk assessment and emergency plan for the mould department, the General Automobile Research Institute and the Power Research Institute. There are 3 emergency exercises at the company level, 12 exercises from the factory level, and 68 exercises from the workshop level.

The Company continued to strengthen the environmental risk management and control, and prevent unexpected environmental incidents. Under the background of the operation qualification of the pollution control facilities being cancelled, in order to improve the management level of wastewater treatment facilities, standardize the operation and management of wastewater treatment facilities, ensure the normal operation of wastewater treatment facilities and reduce the risk of illegal environmental protection. On the basis of on-the-spot investigation of the operation and management of wastewater treatment facilities in various manufacturing plants, according to the requirements of relevant laws and regulations and combined with the actual conditions of the company, the requirements are standardized for the operation and management of waste water in various manufacturing plants

Strictly implement Disclosure System of Information

In 2017, State Key Monitoring Units of Changan Automobile: Chayuan Base of Commercial Vehicle Division, Dashiba Base of Jiangbei Engine Factory, Yubei Factory; Provincial and municipal key monitoring units: Mold Division, Beijing Changan, Hefei Changan. The national control units strictly carry out self-monitoring in accordance with the "National Key Monitoring Enterprise Self-monitoring and Information Disclosure Approach (Trial)". Self-monitoring program, monitoring results, pollution monitoring annual report are disclosed on the "National Key Monitoring Enterprise Self-monitoring and Information Disclosure Platform". Provincial and municipal monitoring units are disclosed according to requirement of environmental protection departments of local government.

Whether to publish a report on social responsibility

√Yes □No

Corporate Social Responsibility Report					
The nature of the enterprise	Whether it contains environmental information	Whether it contains social information	Whether it contains corporate governance information	Reporting Disclosure Criteria	
				Domestic standards	Foreign standards
State - owned enterprises	Yes	Yes	Yes	"Guidelines for the Shenzhen Stock Exchange Main Board", "Main Board Information Disclosure Business Memorandum No. 1 - Periodic Report Disclosure Relevant Issues", "Contents and Formats of Information Disclosure of Companies for Public Offering No. 2 - Contents and Form of Annual Report ","Guidelines for the Social Responsibility of Shenzhen Stock Exchange "	

Specific description

1. Whether the company has passed the environmental management system certification（ISO14001）	Yes
2. Company "waste gas, waste water, waste residue" three-waste reduction performance	Beijing Changan carried out the project of boiler and refrigeration on the low nitrogen burner transformation and the concentration of nitrogen oxide emission decreased from about 120mg/m3 to less than 30mg/m3; and Beijing Changan reused 36,335 tons wastewater and 120,818 tons of solid waste.
3. Amount of annual environmental protection investment in 2017 (10 thousand)	15,120
4. The company invests in upgrading the ability of employees to improve their personal knowledge and skills to enhance their career development (10 thousand）	2015.42
5. The amount of corporate social donations (funds, materials, free professional services) (10 thousand)	3130.89

XIX. Other important events

√Applicable □Not-applicable

Changan announced in March 16th, 2018 that the company's controlling shareholder China Changan planned to transfer the 1,035,312,673 A shares (21.56% of the total shares) to South Industries without any compensation. The share transfer is the adjustment of the assets structure within South Industries. After the completion of the share transfer, it will be beneficial for the Chongqing Changan to refine and expand the car business and further promote the development of Chongqing Changan.

The holding shareholder and the actual controller will not change after the share transfer. The holding shareholder is still China Changan, and the actual controller is still South Industries. The share transfer shall be implemented after the approval of the SASAC of the State Council, and complete the registration of ownership transfer and the registration of industrial and commercial change.

XX. Important matters of the Company's subsidiary

□Applicable √Not-applicable

Chapter 6 Changes in the shareholding of the company and shareholders

I. Change in shareholdings

1. Change in shareholdings

Unit: One share

	Balance before current change		Addition and deduction（+，-） during change				Balance after current change	
	Quantity	Ratio (%)	Additional issued	Stock dividend	Provident fund transfer	other	Quantity	Ratio (%)
Non-circulated shares	139,781,303	2.91%					139,781,303	2.91%
1、State-owned legal person shares	139,762,403	2.91%					139,762,403	2.91%
2、Senior management personnel shares	18,900	0.00%					18,900	0.00%
Circulated shares	4,662,867,208	97.09%					4,662,867,208	97.09%
1、Domestic listed RMB shares	3,760,881,066	78.31%					3,760,881,066	78.31%
2、Domestic listed foreign shares	901,986,142	18.78%					901,986,142	18.78%
Total shares	4,802,648,511	100.00%					4,802,648,511	100.00%

Reason of stake changes

□ applicable √ not applicable

Approval of stock changes

□ applicable √ not applicable

Ownership transfer of stake change

□ applicable √ not applicable

The influence of share changes on financial indicators, such as the latest year and the latest basic earnings per share and diluted earnings per share, the net assets per share belonging to the common shareholder of the company

□ applicable √ not applicable

Other contents which the company regards necessary and securities supervising institution requires the Company to disclose.

□ applicable √ not applicable

2. Change in Non-circulated shares

√ Available □Not-available

Unit：one share

Name of shareholders	Non-circulated shares held at the year-beginning	Decrease during the reporting period	Increase during the reporting period	Non-circulated shares held at the year-end	Reason for non-circulated shares	Date for the circulated shares
China Changan Automobile Co., Ltd.	139,762,403	-	-	139,762,403	Non - public offering shares of 139,762,403 in 2016	2019-10-14
Zhu Huarong	18,900	-	-	18,900	Executive lock stocks	6 months after the retirement
Total	139,781,303	-	-	139,781,303	--	--

II、Issuing and listing of securities

1.Issuance of securities in the past three years

√ applicable □ not applicable

Stock and its derivative securities	date of issuance	Issue price (or interest rate)	Amount of issuance	Listing date	Number of approved transactions	Transaction end date
stock						
non-public offering of shares in 2016	9,Sep.2016	14.31yuan/share	139,762,403	14,Oct.2016	139,762,403	
Convertible corporate bonds, convertible corporate bonds of separate transactions, corporate bonds						
Other derivative securities						

Description of the issue of securities (excluding preferred shares) during the report period

Approved by the document No. [2016] 1996 of China Securities Regulatory Commission, September 9, 2016, the company issued 139,762,403 A shares of non-public shares to China Changan with the issue price of 14.31 yuan / share. The non-public offering of A shares were listed on the Shenzhen Stock Exchange on October 14, 2016.

2.Changes in the total number of shares of the Company and changes in the structure of the shareholders and in the structure of the Company's assets and liabilities

□ applicable √ not applicable

3. Existing internal staff shares

□ Available √ Non available

III. Shareholders and actual controllers situation

1、The number of shareholders of the company and the stock

Unit: one share

During the report period, the total number of shareholders			200,134 .A shareholders: 170,132. B shareholders: 30,002.					
One month before the end of the disclosure of the annual report of the total number of shareholders			200,969 .A shareholders: 170,734. B shareholders: 30,235.					
Holding more than 5% of the shareholders, or top 10 shareholders situation								
Name of shareholders	Nature of Shareholders	Percentage of total shares （%）	Shares held at the year-end	increases and decreases during the report period	Non-circulated shares held at the year-end	Circulated shares held at the year-end	Pledged/ Frozen cases	
							Share status	amount
China Changan Automobile Co., Ltd.	State-owned legal person shares	40.88	1,963,357,619	-	139,762,403	1,823,595,216	No pledge or freeze	
China securities finance Co, Ltd	domestic general legal person shares	4.21	202,044,821	62,621,894			No pledge or freeze	
United Prosperity Investment Co., Limited	foreign legal person shares	2.23	107,267,728	62,072,628			No pledge or freeze	
GIC PRIVATE LIMITED	foreign legal person shares	1.68	80,893,572	12,497			No pledge or freeze	
Central Huijin Investment Ltd.	domestic general legal person shares	1.15	55,393,100	-			No pledge or freeze	
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	foreign legal person shares	0.81	38,911,038	-			No pledge or freeze	
Anbang AM-China Merchants Bank-Anbang Asset -Win -win No. 3 AM Product	fund, finance products, etc.	0.67	32,070,942	-			No pledge or freeze	
Anbang AM-China Minsheng Bank-Anbang Asset -Refined Mix No. 5 AM Product	fund, finance products, etc.	0.65	31,082,094	31,082,094			No pledge or freeze	
Monetary Authority of	foreign legal	0.54	25,908,297	-2,290,683			No pledge or	

Singapore	person shares						freeze	
HERMES INVESTMENT FUNDS PLC	foreign legal person shares	0.47	22,434,113	22,434,113			No pledge or freeze	
Explanation on the relationship and the action alike of above shareholders	Among the top 10 shareholders, China Changan Automobile Group Co., Ltd., the controlling shareholder, and its wholly owned subsidiary United Prosperity (Hong Kong) Investment Co., Limited. belongs to the concerted actor regulated by "Disclosure Administration of Shares Change Information of The Listed Company".							

The ten largest circulated shareholders			
Name of shareholders	Shares at the year end	Shares type	
		Type	Amount
China Changan Automobile Co., Ltd.	1,823,595,216	RMB ordinary shares	1,823,595,216
China securities finance Co, Ltd	202,044,821	RMB ordinary shares	202,044,821
United Prosperity Investment Co., Limited	107,267,728	Domestic listed foreign shares	107,267,728
GIC PRIVATE LIMITED	80,893,572	RMB ordinary shares	80,893,572
Central Huijin Investment Ltd.	55,393,100	Domestic listed foreign shares	55,393,100
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	38,911,038	RMB ordinary shares	38,911,038
Anbang AM-China Merchants Bank- Anbang Asset -Win - win No. 3 AM Product	32,070,942	Domestic listed foreign shares	32,070,942
Anbang AM-China Minsheng Bank- Anbang Asset -Refined Mix No. 5 AM Product	31,082,094	RMB ordinary shares	31,082,094
Monetary Authority of Singapore	25,908,297	RMB ordinary shares	25,908,297
HERMES INVESTMENT FUNDS PLC	22,434,113	Domestic listed foreign shares	22,434,113
The top 10 shareholders to sell circulated shares, and the infinite tradable relationship between shareholders and top 10 shareholders or concerted action	Among the top 10 shareholders, China Changan Automobile Group Co., Ltd., the controlling shareholder, and its wholly owned subsidiary United Prosperity (Hong Kong) Investment Co., Limited belongs to the concerted actor regulated by "Disclosure Administration of Shares Change Information of The Listed Company".		

Whether the company top 10 shareholders of ordinary shares, and the top 10 circulated shareholders agreed on the repurchase transactions during the report period

□Available √Not- available

The company top 10 shareholders of ordinary shares, and the top 10 circulated shareholders did not agree on the repurchase transactions during the reporting period

2、The controlling shareholder of the company.

Nature of the controlling shareholders: the central state-owned

Type of the controlling shareholder：legal person

Name	Legal /Representative	Date of establishment	Organization code	Business scope and major products:
CHINA CHANGAN AUTOMOBILE GROUP CO., LTD	Zhang Baolin	Dec 26th, 2005	911100007109339484	Design, development, manufacture and sales of automobile &motorcycle, automobile &motorcycle engine, automotive and motor cycle components& parts; sales of optical products, electronic and photoelectron products, night-time vision device, information and communication equipment; technical development, technical transfer, technical consultation, technical training, and other technical service relative with the operation mentioned above; imports and exports; merge and acquisition and consultation of assets restructuring.
The controlling equity and equity during the reporting period, the controlling shareholder of listed companies in other domestic and foreign markets	To the reporting period, the holding companies: Harbin Dongan Auto Engine Co., Ltd. (stock code 600178); Hunan Tianyan Machinery Co., Ltd. (stock code 600698), Chongqing Changan Minsheng APLL Logistics Co., Ltd(stock code 01292.HK)			

During the reporting period the change of controlling shareholders

□Available √ Not- available

No changes in controlling shareholders during the reporting period.

3、The ultimate controller of the Company

Nature of the controlling shareholders: the central state-owned asset management institution

Type of the controlling shareholders: legal person

Name	Legal /Representative	Date of establishment	Organization code	Business scope and major products:
China South Industries Group Corp.	Xu Ping	29 Jun.,1999	91110000710926043F	investment and management of state-owned assets; manufacturing of guns and firearms; engineering prospecting, designing, construction, contracting, construction supervision; equipment installation, etc.
The controlling equity and equity during the reporting period, the	To the reporting period, direct or indirect holding companies: Harbin Dongan Auto Engine Co., Ltd. (stock code 600178); Baoding Tianwei Electric Co., Ltd. (stock code 600550); Jiangling Motors Co., Ltd. (stock code 000550); Hunan Tianyan Machinery Co., Ltd. (stock code 600698); China Jialing Industrial Co., Ltd.			

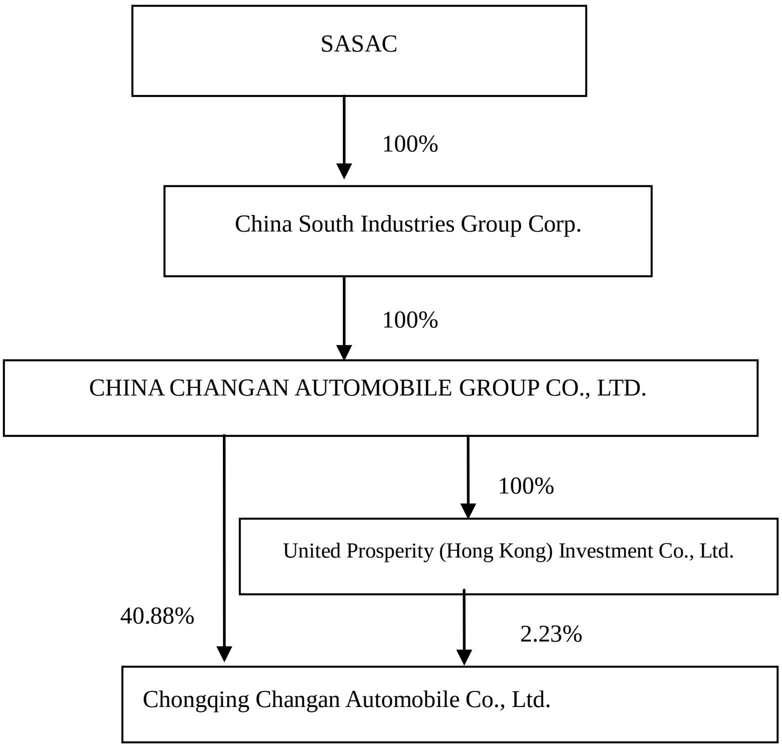
controlling shareholder of listed companies in other domestic and foreign markets	(stock code 600877); Chongqing Jianshe motorcycle Co., Ltd. (stock code 200054); Lida Optical Co., Ltd. (stock code 002189); Zhongyuan Special Steel Co., Ltd. (stock code 002423); Yunnan West Instrument industrial Co., Ltd. (stock code 002265); Chongqing Changan Minsheng logistics Limited (stock code 01292.HK).

The change of the actual controllers during the reporting period

□Available √ Not- available

No changes in the actual controllers during the reporting period.

Relationship among the Company and its controlling shareholders:



China Aviation Industry Group Co., Ltd. has transferred 23% of the shares of China Changan to South Industries in 2017. By the end of the report, China Changan is a wholly owned subsidiary of South Industries.

Actual control people control the company through trust or other asset management method.

□Available √Not available

4、Other legal shareholders with over 10% holding

□Available √ Not available

5、 Reduced shareholdings of controlling shareholders, actual controllers, restructuring parties and other committing parties

√ applicable □ not applicable

On November 15, 2016,the Company promised after the restriction on no-circulated shares was lifted: within six months after the lifting of the restricted shares held by China Changan, there was no plan to sell 5% of the outstanding shares through the securities trading system.

Chapter7 Information about Directors, Supervisors, Senior Management and Employees

Ⅰ. Share ownership changes of directors, supervisors and senior management

Name	Position	As state	Gender	Age	Term start date	Term Termination date	Shares held at beginning（stock）	increased share number in this issue（stock）	decreased share number in this issue（stock）	share number at the end（stock）
Zhang Baolin	Chairman	present	M	55	2017-09-22	2019-03-23				
Zhu Huarong	Director, President	present	M	52	2016-03-23	2019-03-23	25,200	-	-	25,200
Zhou Zhiping	Director, secretary of the party committee	present	M	47	2016-03-23	2019-03-23				
Tan Xiaogang	Director	present	M	54	2016-03-23	2019-03-23				
Wang Xiaoxiang	Director	present	M	44	2016-03-23	2019-03-23				
Liu Jipeng	independent director	present	M	61	2016-03-23	2019-03-23				
Li Qingwen	independent director	present	M	62	2016-03-23	2019-03-23				
Tan Xiaosheng	independent director	present	M	47	2016-03-23	2019-03-23				
Pang Yong	independent director	present	M	48	2016-03-23	2019-03-23				
Chen Quanshi	independent director	present	M	72	2016-03-23	2019-03-23				
Ren Xiaochang	independent director	present	M	61	2017-09-20	2019-03-23				
Wei Xinjiang	independent director	present	M	48	2017-09-20	2019-03-23				
Dong	Chairman of	present	M	53	2017-12-16	2019-03-23				

Qihong	the supervisory									
Sun Dahong	Supervisor	present	M	51	2016-03-23	2019-03-23				
Zhao Huixia	Supervisor	present	M	57	2016-03-23	2019-03-23				
Zhang Anguo	Employee Supervisor	present	M	58	2016-03-23	2019-03-23				
Luo Yan	Employee Supervisor	present	F	43	2016-03-23	2019-03-23				
Huang Zhongqiang	Vice president	present	M	49	2016-03-23	2019-03-23				
Luo Minggang	Vice president	present	M	54	2016-03-23	2019-03-23				
Gong Bing	Vice president	present	M	48	2016-03-23	2019-03-23				
Wang Jun	Vice president	present	M	45	2016-03-23	2019-03-23				
Liu Bo	Vice president	present	M	51	2016-03-23	2019-03-23				
He Chaobing	Vice president	present	M	50	2016-03-23	2019-03-23				
Zhang Jingjing	Vice president	present	F	52	2016-03-23	2019-03-23				
Yuan Mingxue	Vice president	present	M	49	2016-03-23	2019-03-23				
Li Wei	Vice president	present	M	52	2016-03-23	2019-03-23				
Tan Benhong	Vice president	present	M	42	2017-08-31	2019-03-23				
Liu Zhengjun	Vice president	present	M	52	2017-11-24	2019-03-23				
Zhang Deyong	Vice president	present	M	43	2018-1-27	2019-03-23				
Li Jun	Board Sectary	present	F	48	2016-03-23	2019-03-23				
Xu Liuping	Chairman	departure	M	53	2016-03-23	2017-09-22				
Wang Kun	Director/Vice president/ Board	departure	M	42	2016-03-23	2018-01-27				

	Sectary									
Hu Yu	independent director	departure	M	45	2016-03-23	2017-02-11				
Xiao Yong	Chairman of the supervisory	departure	M	47	2016-03-23	2017-11-24				
Du Yi	Vice president	departure	M	50	2016-03-23	2017-05-06				
Total							25,200	-	-	25,200

Ⅱ. Personnel Changes of directors, supervisors and senior management

Name	Position	Type	Term	Reason
Zhang Baolin	Chairman	elected	2017-09-22	recruitment for work needs
Ren Xiaochang	independent director	elected	2017-09-20	recruitment for work needs
Wei Xinjiang	independent director	elected	2017-09-20	recruitment for work needs
Dong Qihong	Chairman of the supervisory	elected	2017-12-16	recruitment for work needs
Zhang Deyong	Vice president	elected	2018-01-27	recruitment for work needs
Tan Benhong	Vice president	elected	2017-08-31	recruitment for work needs
Liu Zhengjun	Vice president	elected	2017-11-24	recruitment for work needs
Xu Liuping	Chairman	departure	2017-09-22	Work change
Hu Yu	independent director	departure	2017-02-11	resignation for personal reasons
Xiao Yong	Chairman of the supervisory	departure	2017-11-24	Work change
Du Yi	Vice president	departure	2017-05-06	Work change
Wang Kun	Director/Vice president/ Board Sectary	departure	2018-01-27	Work change

Ⅲ. Employment

Main working experience of present directors, supervisors and senior managers of the last five years

1、Directors

Mr. Zhang Baolin, Chairman, born in 1962. He has obtained a postgraduate degree, a senior economist and senior political &ideological worker. He currently holds the position of the member of the Party Group and the Vice General Manager of China South Industries Group, the Secretary of the Party Committee, the Chairman and President of China Changan Automobile Co, Ltd and the Chairman of Chongqing Changan Automobile. He used to work as Vice Secretary and Secretary of the League Committee of the South-west Industries Bureau in China Industries Company, Secretary of the Party Committee of Chongqing Changfeng Machinery Factory, Senior Deputy General Manager and General Manager of Chengdu Wanyou Company, Director, Vice President and Deputy General Manager of Changan Automobile (Group) Co., Ltd., the President of the Company, the vice secretary of the Party Committee of China Changan, the president assistant of South Industries Group, the vice Chairman of the Company .

Mr. Zhu Huarong, Director and President. He was born in 1965, master graduate student, researcher-level senior engineer. Currently he is the president assistant of South Industries Group, the vice secretary of party committee and director of China Changan Automobile Group and the director and president of Chongqing Changan Automobile. He was vice director of Changan Technology Department, chief engineer of Changan Automobile Manufacture Factory, president assistant of Changan Automobile (Group) Co., Ltd. and director of technical center, director of science and technology committee, vice President of Changan Automobile (Group) Co., Ltd and the leader of engineering research division., vice President and secretary of party committee of Chongqing Changan Automobile.

Mr. Zhou Zhiping, Director and secretary of party committee. He was born in 1971, the doctor graduate. Currently he is staff director of China South Industries Group, director, secretary of the Party Committee, Union Chairman of Chongqing Changan Automobile. He was deputy director of Motor sector of development and planning department of China South Industries Group Corp, manager and director of long-term planning sector of development and planning department of China South Industries Group Corporation, deputy director and director of capital operation Department of China South Industries Group Corp, the general manager of the southern industrial asset management Ltd, the staff director of China South Industries Group.

Mr. Tan Xiaogang, Director. He was born in 1963, the master’s degree, researcher-level senior engineer. Currently, he is the director of Development & Planning Department in China South Industries Group. He used to be the Vice Director, executive Vice Director of Workshop No. 343, deputy Secretary of the Yuanling County CPC Committee in Hunan Province, director, executive deputy general manager, and general manager of Hunan Yunjian Co. Ltd, Chariman, the Secretary of the Party Committee of Hunan Yunjian Group, and vice director of Development & Planning Department of China South Industries Group.

Mr. Wang Xiaoxiang, Director. He was born in 1973, the doctor graduate, senior accountant and certified public accountant. Currently, he is the director of the Financial Department of China South Industries Group. He used to be the vice director of Financial Department of China South Industries Group Corp, Vice President in charge of Finance in China South Industries Group Corp, Vice President of China Changan Automobile Co. Ltd, director, general manager, and deputy Secretary of the Party Committee in Financial Co. of CSGC.

Mr. Liu Jipeng, independent director. He was born in 1956, master degree. Currently, he is the dean, professor, and PhD supervisor of Capital Finance Institute in China University of Political Science and Law and the vice Chairman of China Enterprise Reform and Development Research Association. He has published more than 400 articles on newspapers and magazines domestic and abroad, such as People’s Daily and Economic Research Journal and received more than 800 interviews by domestic and overseas newspaper and magazines. In the last 10 years, he has managed the shareholding system reform, corporate strategy, acquisition and reorganization, financing scheme design for over 270 companies, such as National Electricity Company, Aviation Industry Corporation of China, Chinalco, Haier Group, Hainan Airlines, Wanxiang Group, Li-ning Sproting Goods Co, Tianjin Development Zone Head Office. These enterprises cover more than 20 provinces and cities, including various industries. He is called “the first person in stock reform” by media.

Mr. Li Qingwen, independent director. He was born in 1956, master degree. Now, he is the Chairman of China Energy & Automobile Media Group Ltd, Chairman of China Auto News, and Chairman of China Energy News. He used to be the director and vice head of Heilongjiang People’s Government, the municipal party secretary of Hailin City of Heilongjiang Province. From 1998 to now, he has published automobile comments of 120,000 letters altogether, and 50,000 letters regarding media essay. China Auto News is awarded as “2007 China Top 500 Most Valuable Brand” by World Brand Lab, with market value of 1.021 billion RMB, as the only one automobile media among China Brand Top 500.

Mr. Tan Xiaosheng, independent director, born in 1970, bachelor’s degree. Currently, he is the Vice President and CPO of Qihoo

360. He used to be the engineering technology director of Yahoo China, director of operations in Maisi Belle (Beijing) Information technology Co. He is skilled in building and management of technical team. Since 2003, he has recruited and cultivated more than 300 university students, who now wildly spread in Baidu, Tencent, Alibaba, Sina, etc. He is called as "Headmaster Tan" in Internet Technology Industry.

Mr. Pang Yong, independent director, born in 1969, master's degree. Currently, he is the chairman and CEO of IDEO, and adjunct professor of Jilin University. He used to be the manager of Liaoning Industry Group, and director of Raytheon Co. China. "I Flow Smart Terminal- Smart Decision Management Platform" is under his leading design, and he acquires the copyright from National Copyright Administration; meanwhile, he is the developer of China AD-CAS, Competitiveness Model of Channel System, and Standardized Database Resources. He is also the Chief expert in lean marketing of automobile dealers certified by Ministry of Human Resources and Social Security of the People's Republic of China.

Mr. Chen Quanshi, independent director, born in 1945, bachelor's degree. Currently, he is the deputy director of Automobile Research Institute of Tsinghua University, executive director of China Automobile Engineering Institute, advisor in Beijing People's Government, member of National Vehicle Committee of Auto Standardization, National EV Committee of Auto Standardization, and leader of general team of Guangdong EV project. He was in charge of the subject "Vehicle Technology Research in Fuel Cell of City Bus" in National "863" EV project; he won the Second Award in Technological Progress Award of 15 ton 6×6 Desert geophysical methods of China National Petroleum Corporation (ministerial), ranking No.3 (1996); the Third Award of National Progress Award, in Comprehensive System Research of EV battery, electric machine, electronic control, vehicle performances, ranking No.3 (1997).

Mr. Ren Xiaochang, independent director, was born in 1956, bachelor's degree. He served as the chairman and general manager of China Automobile Engineering Research Institute, the group expert of the 12th Five-Year plan national key science and technology special (EV) projects, and the committee member of the first national strategic emerging industry development expert advisory committee. He is the expert of the Chinese machinery industry science and technology, the special subsidy expert of the State Council and the evaluation expert of the national science and technology award. The main social part-time jobs include the deputy director of the China Automobile Engineering Society, the deputy director of the academic committee of the State Key Laboratory for automobile body advanced design and manufacture of Hunan University, the deputy director of the technical committee of the State Engineering Laboratory of electric vehicles, and the state key experiment on automobile safety and energy saving of the Tsinghua University, and the member of the academic committee of China Academy of international engineering. Its main research and scientific research projects have won the awards such as provincial and ministerial level and scientific and technological progress awards, including 3 second-level awards and 3 third-level awards.

Mr. Wei Xinjiang, independent director, was born in 1969, PHD. He is currently a senior commissioner of China Life Insurance (Group) company strategic planning department / China Life Financial Insurance Research Center (assistant general manager of department). He was engaged in teaching and scientific research for 13 years at the International Investment Department of the Chinese Academy of Finance and the Institute of Finance and economics of foreign trade and Economy University. He studied at Holland business school, the University of Birmingham, the European Commission and the United Nations Hague International Court of justice for 3 years. He is the expert in international business, overseas M & A, operation of capital market and so on. It has rich research on finance, insurance, overseas investment, and comprehensive finance and so on. He also served as a part-time professor and postgraduate instructor of the International College of Renmin University of China, Xi'an Jiaotong-Liverpool University and the Holland business school. He has published nearly 150 papers in international and domestic journals, and 8 books, such as *the fraud and anti-fraud of automobile insurance*, *the comparative study of the anti-monopoly policies between the United States and the EU,* and *the analysis of the accounting statements and investment value of the enterprises*.

2、Supervisors

Mr. Dong Qihong, chairman of the board of supervisors, born in 1964, bachelor's degree and senior engineer. He is the inspector of Audit Department of South Industry Group. He was a deputy secretary and Secretary of the Committee of the Qingshan machinery plant, deputy director of the motorcycle accessories Branch of Qingshan machinery plant, vice department head, deputy secretary of

Party branch, department head, Party branch secretary of the industrial and labor department of Qingshan Industry, deputy general manager, general manager, Deputy Secretary of the Party committee, Secretary of the Party committee, Secretary of Discipline Inspection Commission, chairman of the labor union, director of Qingshan industry, deputy general manager and general manager of Chongqing Qingshan transmission branch, vice director and director of audit and risk department in South Industries Group, the Chairman, Party Secretary of the Party committee of Baoding Print-Rite group, the inspector of audit and risk department in South Industries Group and the inspector of supervision department in South Industries Group.

Mr. Sun Dahong, Supervisor. He was born in 1966, master degree, senior economist. Currently, he is the vice director of general office and chief of Secrets Agency in South Industries Group. He used to be the vice director of legal division under the general office in China South Industries Group, vice director and director of Legal Advisor Division in China South Industries Group, and director of Legal Affairs Division of general office of South Industries Group.

Mr. Zhao Huixia, Supervisor. He was born in 1960, bachelor degree, senior account. Currently, he is the professional senior staff. He used to be the deputy general accountant and director of Hafei Automobile Co, vice general manager of Harbin Hafei Automobile Industry Group, vice general manager of Hafei Automobile Co, the Secretary of the Party Committee and Vice President of Hafei Automobile Industry Group, vice general manager of AVIC Automobile Industry Co., Ltd, Assistant President and general manager of Operations Management Department of China Changan Automobile Group Co, Ltd, and Assistant President and general manager of Audit Department (legal affairs) in China Changan.

Mr. Zhang Anguo, staff supervisor. He was born in 1959, master degree, senior political & ideological worker. Currently, he is the officer of Management Section under Party organization of Party Work Department. He used to be the chief of quality section of quality Department, section chief and chief of Labor Union, chief of organization division of Party Work Department, director of Party Construction division of Party Work Department (Corporate Culture Center).

Ms. Luo Yan, staff supervisor. She was born in 1974, bachelor degree, assistant economist. Currently, she is the chief of salary & performance section of HR department. She used to be the maintenance electricians, engineering measurer person, labor technology fixed member, schemer in workshop No.232 of No.3 plant, chief of welfare section of Salary Division of HR Department, and chief of welfare office III.

3、Senior Management other than Directors and Supervisors

Mr. Huang Zhongqiang, vice president, born in 1968, master’s degree, senior engineer, he used to be the Vice Director and Director of the General Manager’s Office, Director of the Quality Control Department, Assistant to President, and Vice President of Changan Automobile (Group) CO., LTD, the Deputy Executive President and the Secretary of CPC of Chognqing Changan Suzuki Auto. Co., Ltd.

Mr. Luo Minggang, vice President, born in 1963, master’s degree, a senior researcher-level engineer. He used to serve as Vice Director of Workshop No.26, and Director of Technology Department of Jiangling Machinery Plant, Director of No.1 Technology Institute of Changan Automobile (Group) CO., LTD, Director of Engine Technology Department and Vice Chief Engineer of Automobile Manufacturing Factory, Vice Director of Technical Center, Deputy Manager of Engine Manufacturing Factory, Deputy Manager and Chief Engineer of Automobile Manufacturing Factory, Vice Director of Changan Automotive Engineering Institute, the Executive Vice President of CFMA, Assistant to the President, vice President of Changan Automobile (Group) CO., LTD. The Executive Vice President & Secretary of CPC of Changan Ford Automobile Co., Ltd.

Mr. Gong Bing, Vice President, born in 1969, MBA, Senior Economist. He used to be the Chairman, General Manager of Chongqing Jialing special equipment limited company, Chairman and general manager of China Jialing, vice general manager of Motorcycle Operation department in South Industries Group, the general manager of Chongqing South Motorcycle Limited Liability Company, the general manager and the party secretary of the car sales department.

Mr. Wang Jun, Vice President and general manager of commercial vehicle department. Born in 1972, Master's degree, Senior Engineer. He used to be the vice Director, Director of Scientific Research Management Division under Company Technical Center, the director of Scientific Management division under Science and Quality Department, the vice chairman of Automobile Engineering

Institute and the director of Product Planning Department, the manager of Product Management Division under Changan Automobile Sales Company, the Manger of Product Planning Division under Marketing Department, the Vice Director, Director of Marketing Department, the Assistant to the President, General Manager of Changan Automobile Sales Company.

Mr. Liu Bo, Vice President and Head of Automobile Engineering General Institute, born in 1966, Master's degree, Senior Researcher-level Engineer. He used to serve as the Vice Director of Workshop No.71 of Jiangling Machinery Plant, the Vice Director of Engine Research Division under Company Technology Department, the Vice Director of the Technical Center, the Vice Director, Executive vice Director of Automobile Engineering Institute, Assistant to the President and the Director of Project Supervision Office of the Company, the Director of the Project Administration Department, President of Changan Automobile Engineering Research Institute.

Mr. He Chaobing, Vice President and Executive Vice President & Secretary of CPC of Changan Ford Automobile Co., Ltd, born in 1967, master's degree, Professor level senior engineer. A former director of fourth development center and Vice President of Automobile Engineering Research Institute, Deputy director of commercial vehicle business management department, President assistant and general manager of the Beijing Changan Automobile Co., Ltd, President assistant and director of purchase department, President assistant and vice general manager of the commercial vehicle division

Ms Zhang Jingjing, Vice President, General Counsel. Born in 1966, bachelor's degree, professor-level and senior engineer. She used to serve as former deputy chief engineer of the 2nd factory of the Company, vice director of development and planning department of the Company, deputy director of Science and Technology Committee of the Company, deputy director of the administration office, the director of the project department, the minister of the Company's human resources department , the company CEO assistant and the director of Quality Department.

Mr. Yuan Mingxue, vice president. Born in 1968, Master's degree, senior engineer. A former assistant president of Changan automobile and Executive Vice President of Jiangling Holdings, the assistant president of Changan automobile and strategic planning director, Party branch secretary, director of the capital operation division, the assistant president of Changan automobile and general manager and party secretary of overseas business development department.

Mr. Li Wei, vice president, born in 1966. Master graduate student, research senior engineer. The former president of the Beijing Institute, executive vice president, assistant president of Changan automobile and deputy vice president and the Secretary of the Party Committee of Changan Automotive Engineering Research Institute.

Mr. Tan Benhong, the vice president and the director and Secretary of the Party branch of the Institute of styling design. Born in 1975, master’s degree, engineer. He was the deputy director of the Changan company Automobile Technology Department, the product technology manager of the Nanjing factory of Changan Ford Automobile Co., Ltd., the deputy director of the reception office and the secretarial reception department of the Changan Company office, the director of the technical Planning Institute of the Automobile Engineering Research Institute, the deputy chief engineer of the Automobile Engineering Research Institute and the director of the Institute of technical planning and research, the Vice president of the General Academy of automobile engineering research, Dean of Beijing Research Institute, the department head of market department, brand public relations, product planning department, and vice deputy President and Secretary of the Party committee of the Research Institute, and the spokesman of company news.

Mr. Liu Zhengjun, vice president, born in 1965, bachelor's degree and senior engineer. Currently, he is the Chairman of Haifei Automobile, and the chief economist of China Changan. He was the deputy director and director of the inspection department of the quality department in the company, the vice department head and department head of the quality department of the Company, the director of the office of the quality division, the general manager and party secretary of the Hebei Changan Automobile Co., Ltd., the vice chairman and general manager of Hafei automobile, and the chief economist of the China Changan.

Mr. Zhang Deyong, vice president, born in 1974, MPAcc, senior accountant. He is vice president of the Company and the head of the capital operation Department of the Company. He was the director, the chief accountant, and a committee member of the Party committee of the Chongqing Changan Industry Group. The deputy director (registered) of finance department in South Industries, the director, the chief accountant, the committee member of the Party committee of Chongqing Changjiang Electrician Co., Ltd., the deputy director (registered) of the Finance Department of South Industries Group, the deputy director, director of finance department and the assistant president in the Institute of Automation of South Industries Group.

Ms. Li Jun, the Secretary of BOD and the Vice Director of Capital Operation Department, was born in 1969, MBA, senior accountant. She used to be the Vice Director of Security Investment Office, Director of Capital Operation Office of the Financial Department, Director of the BOD Office, Vice director of the finance department of the Company.

Employment in shareholders' work unit

√Applicable □ Not applicable

Name	Name of shareholders' work unit	Position in shareholders' work unit	Term start date	Term end date	Whether get allowance in shareholders' work unit
Zhangbaolin	China Changan	secretary of the party committee, chairman, president			Y (January-April)
Zhu Huarong	China Changan	director, vice secretary of the party committee			N
Zhao Huixia	China Changan	the Assistant President and general manager of Audit Department (legal affairs) in China Changan			Y
Liu Zhengjun	China Changan	the chief economist of China Changan			Y (January-November)

Employment in other work unit

√Applicable □ Not applicable

Name	Name of other work units	Position in other work units	Term start date	Term end date	Whether get allowance in other work unit
Zhou Zhiping	China South Industries Group Corp.	Staff Elected Director			N
Tan Xiaogang	China South Industries Group Corp.	Director of Development&Planning department of China South Industries Group Corp.			Y
Wang Xiao Xiang	China South Industries Group Corp.	Director of Financial Department of China South Industries Group Corp.			Y
Liu Jipeng	China University of Political Science and Law	Dean of research institute of China University of Political Science and Law, professor and PHD tutor. Vice president of China Enterprise Reform and Development Society			Y

Li Qingwen	China Energy& Automobile Media Group	Chairman of China Energy& Automobile Media Group, Chairman of China Auto News Co.,Ltd, Chairman of China Energy News Co.,Ltd			Y
Tan Xiaosheng	Qihu 360	Vice president of and CPO of Qihu 360			Y
Pang Yong	IDEO	Chairman and CEO of IDEO			Y
Chen Quanshi	Tsinghua University	Vice Director of Automobile Research Institute, Tsinghua University			Y
Wei Xinjiang	China Life Insurance (Group)	Senior Manager			Y
Dong Qihong	China South Group Corp	The inspector of Audit Department of South Industry Group			Y
Sun Dahong	China South Group Corp	Vice Director of General office and Director of Security Bureau, China South Group Corp			Y
Position in other work unit	This table only shows the main office performance and position of directors, independent directors and supervisors.				

Securities regulatory agency's punishment to the current and former directors, supervisors and senior management during the reporting period in recent three years.

□Applicable √Not applicable

Ⅳ. Remuneration of directors, supervisors and senior management

Payment decision-making process, determination basis, the actual payment of directors, supervisors and senior managers

Decision-making process: except the independent directors, the annual remuneration of directors, supervisors and senior management is referring to the wage management regulations and rating standard of South Industries Group. Payment of company independent directors is prescribed by the board of directors and submitted to the board of directors of the company, and approved by the shareholders' general meeting.

The basis: the senior management evaluation is divided into annual appraisal, mid-term assessment, term-change assessment and "look back" examination. Annual appraisal is to evaluate the business performance which senior management is in charge of, and the employee representatives and part of the units give to democratic appraisal or special evaluation on senior management, the assessment results will feedback to themselves in time on the problems existing in their work and relevant suggestions for improvement, which will be rectified in the coming new year. At the same time the assessment results will be linked with the annual performance award. Mid-term assessment is mainly to evaluate the business performance which senior management is in charge of, assessment results are related to the targeted training, position promotion, post communication, etc; term-change assessment is that the employee representative gives democratic evaluation on all the senior management and does special visit to part of unit, and the assessment results are related to the targeted training, position promotion, post communication training and post appointment of the senior management; new office head "look back" examination is mainly to look back the adjusted team, understand the working status of the new team in time, check the configuration effect of the new group, promote the new group into role as soon as possible, and reduce the risk of personnel employment.

Actual payments: senior managers pay basic salary monthly, annual performance prize combines annual appraisal status, the rest delays payment according to the company's business situation. In 2017, the remuneration the directors, supervisors and senior managers receiving from the company is 15.2019 million yuan in total.

Payment of directors, supervisors and senior managers got from the company during the reporting period

Name	Position	Gender	age	status	Total earning from the company(yuan)
Zhang Baolin	Chairman of the board	M	55	Present	-
Zhu Huarong	Director and President	M	52	Present	1,257,631
Zhou Zhiping	Director, Secretary of Party Committee,	M	47	Present	1,252,413
Tan Xiaogang	Director	M	54	Present	-
Wang Xiaoxiang	Director	M	44	Present	-
Wang Kun	Director, Vice President, the Secretary of BOD (replace)	M	42	Present	1,024,365
Liu Jipeng	Independent Director	M	61	Present	120,000
Li Qingwen	Independent Director	M	62	Present	120,000
Tan Xiaosheng	Independent Director	M	47	Present	120,000
Pang Yong	Independent Director	M	48	Present	120,000
Chen Quanshi	Independent Director	M	72	Present	120,000
Ren Xiaochang	Independent Director	M	61	Present	30,000
Wei Xinjiang	Independent Director	M	48	Present	30,000
Dong Qihong	Chairman of the supervisory	M	53	Present	-
Sun Dahong	Supervisor	M	51	Present	
Zhao Huixia	Supervisor	M	57	Present	-
Zhang Anguo	Employee Supervisor	M	58	Present	187,116
Luo Yan	Employee Supervisor	F	43	Present	215,986
Huang Zhongqiang	Vice President	M	49	Present	1,028,694
Luo Minggang	Vice President	M	54	Present	1,028,405
Gong Bing	Vice President	M	48	Present	1,044,153
Wang Jun	Vice President	M	45	Present	1,045,128

Liu Bo	Vice President	M	51	Present	1,048,339
He Chaobing	Vice President	M	50	Present	1,045,232
Zhang Jingjing	Vice President	F	52	Present	1,013,014
Yuan Mingxue	Vice President	M	49	Present	1,014,095
Li Wei	Vice President	M	51	Present	1,015,291
Tan Benhong	Vice President	M	42	Present	116,025
Liu Zhengjun	Vice President	M	52	Present	29,575
Li Jun	the Secretary of BOD	F	48	Present	636,940
Xu Liuping	Chairman	M	53	Departure	-
Hu Yu	Independent Director	M	45	Departure	16,666
Xiao Yong	Chairman of the supervisory	M	47	Departure	-
Du Yi	Vice President	M	50	Departure	522,820
Total	--	--	--	--	15,201,888

Stock-ownership incentive awarded to directors, supervisors and senior managers during the reporting period

□ Applicable √ Not applicable

Ⅴ. Core technology team or key technical personnel changes during the reporting period (not the directors, supervisors and senior management)

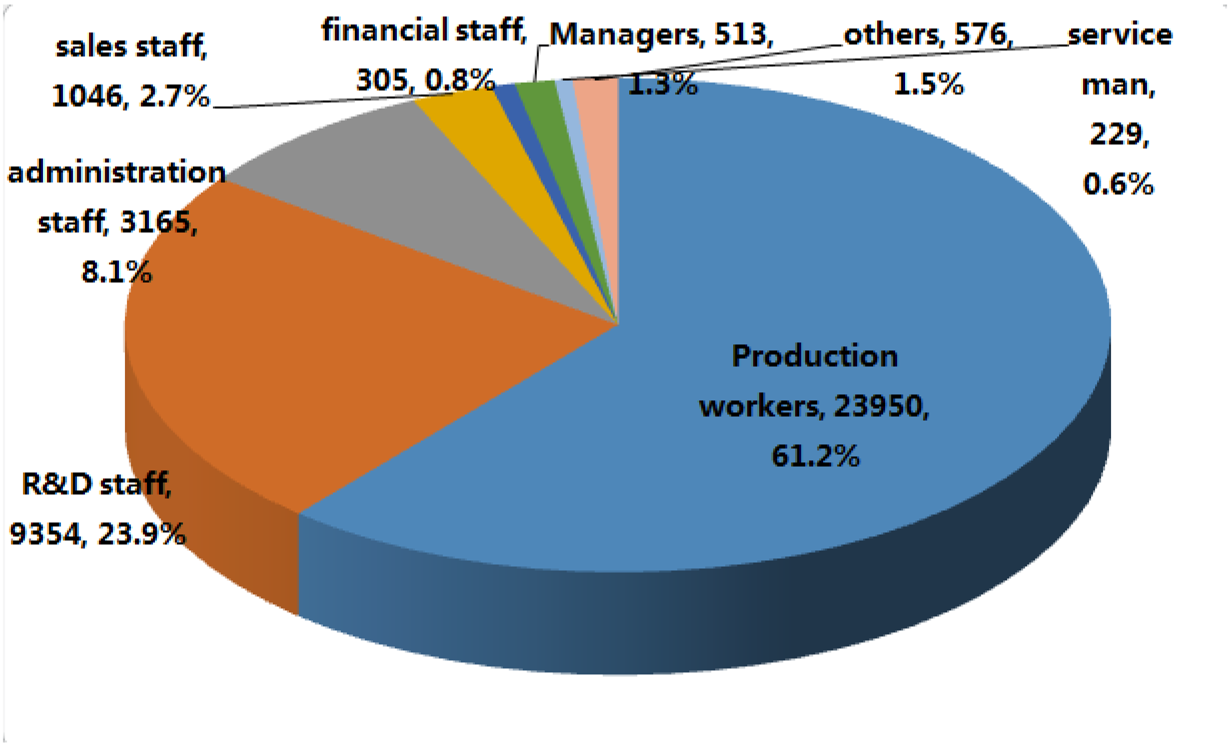
During the reporting period, the company's core technical team and key technical personnel remained stable.

Ⅵ. The Employees of the Company

By the end of this year, total headcount of the company was 39,138，including 23,950 production workers, 9,354 scientific and technological staff, 1,046 salesman, 305 financial officers,513 administration staff, and 3,970 staff on other positions. Among them, there were 143 staff with doctor degree, 1,927 staff with master degree, 11,187 staff with bachelor degree, 7,665 staff with college education, 15,628 staff with secondary technical school and senior high school education, and 2,588 staff with education of junior high school and below.

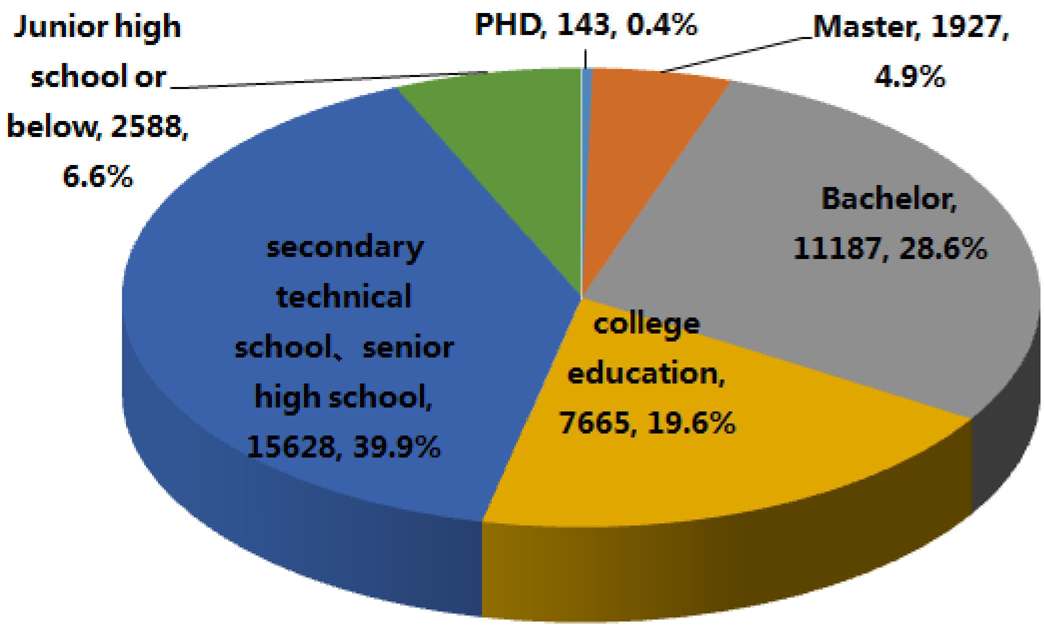
1. Professional structure chart

The employee's professional



2. Education degree chart

The employee's education



3. compensation policy

We adhere to the concept of a comprehensive salary scheme, and mobilize staff through a diversified and differentiated incentive system consisting of payroll, honor and welfare. In accordance with the "performance wage system" and "special collective wage contract", we continue to improve the wage co-decision mechanism, the normal wage growth mechanism and payment insurance mechanism. At the same time, we continue to optimize the staff welfare project construction, so that employees could share the fruits of enterprise development and protect the legitimate rights and interests of the employees.

4. Training plan

Taking the strategy and business needs as guidance, design training in accordance with the PDCA cycle (Deming cycle), namely build "capacity model → evaluation& appraisal→ targeted training → ability certification" based on qualifications. Formulate annual training plan, promote company-wide training, and build an organization with learning capability through collecting training needs of all staff. Continue to promote the leading personnel training, skills training and build up an internal training platform.

5. Company needs to bear the costs of 6,011 retired workers.

Chapter 8 Corporate Governance

I、The basic situation of corporate governance

In strict accordance with the requirements of the Company Law, the Securities Law and the relevant laws and regulations of the CSRC, the Company continuously improved the corporate governance structure and promoted the standard operation of the Company. The actual situation of the corporate governance of the Company is in line with the relevant requirements of the CSRC normative documents on corporate governance.

The company has established an effective internal control system over the financial report. According to company's operation and management characteristics, the company strictly implemented the "Enterprise Accounting Standards", improved the basic accounting management, established a sound financial system, optimized accounting and statements preparation process, strengthened the financial supervision, conducted the in-depth implementation of financial management, established the management foundation work, accounting and finance management authorization, the monetary fund management, financing, purchasing and payment, fixed assets, projects under construction, accounting policy, accounting estimate, consolidated financial statements, cost management, inventory management, financial analysis and other financial management system to ensure the quality of accounting information and the safety of the Company property. According to internal control deficiencies identified standards of the financial report, there is no internal control defects over financial reporting in the report period. The text of the internal control self-assessment report in 2018 April 18 was published in the huge influx of information network http://www.cninfo.com.cn.

Whether there are differences between corporate governance and the related requirements of "company law" and China CSRC.

□yes √no

There is no difference between corporate governance and the related requirements of "company law" and China CSRC.

Ⅱ. Independent completion situation in terms of business, personnel, assets, organization and finance which is relative to the controlling shareholders

The company and the controlling shareholders are fully independent in terms of business, assets, personnel, organization and finance.

Ⅲ. Competition situation

In December 2009, according to the national “Automobile Industry Adjustment and Revitalization Plan” regarding promoting auto enterprise merger restructuring and further optimization of state-owned economy strategy layout requirements, the actual controller of the company China South Industries Group Corporation and China Aviation Industry Group Company proceeded industry restructuring, China Aviation Industry Group Company transferred 100% equity of Jiangxi Changhe Automobile Co., LTD free. (hereinafter referred to as "Changhe Automobile") and 100% stake of Harbin Hafei Automobile Industry Group co., LTD. (hereinafter referred to as "Hafei group") into the company's controlling shareholder China Changan Automobile Group Co., LTD. (hereinafter referred to as "China Changan").This above-mentioned behavior led to competition between the company and subordinate enterprise of China Changan, the controlling shareholder. To finally solve the possible competition and better maintain the interests of company’s investors, the company’s controlling shareholder China Changan commitment: 1.When Jiangxi Changhe Automobile Co., Ltd. and Harbin Hafei Automobile Industry Group Co., LTD. can make profits for two successive years with sustainable development ability and improved management level, it’s proposed to affiliate the two companies into Changan automobile. In October 28, 2013, the controlling shareholder of China Changan transferred Jiangxi Changhe Automobile Co. Ltd. to Jiangxi provincial state owned enterprise assets (Holdings) Limited, China Changan proposed Jiangxi Changhe Automobile Co. Ltd. injected commitment matter was removed. The Harbin Hafei Automobile Industry Group Co at present is still at a status of loss, and could not reached the profitable status for two consecutive years.

IV、Annual shareholders meeting and interim shareholders meeting during the reporting period

1、Shareholders meeting during the reporting period

Meeting Session	Type	Investors' participation ratio	Opening Time	Disclosure Time	Disclosure Index
Annual Shareholders Meeting	Annual	54.93%	May. 25th, 2017	May. 26th, 2017	http//www.cninfo.com.cn 2016 Annual Shareholders Meeting Resolution Announcement(Announcement Number: 2017-33)
2017 First Interim Shareholders Meeting	Interim	45.33%	Sep. 19rd, 2017	Sep. 20rd, 2017	http//www.cninfo.com.cn 2017 First Interim Shareholders Meeting Resolution Announcement(Announcement Number: 2017-52)
2017 Second Interim	Interim	43.88%	Nov. 15th, 2017	Nov. 16th , 2017	http//www.cninfo.com.cn 2017 Second Interim Shareholders Meeting Resolution Announcement(Announcement Number:

Shareholders Meeting					2017-72)

2、Preferred shareholders' request to hold the interim shareholders meeting with restoration of voting rights

□Applicable √ Non-applicable

V、Duties performed by independent directors during the reporting period.

1、Independent directors attend board of directors and the shareholders meeting

Independent directors attend board of directors and the shareholders meeting						
Names of independent directors	Times of attending the board of directors during the report period	Times of presence	Times of attendance by communication mode	Times of entrust attendance	Times of absence	Whether absent from the meeting for two consecutive times
Liu Jipeng	12		12			N
Li Qingwen	12		11		1	N
Tan Xiaosheng	12		12			N
Hu Yu	1		1			N
Pang Yong	12		12			N
Chen Quanshi	12		11		1	N
Ren Xiaochang	6		6			N
Wei Xinjiang	6		6			N
Times for independent directors attending the shareholders meeting		3				

The explanation on absence in two consecutive board of directors meetings

□Applicable √ Non-applicable

2、Independent directors express disagreement to company related matters

Whether independent directors express disagreement to company related matters.

□ Yes √ No

Independent directors did not express disagreement to company related matters during the reporting period.

3、Other explanation on the fulfillment of responsibility of independent directors

Whether the suggestions of Independent directors are adopted or not

√Yes □No

Explanation on whether the suggestions of Independent directors are adopted or not

During the reporting period, the company adopted the proposals of independent directors on the equity acquisition and related transactions and other aspects.

VI、Duty performance of specialized committees of the board of directors during the report period

1、Audit Committee

The audit committee under the board of directors consists of 3 people. The chairman of the committee is Mr. Liu Jipeng, who is an independent director. During the reporting period, the audit committee held 4 meetings and performed the following duties:

1）Carefully reviewed the 2016 annual financial accounting report and 2017 action plan of audit supervision department compiled by the company, and agree to the above matters;

2）After the Ernst & Young Hua Ming issued 2016 annual audit report, the audit committee reviewed the 2016 annual financial statements (AUDIT) and major adjustments related to accounting firms, concluded the audit work of the Ernst & Young Hua Ming. The audit committee considered that Ernst & Young Hua Ming had professional competence, worked diligently, maintained their independence in audit, and completed 2016 annual audit task on time. The audit committee voted and made resolutions on company's annual financial report, and agreed to submit the 2016 financial report to the board of directors for approval.

3）Reviewed the proposal on Recruitment of 2017 Annual Financial Report Auditor and Recruitment of 2017 Annual Internal Control Report Auditor, and agreed to submit the proposal to the board of directors for approval of continuing to hire Ernst & Young Hua Ming as the company's 2017 annual financial report auditor and 2017 Annual internal control report auditor.

4）Carefully reviewed the company's 2017 annual audit plan and related materials, and approved the audit plan and audit requirements of 2017 annual financial report proposed by the Ernst & Young Hua Ming.

2、Compensation and Review Committee

The compensation and review committee under the board of directors consists of 3 independent directors. The chairman of the committee is Mr. Chen Quanshi. During the reporting period, the committee held 1 meetings and performed the following duties:

A bill for the adjustment of the independent director's allowance was reviewed. According to the requirements stipulated by the CSRC on the establishment of independent director system in listed companies and the rules for the work of independent directors of the company, and considering the market level of the independent director's allowance in the listed companies of the same industry and the actual situation of the company, it is proposed to adjust the subsidy of the independent director of the company from 100,000 yuan to 1200,000 on the board of directors meeting.

Ⅶ. The work of the board of supervisors

The board of supervisors found whether the company was at risk or not in the supervision during the report period

□ Yes √ No

The board of supervisors has no disagreement on the supervision during the report period.

Ⅷ. The evaluation and incentive of senior management

1、Evaluation Mechanism

According to the company's performance evaluation management system, the president and other senior management personnel are evaluated by board of directors. Evaluation is taken regularly and frequently, qualitatively and quantitatively.

2、Excitation mechanism;

The income of senior management consists of basic salary and performance pay. Performance pay is linked to performance appraisal.

3、Constraint Mechanism

Company and senior management sign "employment contract", which has corresponding constraints on behavior, rights, duties, etc of senior management.

Ⅸ. Internal Control

1、Significant Deficiency of Internal Control found during the report period

□ Yes √ No

2、Self-assessment report of internal control

Disclosure date of self-assessment report of internal control		Apr. 18th, 2018
Disclosure index of self-assessment report of internal control		http://www.cninfo.com.cn
proportion of total asset in the assessment accounting for the total asset in the financial statement		98.16%
proportion of revenue in the assessment accounting for the revenue in the financial statement		96.21%
Deficiency Definition Standard		
Type	Financial Report	Non Financial Report
qualitative standard	1. Fraud behavior of the directors, supervisors and senior management. 2. The company has corrected the published financial report, the significant wrong report due to fraud and mistakes, the significant mistakes in the financial report found by certified public accountants, but not found by the company's internal control. 3. The supervision of audit committee on the company's external financial report and internal control of financial report is not effective.	1.Lack democratic decision-making procedure or violation of democratic decision-making procedure 2.Violate national laws and regulations and get punished 3.Great loss of middle and senior management and senior technical personnel 4.Frequent media negative news with a large range 5.Signifant business lacks regulation control or regulation system becomes ineffective 6.The significant deficiencies of internal control is not corrected
quantitative standard	The amount of misstatement of the financial statements falls within the following ranges: Wrong report ≥ 4% of total profit	The amount of misstatement of the financial statements falls within the following ranges: Wrong report ≥ 4% of total profit
Financial Report Major Defects		0
Non-financial reporting significant number of defects		0
Financial Reporting Key Number of defects		0
Non-financial reporting Number of important		0

defects	

Ⅹ. Internal control audit report

√Applicable □Not applicable

deliberations in the internal control audit report	
The audit opinion of the internal control audit report compiled by Ernst & Young Hua Ming Accounting Firm: Chongqing Changan Automobile Co., Ltd keeps the effective financial report internal control on significant aspects from Dec.31st,2017, according to "Basic Norms of Enterprise Internal Control" and other related regulations.	
Disclosure date of audit report of internal control	Apr.18, 2018
Disclosure index of audit report of internal control	Internal control audit report will be published on http://www.cninfo.com.cn on Apr.18, 2018
type of opinion on internal control audit report	standard and unqualified opinion
Whether there is huge deficiency in the non-financial report	No

Whether the accounting firm issued non-standard internal control audit report or not?

□ Yes √ No

Whether the internal control audit report issued by the Accounting Firm agreed with the self-assessment report of the board of directors or not?

√ Yes □ No

Chapter 9 Corporate Bonds

Is there a corporate bond that is publicly issued and listed on the stock exchange and fails to be fully paid up or not due on maturity until the approval of the annual report ?

□ Yes √ NO

The company repaid the 2012 Changan debt expired on April 23th, 2017.

Chapter 10 Auditor's Report

Auditor's Report

Ernst & Young Hua Ming Shen Zi (2018) No. 60662431_D01

To the shareholders of
Chongqing Changan Automobile Company Limited

Opinion

We have audited the accompanying financial statements of Chongqing Changan Automobile Company Limited, which comprise the consolidated and the company balance sheet as at 31 December 2017, and the consolidated and the company income statements, the statements of changes in equity and the cash flow statements for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements of Chongqing Changan Automobile Company Limited present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2017, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Auditor's Report (continued)

Ernst & Young Hua Ming Shen Zi (2018) No. 60662431_D01
Chongqing Changan Automobile Company Limited

Key audit matters (continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Provision for warranties	
According to after-sales maintenance contracts or related national laws and regulations, Chongqing Changan Automobile Company Limited provides warranties on automobile and undertakes to repair or replace items that fail to perform satisfactorily based on certain pre-determined conditions. In addition, in order to improve customer satisfaction and to maintain the quality and safety of the sold vehicle, Chongqing Changan Automobile Company Limited also provides extra free repairing service or promotes a recall based on needs. Chongqing Changan Automobile Company Limited should estimate and recognize the warranty costs and the corresponding liabilities. Provisions for warranties granted by Chongqing Changan Automobile Company Limited for the vehicles sold are recognized based on sales volume and past experience of the cost of repair and replacement, and labor cost, which involves a number of assumptions and judgments. Provision for extra free repairing service program or recalls are recognized based on the vehicles involved and the estimated average cost of repair and replacement, and labor cost, which involves a number of assumptions and judgments. Any increase or decrease in the provision would have a significant impact on the financial statements. Refer to Note III 20, 31 and Note V 29 of the consolidated financial statements for the disclosures of the provision for warranties.	With regard to the warranty provisions audited by us: • We understood and evaluated the process of the warranty provisions. In addition, we tested the key controls and application controls over the process of the warranty provisions. • We assessed the reasonableness and evaluated the major assumptions of management's warranty provision models. We tested the samples of payment of the warranty provisions and tested the mathematical accuracy of calculations therein by re-performing the calculations regarding the balance of the provisions. • We reviewed the adequacy of disclosures in the financial statements.

Auditor's Report (continued)

Ernst & Young Hua Ming Shen Zi (2018) No. 60662431_D01
Chongqing Changan Automobile Company Limited

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalization of internal development costs	
The research and development activities launched by Chongqing Changan Automobile Company Limited mainly include technology development, product process design and product manufacturing process design. Management capitalized the costs on development projects met the criteria set out in the accounting standard for capitalization. The expenditures in development stage are capitalized that should meet all the conditions including technically feasible, use or sale intention, market, finance, resources, and etc. The judgment should be made according to every project and agreed by all related departments. In addition, for projects that have been capitalized in the past, the judgment whether the expenditures in development can be continuing capitalized should be made according the latest progress and future expectations of the project. The judgment made by the management would have a significant impact on the financial statements. Refer to Note III 18, 31 and Note V 15 of the consolidated financial statements for the disclosures of capitalization of internal development costs.	With regard to the capitalization of internal development costs audited by us: • We understood, evaluated and validated the key controls over the capitalization of internal development costs. • We assessed the criterias set by the management related to the capitalization of the costs under development stage. We assessed the accuracy of the start point and the stop point for capitalization of internal development costs. We also tested samples of projects to review the feasibility reports and other reports for important stages. • We reviewed the adequacy of disclosures in the financial statements.

Auditor's Report (continued)

Ernst & Young Hua Ming Shen Zi (2018) No. 60662431_D01
Chongqing Changan Automobile Company Limited

Other informantion

The management of the Chongqing Changan Automobile Company Limited (the "Management") is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and governance' responsibility for the financial statements

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

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

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

Auditor's Report (continued)

Ernst & Young Hua Ming Shen Zi (2018) No. 60662431_D01
Chongqing Changan Automobile Company Limited

Auditor's responsibilities for the audit of 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Report (continued)

Ernst & Young Hua Ming Shen Zi (2018) No. 60662431_D01
Chongqing Changan Automobile Company Limited

Auditor's responsibilities for the audit of the financial statements (continued)

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Chen Xiao Xiang

Ernst & Young Hua Ming (LLP) — Chinese Certified Public Accountant
(Engagement partner)

Hu Yan

Chinese Certified Public Accountant

Beijing, the People's Republic of China — 18 April 2018

Chongqing Changan Automobile Company Limited
CONSOLIDATED BALANCE SHEET
31 December 2017
(Expressed in Renminbi Yuan)

	Notes V	2017	2016
Current assets			
Cash	1	22,631,536,496.53	24,782,504,552.44
Notes receivable	2	29,156,481,085.20	29,002,539,261.26
Accounts receivable	3	1,806,807,193.04	1,498,837,041.54
Prepayments	4	1,102,239,931.33	1,060,809,892.75
Interest receivable	5	42,184,263.88	19,318,138.89
Other receivables	6	1,645,276,455.04	1,403,399,178.49
Inventories	7	4,666,183,421.80	7,304,106,822.61
Other current assets	8	1,705,910,530.43	926,060,330.87
Total current assets		62,756,619,377.25	65,997,575,218.85
Non-current assets			
Available-for-sale financial assets	9	541,917,000.00	432,476,274.00
Long-term equity investments	10	14,098,523,896.97	14,743,367,010.03
Investment property	11	7,556,272.84	7,782,984.40
Fixed assets	12	19,044,528,950.70	15,480,484,513.99
Construction in progress	13	3,234,173,155.52	3,821,703,830.78
Project materials		-	96,690.75
Fixed assets disposal		4,716.98	-
Intangible assets	14	4,047,945,129.67	3,444,950,675.03
Development expenditure	15	836,638,328.10	1,111,176,453.49
Goodwill	16	9,804,394.00	9,804,394.00
Long-term deferred expenses	17	13,545,589.39	13,448,409.63
Deferred tax assets	18	1,533,857,811.27	1,447,607,278.98
Total non-current assets		43,368,495,245.44	40,512,898,515.08
TOTAL ASSETS		106,125,114,622.69	106,510,473,733.93

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CONSOLIDATED BALANCE SHEET (continued)
31 December 2017
(Expressed in Renminbi Yuan)

	Notes V	2017	2016
Current liabilities			
Short-term loans	20	185,000,000.00	175,000,000.00
Notes payable	21	18,002,926,579.81	20,952,104,805.58
Accounts payable	22	21,902,826,194.15	19,880,580,102.39
Advances from customers	23	3,878,382,556.43	6,854,337,365.01
Payroll payable	24	1,640,885,322.33	1,839,947,475.23
Taxes payable	25	394,321,397.14	555,681,489.16
Interest payables	26	-	73,458,000.00
Dividend payables	27	79,742.80	79,742.80
Other payables	28	2,599,013,410.98	1,449,028,595.97
Contingent liabilities	29	2,423,958,274.70	2,010,153,951.87
Other current liabilities	30	3,562,154,645.82	4,211,570,198.88
Current portion of non-current liabilities	31	13,151,946.67	1,992,341,127.81
Total current liabilities		54,602,700,070.83	59,994,282,854.70
Non-current liabilities			
Long-term loans	32	6,575,973.33	19,980,912.00
Long term payroll payable	33	113,012,000.00	105,132,000.00
Special payable	34	290,607,151.02	217,497,540.80
Deferred income	35	3,627,817,419.05	2,785,885,626.37
Deferred tax liabilities	18	21,222,750.00	34,535,250.00
Total non-current liabilities		4,059,235,293.40	3,163,031,329.17
Total liabilities		58,661,935,364.23	63,157,314,183.87

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CONSOLIDATED BALANCE SHEET (continued)
31 December 2017
(Expressed in Renminbi Yuan)

	Notes V	2017	2016
Owners' equity			
Share capital	36	4,802,648,511.00	4,802,648,511.00
Capital reserves	37	5,099,405,956.94	5,085,301,532.55
Other Comprehensive Income	38	82,959,423.84	141,480,908.23
Special reserves	39	28,279,733.06	16,349,485.65
Surplus reserves	40	2,401,324,255.50	2,401,324,255.50
Retained earnings	41	35,184,073,061.94	31,126,707,710.94
Equity attributable to owners		47,598,690,942.28	43,573,812,403.87
Minority interests		(135,511,683.82)	(220,652,853.81)
Total equity		47,463,179,258.46	43,353,159,550.06
TOTAL LIABILITIES AND OWNERS' EQUITY		106,125,114,622.69	106,510,473,733.93

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

The financial statements on pages 75 to 92 have been signed by:

Legal Representative:_____________ Principal in Charge of Accountancy:_______________ Chief Accountant:__________

Chongqing Changan Automobile Company Limited
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

		Notes V	2017	2016
Operating revenue		42	**80,012,205,182.37**	**78,542,441,757.19**
Less:	Operating cost	42	69,363,032,740.85	64,487,605,908.58
	Tax and surcharges	43	3,074,023,009.42	3,629,619,040.93
	Operating expenses	44	3,978,124,859.65	5,293,744,700.63
	General and administrative expenses	45	5,280,296,493.52	5,128,856,385.18
	Financial income	46	(524,973,961.02)	(305,390,915.29)
	Impairment loss on assets	47	251,517,154.60	468,851,401.15
Add:	Investment income	48	6,906,324,932.20	9,619,016,254.57
	Including: Investment income from associates and joint venture		*6,854,896,911.97*	*9,563,723,801.40*
	Gain on disposal of assets	49	41,774,452.23	(26,176,073.44)
	Other incomes	50	1,613,343,216.59	-
Operating profit			**7,151,627,486.37**	**9,431,995,417.14**
Add:	Non-operating income	51	104,330,128.12	975,460,953.76
Less:	Non-operating expenses	52	75,068,057.28	57,631,590.65
Total profit			**7,180,889,557.21**	**10,349,824,780.25**
Less:	Income tax expense	53	(27,547,712.85)	73,230,121.41
Net profit			**7,208,437,270.06**	**10,276,594,658.84**
Classification by going concern				
	Net profit from continuing operations		7,208,437,270.06	10,276,594,658.84
	Net profit from discontinued operations		-	-
Classification by ownership attribution				
	Net profit attributable to owners		7,137,234,723.47	10,285,284,120.57
	Minority interests		71,202,546.59	(8,689,461.73)

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CONSOLIDATED INCOME STATEMENT (continued)
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Notes V	2017	2016
Other comprehensive income, net of tax		(58,521,484.39)	(100,629,936.31)
Total comprehensive income attributable to owners, net of tax	38	(58,521,484.39)	(100,629,936.31)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Change in net liability or assest from defined benefit plan		6,201,000.00	4,676,000.00
Other comprehensive income not to be recalssfied to profit or loss under equity method		(248,641.80)	(166,479.23)
		5,952,358.20	4,509,520.77
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value from available-for-sale financial assest		(75,437,500.00)	(83,584,750.00)
Foreign currency reserve		10,963,657.41	(21,554,707.08)
		(64,473,842.59)	(105,139,457.08)
Total comprehensive income attributable to minority interests, net of tax		-	-
Total comprehensive income		**7,149,915,785.67**	**10,175,964,722.53**
Total comprehensive income attributable to owners		7,078,713,239.08	10,184,654,184.26
Total comprehensive income attributable to minority interest		71,202,546.59	(8,689,461.73)
Earnings per share	54		
Basic earnings per share		1.49	2.19
Diluted earnings per share		Not Applicable	Not Applicable

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CONSOLIDATED STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Equity attributable to owners								
	Share capital	**Captial reserves**	**Other comprehensive income**	**Special reserves**	**Surplus reserves**	**Retained earnings**	**Subtotal**	**Mionrity interest**	**Total equity**
At 31 December 2016	4,802,648,511.00	5,085,301,532.55	141,480,908.23	16,349,485.65	2,401,324,255.50	31,126,707,710.94	43,573,812,403.87	(220,652,853.81)	43,353,159,550.06
Changes during the year									
Total comprehensive income	-	-	(58,521,484.39)	-	-	7,137,234,723.47	7,078,713,239.08	71,202,546.59	7,149,915,785.67
Capital contributed by owners and capital decreases									
1.The amount of share-based payments recorded in owners' equity	-	18,981,100.00	-	-	-	-	18,981,100.00	-	18,981,100.00
2.Others	-	(4,876,675.61)	-	-	-	-	(4,876,675.61)	13,612,629.45	8,735,953.84
Distribition of profit									
1.Distribution to owners	-	-	-	-	-	(3,079,869,372.47)	(3,079,869,372.47)	-	(3,079,869,372.47)
Special reserves									
1.Provided	-	-	-	63,595,469.61	-	-	63,595,469.61	1,485,155.93	65,080,625.54
2.Ultilized	-	-	-	(57,200,673.85)	-	-	(57,200,673.85)	(1,159,161.98)	(58,359,835.83)
3.Effective portion of changes in special reserves from joint venture	-	-	-	5,535,451.65	-	-	5,535,451.65	-	5,535,451.65
At 31 December 2017	4,802,648,511.00	5,099,405,956.94	82,959,423.84	28,279,733.06	2,401,324,255.50	35,184,073,061.94	47,598,690,942.28	(135,511,683.82)	47,463,179,258.46

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CONSOLIDATED STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
Year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Equity attributable to owners								
	Share capital	**Captial reserves**	**Other comprehensive income**	**Special reserves**	**Surplus reserves**	**Retained earnings**	**Subtotal**	**Mionrity interest**	**Total equity**
At 31 December 2015	4,662,886,108.00	3,227,489,320.83	242,110,844.54	22,036,479.54	2,331,443,054.00	23,899,223,263.45	34,385,189,070.36	(211,566,346.93)	34,173,622,723.43
Changes during the year									
Total comprehensive income	-	-	(100,629,936.31)	-	-	10,285,284,120.57	10,184,654,184.26	(8,689,461.73)	10,175,964,722.53
Capital contributed by owners and capital decreases									
1.Capital contributed by owners	139,762,403.00	1,844,096,311.72		-	-	-	1,983,858,714.72	-	1,983,858,714.72
2.The amount of share-based payments recorded in Owners' equity	-	13,715,900.00	-	-	-	-	13,715,900.00	-	13,715,900.00
Distribution of profit									
1.Appropriation of surplus reserve	-	-	-	-	69,881,201.50	(69,881,201.50)	-	-	-
2.Distribution to owners	-	-	-	-	-	(2,987,918,471.58)	(2,987,918,471.58)	-	(2,987,918,471.58)
Special reserves									
1.Provided	-	-	-	80,288,776.56	-	-	80,288,776.56	976,588.09	81,265,364.65
2.Ultilized	-	-	-	(89,158,637.23)	-	-	(89,158,637.23)	(1,373,633.24)	(90,532,270.47)
3.Effective portion of changes in special reserves from joint venture	-	-	-	3,182,866.78	-	-	3,182,866.78	-	3,182,866.78
At 31 December 2016	4,802,648,511.00	5,085,301,532.55	141,480,908.23	16,349,485.65	2,401,324,255.50	31,126,707,710.94	43,573,812,403.87	(220,652,853.81)	43,353,159,550.06

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Notes V	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of goods or rendering of services		84,929,650,617.50	78,942,062,368.66
Refunds of taxes		293,750,000.42	178,956,002.72
Cash received relating to other operating activities	55	3,504,386,075.81	1,355,517,641.00
Subtotal of cash inflows		88,727,786,693.73	80,476,536,012.38
Cash paid for goods and services		72,950,596,502.56	59,116,153,862.52
Cash paid to and on behalf of employees		5,705,682,329.28	5,549,657,883.75
Cash paid for all types of taxes		5,152,004,084.25	6,901,561,944.16
Cash paid relating to other operating activities	55	6,289,080,554.47	6,622,611,016.75
Subtotal of cash outflows		90,097,363,470.56	78,189,984,707.18
Net cash flows from operating activities	56	(1,369,576,776.83)	2,286,551,305.20
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from recovery of investment		7,069,600.00	-
Cash received from return on investment		8,727,115,553.76	9,799,173,102.34
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		25,865,729.72	2,799,368.75
Cash received relating to other investing activites	55	246,106,000.00	280,035,500.00
Subtotal of cash inflows		9,006,156,883.48	10,082,007,971.09
Cash paid for acquisition of fixed assets,intangible assests and other long-term assets		3,308,579,224.93	4,644,798,094.50
Cash paid for acquisition of investments		1,269,583,030.48	-

Subtotal of cash outflows	4,578,162,255.41	4,644,798,094.50
Net cash flows from investing activities	**4,427,994,628.07**	**5,437,209,876.59**

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CONSOLIDATED CASH FLOW STATEMENT (continued)
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Notes V	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from investors		-	1,984,000,000.00
Cash received from borrowings		185,000,000.00	167,940,510.00
Cash received relating to other financing activities	55	978,689,175.66	1,109,969.63
Sub-total of cash inflows		1,163,689,175.66	2,153,050,479.63
Cash repayments of borrowings		2,168,573,600.00	9,638,990.00
Cash paid for distribution of dividends or profits and interest expenses		3,200,128,271.95	3,110,847,894.67
Cash paid relating to other financing activities	55	369,958,242.32	1,482,209,049.71
Sub-total of cash outflows		5,738,660,114.27	4,602,695,934.38
Net cash flows from financing activities		(4,574,970,938.61)	(2,449,645,454.75)
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH		(25,573,889.15)	(6,605,001.21)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,542,126,976.52)	5,267,510,725.83
Add: Opening balance of cash and cash equivalents		22,993,432,067.05	17,725,921,341.22
CLOSING BALANCE OF CASH AND CASH EQUIVLANT	56	21,451,305,090.53	22,993,432,067.05

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
BALANCE SHEET
31 December 2017
(Expressed in Renminbi Yuan)

	Notes XIV	2017	2016
Current assets			
Cash		20,634,514,487.95	23,767,111,763.75
Notes receivable		29,010,848,480.70	28,699,756,422.50
Accounts receivable	1	4,991,996,591.00	4,328,886,769.78
Prepayments		960,555,695.17	905,659,820.16
Interest receivable		42,184,263.88	19,318,138.89
Dividend receivable		-	5,900,371.55
Other receivables	2	1,723,723,602.89	1,456,016,984.91
Inventories		4,005,921,440.85	6,292,770,310.90
Other current assets		1,178,094,749.84	592,803,108.38
Total current assets		62,547,839,312.28	66,068,223,690.82
Non-current assets			
Available-for-sale financial assets		532,007,000.00	432,476,274.00
Long-term equity investments	3	15,786,743,636.55	16,425,513,619.11
Fixed assets		15,582,899,632.64	12,142,942,955.13
Construction in progress		2,763,521,275.98	3,613,887,112.73
Project materials		-	96,690.75
Intangible assets		3,341,218,169.73	2,799,021,341.24
Development expenditure		733,947,670.46	986,790,085.03
Long-term deferred expenses		12,821,802.39	12,729,576.00
Deferred tax assets		1,421,165,907.17	1,331,906,388.11
Total non-current assets		40,174,325,094.92	37,745,364,042.10
TOTAL ASSETS		102,722,164,407.20	103,813,587,732.92

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
BALANCE SHEET (continued)
31 December 2017
(Expressed in Renminbi Yuan)

	2017	2016
Current liabilities		
Notes payable	16,874,603,207.01	20,344,635,258.93
Accounts payable	19,476,620,759.93	16,912,556,809.95
Advances from customers	3,724,183,178.58	6,563,904,714.60
Payroll payable	1,377,250,229.66	1,567,187,782.78
Taxes payable	320,050,382.91	470,185,940.53
Interest payable	-	73,458,000.00
Other payables	3,181,207,281.30	1,922,286,938.56
Contingent liabilities	2,380,971,255.26	1,947,415,048.79
Other current liabilities	3,453,269,881.59	3,992,241,040.51
Current portion of non-current liabilities	-	1,979,020,519.81
Total current liabilities	50,788,156,176.24	55,772,892,054.46
Non-current liabilities		
Long term payroll payable	91,263,000.00	87,480,000.00
Special payable	235,256,441.62	162,146,831.40
Deferred income	2,879,604,719.46	2,164,751,690.28
Deferred tax liabilities	21,222,750.00	34,535,250.00
Total non-current liabilities	3,227,346,911.08	2,448,913,771.68
Total liabilities	54,015,503,087.32	58,221,805,826.14
Owner's equity		
Share capital	4,802,648,511.00	4,802,648,511.00
Capital reserves	4,717,192,101.72	4,689,475,046.88
Other comprehensive income	132,520,410.88	202,294,552.68
Special reserves	12,013,706.73	7,555,003.10
Surplus reserves	2,401,324,255.50	2,401,324,255.50
Retained earnings	36,640,962,334.05	33,488,484,537.62
Total owner's equity	48,706,661,319.88	45,591,781,906.78
TOTAL LIABILITIES AND OWNERS' EQUITY	102,722,164,407.20	103,813,587,732.92

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
INCOME STATEMENT
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Notes XIV	2017	2016
Operating revenue	**4**	**77,758,476,387.51**	**78,133,944,076.33**
Less: Operating cost	4	68,732,561,860.05	65,772,445,442.61
Tax and surcharges		2,565,747,398.92	2,977,973,945.41
Operating expenses		3,590,671,641.50	4,820,910,114.23
General and administrative expenses		4,479,762,257.66	4,536,818,995.75
Financial income		(547,613,808.85)	(273,565,990.80)
Impairment loss on assets		270,436,351.89	327,391,057.23
Add: Investment income	5	6,908,063,504.35	9,648,255,430.07
Including: Investment income from associates and from joint venture		*6,854,896,911.97*	*9,563,723,801.40*
Gain on disposal of assets		24,198,022.49	(10,224,596.77)
Other income		534,853,603.29	-
Operating profit		**6,134,025,816.47**	**9,610,001,345.20**
Add: Non-operating income		54,345,488.88	459,206,256.24
Less: Non-operating expenses		61,733,222.91	55,740,303.63
Total profit		**6,126,638,082.44**	**10,013,467,297.81**
Less: Income tax expense		(105,709,086.46)	41,038,834.36
Net profit		**6,232,347,168.90**	**9,972,428,463.45**
Classification by going concern			
Net profit from continuing operations		6,232,347,168.90	9,972,428,463.45
Net profit from discontinued operations		-	-

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
INCOME STATEMENT
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Notes XIV	2017	2016
Other comprehensive income, net of tax			
Other comprehensive income not tobe reclassified to profit or loss in subsequent periods:			
Change in net liability or assest from defined benefit plan		5,912,000.00	4,855,000.00
Other Comprehensive income not to berecalssfied to profit or loss under equity method		(248,641.80)	(166,479.23)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value from available-for-sale financial assest		(75,437,500.00)	(83,584,750.00)
Total comprehensive income attributable to minority interests, net of tax			-
Total comprehensive income		**6,162,573,027.10**	**9,893,532,234.22**

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Share capital	Captial reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total onwer's equity
At 31 December 2016	4,802,648,511.00	4,689,475,046.88	202,294,552.68	7,555,003.10	2,401,324,255.50	33,488,484,537.62	45,591,781,906.78
Changes during the year							
Total comprehensive income	-	-	(69,774,141.80)	-	-	6,232,347,168.90	6,162,573,027.10
Capital contributed by owners and capital decreases							
1. The amount of share-based payments recorded in owners' equity	-	18,981,100.00	-	-	-	-	18,981,100.00
2.Others	-	8,735,954.84	-	-	-	-	8,735,954.84
Distribition of profit							
1.The distribution to owners	-	-	-	-	-	(3,079,869,372.47)	(3,079,869,372.47)
Special reserve							
1.Provided	-	-	-	43,664,824.34	-	-	43,664,824.34
2.Ultilized	-	-	-	(44,741,572.36)	-	-	(44,741,572.36)
3.Effective portion of changes in special reserves from joint venture	-	-	-	5,535,451.65	-	-	5,535,451.65
At 31 December 2017	4,802,648,511.00	4,717,192,101.72	132,520,410.88	12,013,706.73	2,401,324,255.50	36,640,962,334.05	48,706,661,319.88

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
Year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Share capital	Captial reserves	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total onwer's equity
At 31 December 2015	4,662,886,108.00	2,831,662,835.16	281,190,781.91	12,723,372.00	2,331,443,054.00	26,573,855,747.25	36,693,761,898.32
Changes during the year							
Total comprehensive income	-	-	(78,896,229.23)	-	-	9,972,428,463.45	9,893,532,234.22
Capital contributed by owners and capital decreases							
1.Capital contributed by owners	139,762,403.00	1,844,096,311.72	-	-	-	-	1,983,858,714.72
2. The amount of share-based payments recorded in owners' equity	-	13,715,900.00	-	-	-	-	13,715,900.00
Distribition of profit							
1.Appropriation of surplus reserve	-	-	-	-	69,881,201.50	(69,881,201.50)	-
2.The distribution to owners	-	-	-	-		(2,987,918,471.58)	(2,987,918,471.58)
Special reserves							
1.Provided	-	-	-	67,150,949.98	-	-	67,150,949.98
2.Ultilized	-	-	-	(75,502,185.66)	-	-	(75,502,185.66)
3.Effective portion of changes in special reserves from joint venture	-	-	-	3,182,866.78	-	-	3,182,866.78
At 31 December 2016	4,802,648,511.00	4,689,475,046.88	202,294,552.68	7,555,003.10	2,401,324,255.50	33,488,484,537.62	45,591,781,906.78

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CASH FLOW STATEMENT
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of goods or rendering of services	79,675,129,781.26	74,657,783,763.53
Cash received relating to other operating activities	2,738,891,256.19	1,433,378,129.76
Subtotal of cash inflows	82,414,021,037.45	76,091,161,893.29
Cash paid for goods and services	70,300,504,407.78	57,801,119,517.16
Cash paid to and on behalf of employees	4,379,640,973.36	4,296,500,901.42
Cash paid for all types of taxes	4,229,906,573.05	5,819,707,683.64
Cash paid relating to other operating activities	6,383,379,710.17	6,587,862,349.67
Subtotal of cash outflows	85,293,431,664.36	74,505,190,451.89
Net cash flows from operating activities	(2,879,410,626.91)	1,585,971,441.40
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from recovery of investment	7,069,600.00	-
Cash received from return on investment	8,737,204,497.46	9,807,358,030.44
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	106,245,076.64	1,768,232.23
Cash received relating to other investing activites	346,540,000.00	131,659,104.60
Subtotal of cash inflows	9,197,059,174.10	9,940,785,367.27
Cash paid for acquisition of fixed assets,intangible assests and other long-term assets	2,916,256,030.54	3,644,257,044.91
Cash paid for acquisition of investments	1,269,180,419.98	174,107,363.00
Cash paid relating to other investing activities	100,000,000.00	50,000,000.00
Subtotal of cash outflows	4,285,436,450.52	3,868,364,407.91
Net cash flows from investing activities	4,911,622,723.58	6,072,420,959.36

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

Chongqing Changan Automobile Company Limited
CASH FLOW STATEMENT (continued)
Year ended 31 December 2017
(Expressed in Renminbi Yuan)

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from investors	-	1,984,000,000.00
Cash receipts relating to other financing activities	978,689,175.66	-
Sub-total of cash inflows	978,689,175.66	1,984,000,000.00
Repayment of debts	1,980,000,000.00	-
Cash paid for distribution of dividends or profits and for interest expenses	3,184,699,226.42	3,097,469,043.23
Cash paid relating to other financing activities	110,146.05	1,441,760,606.76
Sub-total of cash outflows	5,164,809,372.47	4,539,229,649.99
Net cash flows from financing activities	(4,186,120,196.81)	(2,555,229,649.99)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,153,908,100.14)	5,103,162,750.77
Add: Cash and cash equivalents at beginning of year	22,326,566,084.67	17,223,403,333.90
CASH AND CASH EQUIVLANT AT END OF YEAR	20,172,657,984.53	22,326,566,084.67

The notes on pages 93 to 207 form an integral part of the financial statements on pages 75 to 92.

I CORPORATE INFORMATION

Chongqing Changan Automobile Company Limited (hereafter referred to as the “Company”) was established by China Changan Automobile Group (hereafter referred to as the “Changan Group”) as the individual originator on 31 October 1996. The company was set up using the group’s net asset relating to the operation of mini cars and engine, the shares it owned in Chongqing Changan Suzuki company limited (equal to 506,190,000 shares of the Company) and the fund raised from the issuance of 250,000,000 foreign capital stock (B shares), with total share capital of RMB756,190,000.

With the approval of China Securities Regulatory Commission, the company initially floated on share market on 19 May 1997 by issuing 120,000,000 common shares (A share) to the public. The offering increased the total share capital to RMB 876,190,000.

On 26 June 1998, the Company issued 4 shares for each 10 shares to existing shareholders of the original 876,190,000 shares. The issuance was made from capital reserve and increased the total share capital to RMB 1,226,666,000.

On 26 May 2004, the Company offered 2 bonus shares for each 10 shares held by existing shareholders, which increased the total share capital from RMB 1,226,666,000 to RMB 1,471,999,200.

On 26 August 2004, with the approval of China Securities Regulatory Commission, the Company offered 148,850,000 common shares (A share) to the market, which increased the total share capital to RMB 1,620,849,200.

In December 2005, China South Industries Group Corporation (hereafter referred to as the “South Group”), the ultimate parent company, used the common share (850,399,200 shares) owned by its subsidiary, Changan Group, as part of the investment to establish China South Industries Motor Company (hereafter referred to as ”South Industries Motor”). The share occupied 52.466% of the Company’s total share capital. Therefore, South industries Motor became the parent company of the Company. On 30 March 2006, the transfer of share was registered by Shenzhen branch of China Securities Depository and Clearing Corporation limited.

In May 2006, South Industries Motor issued 3.2 bonus shares for each 10 shares to the shareholders at the implementation date of reformation of non-tradable shares for their non-tradable shares according to the ”Reply of the problems related to the reformation of non-tradable shares of Chongqing Changan Automobile Co., Ltd.” (2006[442] Guo Zi Chan Quan) issued by the State-owned Assets Supervision and Administration Commission of State Council and the related shareholder’s meeting. After the reformation of non-tradable shares, South Industries Motor occupied 45.548% of equity through 738,255,200 common shares.

On 15 May 2007, the Company issued 2 bonus shares for each 10 shares to existing shareholders, which increased the total share capital from RMB 1,620,849,200 to RMB 1,945,019,040.

On 30 May 2008, the Company issued 2 shares for each 10 shares owned by existing shareholders. The issuance was made from capital reserve and increased the total share capital to RMB 2,334,022,848.

On 3 March 2009, the secondary temporary shareholder meeting was held. The board resolution about ‘the reacquisition of foreign capital stock listed in China’ was approved in the meeting. For the buyback period ended on 3 March 2010, the company repurchased 8,365,233 shares in total, equal to 0.3584% of total capital.

On 1 July 2009, with the approval of State Administration for Industry and Commercial, South industries Motor, the parent company changed its name to China Changan Automobile Industry (Group) Co., Ltd. (hereafter referred to as the “China Changan”).

With the approval of China Securities Regulatory Commission on 14 January 2011, the Company issued 360,166,022 common shares (A share), which increased the total share capital to RMB 2,685,823,637. After the completion of the issuance, China Changan holds 1,163,787,489 shares of the Company's common stock, and the held equity interest decreased to 43.33%.

On 18 May 2011, the Company issued 4 bonus shares for each 10 shares and issued 4 shares to 10 shares from capital reserve to existing shareholders. After this issuance, the total share capital has been increased to RMB

4,834,482,546.

On 21 December 2011, the first temporary shareholder meeting was held. The board resolution about 'the reacquisition of foreign capital stock listed in China' was approved in the meeting. For the buyback period ended on 20 March 2012, the company repurchased 171,596,438 shares in total, equal to 3.55% of total capital. On 30 March 2012, the company cancelled the share and the share capital decreased to RMB 4,662,886,108.

During 2013 and 2014, China Changan, the parent company of the Company, continuously sold 181,260,000 and 89,962,264 shares in total in secondary market. As at 31 December 2014, China Changan holds 1,823,595,216 shares of the Company's ordinary shares, with shares proporation decreasing to 39.11%.

With the approval of China Securities Regulatory Commission on 14 September 2016, the Company issued 139,762,403 non-public common shares (A share) to China Changan Automobile Industry (Group) Co., Ltd., which caused the total share capital increased to RMB 4,802,648,511. After the completion of the issuance, China Changan holds 1,963,357,619 shares of the Company's common stock, with shares proporation increasing to 40.88%.

On 28 December 2017, with the approval of State-owned Assets Supervision and Administration Commission of the State Council, South Group completed the restructuring and chaged the company name as China South Industries Group Co., Ltd.

As at 31 December 2017, the Company's parent company and ultimate controlling company is China Changan and China South Industries Group Co., Ltd., respectively.

The Company and its subsidiaries (hereafter referred to as the "Group") mainly focus on the manufacturing and sales of automobile (include cars), automobile engine, spare parts.

According to the Articles of Association, the financial statements, which has been approved by the board of directors on 17 April 2018, was submitted to general meeting of shareholders for approval.

The scope of consolidation in the consolidated financial statement is determined based on control. There has been no change of the consolidation scope of 2017.

II BASIS OF PREPERATION

1. Basis of preperation

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises-Basic Standard and the specific standards issued and modified subsequently, and the implementation guidance, interpretations and other relevant provisions issued subsequently by the MOF (correctly referred to as "Accounting Standards for Business Enterprises").

The financial statements are presented on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, the corresponding provisions should be made accordingly.

III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

According to the actual production and operation characteristics, the group formulated the specific accounting policies and accounting estimates, mainly reflected in provision of accounts receivables (note 3 (10)), inventory valuation (Note 3 (11)), depreciation of fixed assets, intangible assets amortization (Note 3 (14) (17)), condition of capitalization of research and development expense (Note 3 (18)) and revenue recognition and measurment (Note 3 (22)).

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully, the financial position of the Company as at 31 December 2017 and the financial results and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting year

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

The Group's functional and reporting currency is the Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is Yuan. Each entity in the Group determines its own functional currency in accordance with the operating circumstances. At the end of the reporting period, the foreign currency financial statements are translated into the reporting currency of the Company of RMB.

4. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations involving entities not under common control.

Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party which, on the combination date, obtains control of another entity participating in the combination is the acquiring party, while that other entity participating in the combination is a party being acquired. Combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities that are obtained by the acquiring party in a business combination involving entities under common control shall be measured at their carrying amounts at the combination date as recorded by the party being acquired. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combination involving entities not under common control

A business combination involving entities not 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. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the sum of the fair value of the consideration transferred (or the fair value of the issued equity securities) and the fair value of the acquirer's previously held equity interest in the acquiree exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill and measured at cost less any accumulated impairment losses. Where the sum of the fair value of the consideration transferred (or the fair value of the issued equity securities) and the fair value of the acquirer's previously held equity interest in the acquiree is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the fair value of the consideration transferred (or the fair value of the issued equity securities) and the fair value of the acquirer's previously held equity interest in the acquiree; (ii) if after that reassessment, the sum of the fair value of the consideration transferred (or the fair value of the issued equity securities) and the fair value of the acquirer's previously held equity interest in the acquiree is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in the income statement for the current period.

5. Consolidated financial statements

The scope of consolidation of consolidated financial statements is determined based on control, and includes the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an enterprise or entity that is controlled by the Group (including an enterprise, seperable part of the investee and a structured entity controlled by the Company).

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the current loss belong to minorities of the subsidiary exceeds the beginning equity of the subsidiary belong to minorities, the exceeded part will still deduct the equity belong to minorities.

With respect to subsidiaries acquired through business combinations involving entities not under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements, from the day that the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer should adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

With respect to subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements from the beginning of the period in which the combination occurs.

If the changes of relevant facts and circumstances will result in the changes of one or more control elements, then the Group should reassess whether it has taken control of the investee.

6 Joint venture arrangement classification and joint operation

Joint venture arrangements are classified into joint operation and joint venture. Joint operation refers to those joint venture arrangements, relevant assets and liabilities of which are enjoyed and assumed by the joint venturers. Joint ventures refer to those joint venture arrangements, only the right to net assets of which is enjoyed by the joint venturers.

Any joint venturer shall recognize the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises: assets it solely holds and its share of jointly-held assets based on its percentage; liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage; incomes from sale of output enjoyed by it from the joint operation; incomes from sale of output from the joint operation based on its percentage; and separate costs and costs for the joint operation based on its percentage.

7. Cash and cash equivalents

Cash comprises cash on hand and bank deposits which can be used for payment at any time; Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency translation

The Group translates the amount of foreign currency transactions occurred into functional currency.

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount at the spot exchange rate on the transaction dates. Foreign currency monetary items are translated using the spot exchange rate quoted by the People's Bank of China at the balance sheet date. The exchange gains or losses arising from occurrence of transactions and exchange of currencies, except for those relating to foreign currency borrowings specifically for construction and acquisition of fixed assets capitalized, are dealt with in the profit and loss accounts. Non-monetary foreign currency items measured at historical cost remain to be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency should not be changed. Non-monetary foreign currency items measured at fair value should be translated at the spot exchange rate prevailing on the date when the fair values are determined. The exchange difference thus resulted should be charged to the current income or other comprehensive income account of the current period.

When preparing consolidated financial statements, the financial statements of the subsidiaries presented in foreign currencies are translated into Renminbi as follows: asset and liability accounts are translated into Renminbi at exchange rates ruling at the balance sheet date; shareholders' equity accounts other than retained profits are translated into Renminbi at the applicable exchange rates ruling at the transaction dates; income and expense in income statement are translated into Renminbi at spot exchange rates on transaction occurrence; total difference between translated assets and translated liabilities and shareholders' equity is separately listed as "foreign currency exchange differences" below retained profits. The translation difference arising from the settlement of oversea subsidiaries is charged to the current liquidation profit and loss in proportion to the settlement ratio of the assets concerned.

Foreign currency cash flows and the cash flows of foreign subsidiaries should be translated using the average exchange rate prevailing on the transaction month during which the cash flows occur. The amount of the effect on the cash arising from the change in the exchange rate should be separately presented as an adjustment item in the cash flow statement.

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition

The Group recognizes a financial asset or a financial liability, when the Group becomes a party to the contractual provision of the instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets), be written off from the account and balance sheet , when the following conditions are met:

(1) the rights to receive cash flows from the asset have expired;
(2) the Group transferred the rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor, with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the difference thus resulted is recognized in profit or loss for the current period.

When buy or sell financial instruments under a normal way, financial instruments are recognized or derecognized according to the transaction date accounting. A normal way to buy or sell financial instruments refers to, according to the contract terms, receive or deliver financial instruments within the period as required by legal regulation or generally accepted guidelines. Transaction date refers to the date when the Group committed to buy or sell financial instruments.

Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, and the derivatives designated as effective hedging instrument. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

9. Financial instruments (continued)

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: the financial asset is acquired for the purpose of selling it in a short term; the financial asset is a part of a group of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this group for the purpose of short-term profits; the financial asset is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial assets are recognized in profit or loss for the current period. Dividend or interest income related to financial assets at fair value through profit or loss is recognized in profit or loss for the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

9. Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as the above financial assets. After initial recognition, available-for-sale financial assets are measured at fair value. The premium/discount is amortized using effective interest method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized in other comprehensive income as a component of capital reserve, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss previously recognized in capital reserve is removed from capital reserve and recognized in profit or loss for the current period. Interests and dividends relating to an available-for-sale financial asset are recognized in profit or loss for the current period.

The equity investment instruments, for which there is no quoted price in active market and whose fair value cannot be reliably measured, shall be measured at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into the following categories: financial liabilities at fair value through profit or loss, other financial liabilities, and the derivatives designated as effective hedging instrument. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions: the financial liability is assumed for the purpose of repurchasing it in a short term; the financial liability is a part of a group of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this group for the purpose of short-term profits; the financial liability is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price form an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial liabilities are recognized in profit or loss for the current period.

9. Financial instruments (continued)

Other financial liabilities

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Offsetting of financial instrumentsts

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses the carrying amount of a financial asset, at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Group makes provision for the impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

Financial assets carried at amortized cost

When the financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of the estimated future cash flow (excluding future credit losses that have not been incurred). The amount of reduction is recognized as an impairment loss in the income statement. Present value of estimated future cash flow is discounted at the financial asset’s original effective interest rate and includes the value of any related collateral.

If a financial asset is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Group can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For financial assets that are not impaired upon individual tests (including financial assets that are individually significant or insignificant), impairment tests should be conducted on them again by including them in the group of financial assets. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on a financial asset carried at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

9. Financial instruments (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

When there is objective evidence that the asset is impaired, the cumulative loss from declines in fair value that had been recognized directly in capital reserve are removed from equity and recognized in the income statement. The amount of the cumulative loss that is removed from capital reserves and recognized in the income statement (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

Impairment of financial assets In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or "prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial assets carried at cost

If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset are provided as a provision and recognized in the current income statement. The impairment loss recognized cannot be reversed.

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset; and if the Group retains substantially all the risks and rewards of the financial asset, the Group does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case: (i) if the Group has not retained control, it derecognizes the financial asset and recognize separately as assets or liabilities any rights and obligations created not retained in the transfer; (ii) if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

10. Accounts receivable

(1) Accounts receivable which is individually significant and analyzed individually for provision：

Criterion for individually significant items	Accounts receivable balance greater than RMB15 million due from non-related parties
Method for provision	A provision of the difference between recoverable amount and book value is recognized based on individually analysis

(2) Accounts receivable analyzed by credit risk charactristics group for provision：

Criterion for group	
Group 1	Accounts receivable due from non-related parties other than individually significant items or insignificatntly but analyzed individually for provision
Group 2	Accounts receivable due from related parties
Method for the provision of group	
Group 1	Making provision according to aging analysis
Group 2	A provision of the difference between recoverable amount and book value is recognized based on individually analysis.

Group 1, the provision analyzed according to aging analysis:

Aging	Accounts receivable Provision percentage (%)	Other receivables Provision percentage (%)
Within 1 year		
Within 6 months	0	0
6 to 12 months	5	5
1 to 2 years	10	10
2 to 3 years	30	30
3 to 4 years	50	50
4 to 5 years	80	80
Above 5 years	100	100

(3) Accounts receivable which is individually insignificant but analyzed individually for provision

Criterion for individually analysis for provision	There is objective evidence that the accounts receivable due from non-related parties is impaired and the future recoverable possibility is little.
Method for provision	A provision of the difference between recoverable amount and book value is recognized individually.

11. Inventories

Inventory includes raw materials, goods in transit, work in progress, finished goods, consigned processing materials, low-value consumables and spare parts.

Inventory is initially carried at the actual cost. Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Weighted average method is assigned to the determination of actual costs of inventories. One-off writing off method is adopted in amortization of low-value consumables.

The Group applies a perpetual counting method of inventory.

At the balance sheet date, the inventory is stated at the lower of cost and net realizable value. If the cost is higher than the net realizable value, provision for the inventory should be made through profit or loss. If factors that resulted in the provision for the inventory have disappeared and made the net realizable value higher than their book value, the amount of the write-down should be reversed, to the extent of the amount of the provision for the inventory, and the reversed amount should be recognized in the income statement for the current period.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The impairment provision should be made on a basis of each item of inventories according to the difference between cost and net realizable value. For large numbers of inventories at relatively low unit prices, the provision for loss on decline in value of inventories should be made by category.

12. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

The long-term investments are initially recorded at costs on acquisition. Long-term investments acquired from business combination under common control shall be initially measured at the carrying value of the held interest of the party being acquired; The difference between the initial meassued amounts and the book value of consideration, adjust the capital reserves (if the capital reserve is insufficient to be offset, retained earnings should be adjusted); Long-term investments acquired from business combination not under common control shall be initially measured at the cost (or, the sum of the cost and the carrying value of the previously held equity interest in the acquire for the business combination achieved by stages), which include the fair value of the consideration paid, the liabilities beard and the fair value of issued equity instrument; the other comprehensive income produced from the investment before the acquisition should be transferred into the current year investment income on disposal.

Long-term investments acquired not from business combination are initially measured at 1)the consideration together with the cost necessary incurred; 2) the fair value of the equity instruments; and 3) the consideration agreed in the investment agreement by the investors, otherwise the agreed consideration were not fair.

The Company adopted cost method to account for long-term investments in the subsidiaries in the separate financial statements of the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Under cost method, the long-term equity investment is valued at the cost of the initial investment. The cost of long-term equity investment should be adjusted in case of additional investment or disinvestments. When cash dividends or profits are declared by the invested enterprise is recognized as investment income in current period.

The equity method is applied to account for long-term equity investments, when the Group has jointly control, or significant influence on the investee enterprise. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers). Significant influence is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.

12. Long-term equity investments (continued)

Under equity method, when the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is accounted for as an initial cost. As to the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be charged to the income statement for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

Under equity method, the Group recognizes its share of post-acquisition equity in the investee enterprise for the current period as a gain or loss on investment, and also increases or decreases the carrying amount of the investment. When recognizing its share in the net profit or loss of the investee entities, the Group should, based on the fair values of the identifiable assets of the investee entity when the investment is acquired, in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with joint ventures and associates, attributable to the investing entity according to the share ratio (but losses arising from internal transactions that belong to losses on the impairment of assets, should be recognized in full), recognize the net profit of the investee entity after making appropriate adjustments. The book value of the investment is reduced to the extent that the Group's share of the profit or cash dividend declared to be distributed by the investee enterprise. However, the share of net loss is only recognized to the extent that the book value of the investment is reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group shall adjust the carrying amount of the long-term equity investment for other changes in owners' equity of the investee enterprise (other than net profits or losses), and include the corresponding adjustments in equity, which should be realized through profit or loss in subsequent settlement of the respective long-term investment.

On settlement of a long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in the income statement for the current period. As to other comprehensive income recognized based on measurement of the original equity investment by employing the equity method, accounting treatment shall be made on the same basis as would be required if the invested entity had directly disposed of the assets or liabilities related thereto when measurement by employing the equity method is terminated. As to any change in owners' equity of the invested entity other than net profit or loss, other comprehensive income and profit distribution, the investing party shall be transferred to the income statement for the current period. If the remaining equities still be measured under the equity method, accumulative change previously recorded in other comprehensive income shall be transferred to current profit or loss, in measurement on the same basis as the invested entity had directly disposed of the assets or liabilities related thereto. The income or loss recorded in the equity directly should been transferred to the current income statement on settlement of the equity investment on the disposal proportion.

13. Investment property

Investment property are properties held to earn rentals or for capital appreciation, or both, including rented land use right, land use right which is held and prepared for transfer after appreciation, and rented building.

The initial measurement of the investment property shall be measured at its actual cost. The follow-up expenses pertinent to an investment property shall be included in the cost of the investment property, if the economic benefits pertinent to this real estate are likely to flow into the enterprise, and, the cost of the investment property can be reliably measured. Otherwise, they should be included in the current profits and losses upon occurrence.

The group adopts the cost method to make follow-up measurement to the investment property. The buildings are depreciated under straight-line method.

14. Fixed assets

A fixed asset probably shall be recognized only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the book value of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in the income statement in the period during which they are incurred.

Fixed assets are initially measured at actual cost on acquisition. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and other surcharges.

Fixed assets are depreciated on straight-line basis. The estimated useful lives, estimated residual values and annual depreciation rates for each category of fixed assets are as follows:

Category	Deprecation period	Residual rate (%)	Yearly deprecation rate (%)
Buildings	20 to 35 years	3%	2.77%-4.85%
Machinery (Note)	5 to 20 years	3%	4.85%-19.40%
Vehicles	4 to 10 years	3%	9.70%-24.25%
Others	3 to 21 years	3%	4.62%-32.33%
Note: the moulds in machinery should be depreciated in units-of-production method.			

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year and makes adjustments if necessary.

15. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalized before the construction reaches the condition for intended use and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

16. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized, otherwise the borrowing costs are expensed in the period during which they are incurred. A qualifying asset is an asset (an item of property, plant and equipment and inventory etc.) that necessarily takes a substantial period of time to get ready for its intended use of sale.

The capitalization of borrowing costs are as part of the cost of a qualifying asset shall commence when:

1) expenditure for the asset is being incurred;
2) borrowing costs are being incurred; and
3) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization of borrowing costs shall be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale have been done. And subsequent borrowing costs are recognized in the income statement.

During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined as follows:

1) where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned form depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds;

2) where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the construction or manufacture of assets that are qualified for capitalization, if abnormal discontinuance, other than procedures necessary for their reaching the expected useful conditions, happens, and the duration of the discontinuance is over three months, the capitalization of the borrowing costs is suspended. Borrowing costs incurred during the discontinuance are recognized as expense and charged to the income statement of the current period, till the construction or manufacture of the assets resumes.

17. Intangible assets

An intangible asset probably shall be recognized only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition, if the fair value can be reliably measured.

The useful life of the intangible assets shall be assessed according to the estimated beneficial period expected to generate economic benefits. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follow:

Land use right	43 to 50 years
Software	2 years
Trademark	10 years
Non-patent technology	5 years

Land use rights that are purchased or acquired through the payment of land use fees are accounted for as intangible assets. With respect to self-developed properties, the corresponding land use right and buildings should be recorded as intangible and fixed assets separately. As to the purchased properties, if the reasonable allocation of outlays cannot be made between land and buildings, all assets purchased will be recorded as fixed assets. The cost of a finite useful life intangible asset is amortized using the straight-line method during the estimated useful life. For an intangible asset with a finite useful life, the Group reviews the estimated useful life and amortization method at least at the end of each year and adjusts if necessary.

The Group should test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount annually, whenever there is an indication that the intangible asset may be impaired. An intangible asset with an indefinite useful life shall not be amortized.

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there are indicators that the intangible asset has finite useful life, the accounting treatment would be in accordance with the intangible asset with finite useful life.

18. Research and development expenditures

The Group classified the internal research and development expenditures as follows: research expenditures and development cost.

The expenditures in research stage are charged to the current income on occurrence.

The expenditures in development stage are capitalized that should meet all the conditions of (a) it is technically feasible to finish intangible assets for use or sale; (b) it is intended to finish and use or sell the intangible assets; (c) the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; (d) it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and (e) the development expenditures of the intangible assets can be reliably measured. Expenses incurred that don't meet the above requirements unanimously should be expensed in the income statement of the reporting period.

The Group discriminates between research and development stage with the condition that the project research has been determined, in which the relevant research complete all the fractionalization of products measurements and final product scheme under final approval of management. The expenditures incurred before project-determination stage is charged to the current income, otherwise it is recorded as development cost.

19. Long-term deferred expenses

The long-term deferred expenses represent the payment for the improvement on buildings and other expenses, which have been paid and should be deferred in the following years. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

20. Contingent liabilities

Except contingent liability recognized in a business combination, the Group recognizes an contingent liability when the obligation arising from a contingency meets the following conditions:

1) the obligation is a present obligation of the Group;
2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
3) a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are initially measured according to the current best estimate for the expenditure necessary for the performance of relevant present obligations, with comprehensive consideration given to factors such as the risks, uncertainty and time value of money relating to contingencies. The book value of the contingent liabilities should be reviewed at each balance sheet date. If there is objective evidence showing that the book value cannot reflect the present best estimate, the book value should be adjusted according to the best estimate.

21. Share-based payments

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payment" refers to a transaction in which an enterprise grants shares or other equity instruments as a consideration in return for services.

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant. The fair value is determined using Black-Scholes model (Note 10).

21. Share-based payments (continued)

Within the vesting period or before the prescribed performance conditons are met, the relevant costs or expenses and capital reserves shall be determined and increased based on the best estimate of the number of vested equity instruments on each balance sheet date.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

22. Revenue

Revenue is recognized only when an inflow of economic benefits is probable, the amount of which can be reliably measured, and all of the following conditions are qualified.

Revenue from the sale of goods

The Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold; and the amount of revenue can be measured reliably. The proceeds earned from sales of goods are determined based on the amount received or receivable as stipulated in the contract or agreement, otherwise the amount is not fair; If the amount received or receivable as stipulated in the contract or agreement is collected in a defer method, it includes the financing elements and should be determined according to the fair value of the amount received or receivable as stipulated in the contract or agreement.

22. Revenue (continued)

Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method, or otherwise, the revenue is recognized to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow into the Group; the stage of completion of the transaction can be measured reliably; and the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving the rendering of services by using the proportion of services performed to date to the total services to be performed. The total amount of revenue earned from rendering service are determined based on the amount received or receivable as stipulated in the contract or agreement, otherwise the amount is not fair.

Interest income

It should be measured based on the length of time for which the Group’s cash is used by others and the applicable effective interest rate.

Royalty income

Royalty income is recognized according to the agreed time and method by both parties in related contracts.

Rental income

Rental income from operating leases is recognized by the lesser in the income statement on a straight-line basis over the lease term. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

23. Government grants

A government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Monetary grants are accounted for at received or receivable amount. Non-monetary grants are accounted for at fair value. If there is no reliable fair value available, the grants are accounted for at nominal amount.

A government grant which is specified by the government documents to be used to purchase and construct the long-term assets shall be recognized as the government grant related to assets. A government grant which is not specified by the government documents shall be judged based on the basic conditions to obtain the government grant. The one whose basic condition was to purchase and construct the long-term assets shall be recognized as the government grant related to assets.

Government grants related to income to be used as compensation for future expenses or losses shall be recognized as deferred income and shall be charged to the current profit or loss or be used to write down the relevant loss, during the recognition of the relevant cost expenses or losses; or used as compensation for relevant expenses or losses already incurred by enterprises shall be directly charged to the profit and loss account in the current period or used to write down the relevant cost.

The government grants related to assets shall be used to write down the book value of the relevant assets or be recognized as deferred income. The government grants related to assets, recognized as deferred income, shall be charged to the profit and loss reasonably and systematically in stages over the useful lives of the relevant assets. The government grants measured at nominal amount shall be directly charged to the current profit and loss. The remaining book value of the government grants related to assets should be charged to the profit and loss account in the current period when the relative assets sold, transferred, disposed or damaged.

24. Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

The Group recording the operating lease as a lessee

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to the income statement for the current period. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

The Group recording the operating lease as a lessor

Rental income from operating leases is recognized by the lesser in the income statement on a straight-line basis over the lease term. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

25. Employee benefits

Employee benefits refer to all kinds of remunerations or compensation made by enterprises to their employees in exchange for services provided by the employees or termination of labor relation. Employee compensation includes short-term compensation and post-employment benefits. The benefits offered by enterprises to the spouse, children, the dependants of the employee, the family member of deceased employee and other beneficiaries are also employee compensation.

Short-term employee salaries

During the accounting period of employee rendering service, the actural employees salaries and are charged to the statement of profit or loss as they become payable in balance sheet.

Post-employment benefits (Defined contribution plans)

The employees of the Group participate in pension insurance, which is managed by local government and the relevant expenditure, is recognized, when incurred, in the costs of relevant assets or the profit and loss for the current period.

Post-employment benefits (Defined benefit plan)

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of: the date of the plan amendment or curtailment; and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under administrative expenses in the consolidated statement of profit or loss by function: •service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;net interest expense or income.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

26. Income taxes

Income tax comprises current and deferred tax. Income tax is recognized as an income or an expense and include in the income statement for the current period, except to the extent that the tax arises from a business combination or if it relates to a transaction or event which is recognized directly in equity.

Current income tax liabilities or assets for the current and prior periods, are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognized as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognized for all taxable temporary differences, except:

(1) to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination and at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss.

(2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled enterprises, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

(1) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
(2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the book value of deferred tax assets. If it is probable that sufficient taxable income cannot be generated to use the tax benefits of deferred tax assets, the book value of deferred tax assets should be reduced. When it is probable that sufficient taxable income can be generated, the amount of such reduction should be reversed. When it is probable that sufficient taxable income can be generated, the amount of such reduction should be reversed.

27. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventory, deferred income taxes, and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment tests. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at the end of every year, irrespective of whether there is any indication that the asset may be impaired. An intangible asset which is not ready for its intended use is tested for impairment at least at the end of every year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash flows generated by the asset group are independent of the cash flows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment of asset is provided for and the impairment loss is recognized in the income statement for the current period.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated, on a reasonable basis, to related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or related sets of asset groups is a group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

When an impairment test is conducted on an asset group or a set of asset groups that contains goodwill, if there is any indication of impairment, the Group firstly tests the asset group or the set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and then recognize impairment loss if any. Thereafter, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is firstly eliminated by and amortized to the book value of the goodwill included in the asset group or set of asset groups, and then eliminated by the book value of other assets according to the proportion of the book values of assets other than the goodwill in the asset group or set of asset groups.

Once the above impairment loss is recognized, it cannot be reversed in subsequent periods.

28. Profit distribution

The cash dividend of the Group is recognized as liabilities after the approval of general meeting of stockholders.

29. Safety fund

The safety fund extracted by the Group shall be recognized as the cost of the related products or income statement, while be recognized as special reserve. When using safety fund, it shall be distinguished whether it will form fixed assets or not. The expenditure shall write down the special reserve; the capital expenditure shall be recognized as fixed assets when meet the expected conditions for use, and write down the special reserve while recognizing accumulated depreciation with the same amount.

30. Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

30. Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

31. Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts and disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

<u>Judgments</u>

In the process of applying the Group's accounting policies, management has made the following judgments which have significant effect on the financial statements:

Operating leases - as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

31. Significant accounting judgments and estimates (continued)

Uncertainty of accounting estimates

The crucial assumptions of significant accounting estimates in future and other crucial sources of estimated uncertainty, which may result in the significant adjustments to the book value of the subsequent accounting period, are as the following:

Impairment of available-for-sale

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognized in the income statement

Impairment of non-current assets other than financial assets (goodwill excluded)

The Group assesses at each reporting date whether there is an indication that non-current assets other than financial assets may be impaired. If there is any sign of possible assets impairment, the assets concerned should be subject to impairment test. When the carrying amount of an asset or the relevant assets group exceeds its recoverable amount which is the higher one of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, the asset is considered impaired. The fair value minus the disposal expenses is determined by reference to the recent market transactions price or observed market price less any directly attributable expenditure for disposing. When making an estimate of the present value of the future cash flow of an asset, the Group should estimate the future cash flows of the asset or the relevant assets group, with the appropriate discount rate selected to reflect the present value of the future cash flows.

Bad debt provisions

Provisions are made under the allowance method. For each individually significant receivable, the impairment test should be conducted individually. Where there is evidence that indicates impairment, the loss should be recognized with the respective provision accrued, equaling to the difference between the present value of the future cash flows and the book value of receivables. For other receivables concerned, management should accrue the general provisions, along with the receivables individually tested while no impairment incurred, taking in account the collectability.

Inventory impairment based on the net realizable value

According to accounting policy, inventories shall be measured at the lower of cost and the net realizable value. Provision for inventories is recognized in the income statement when the cost is higher than the net realizable value and when the inventories are obsolete and slow-moving. The Group will reassess whether a single inventory is obsolete, slow-moving or whether the net realizable value is lower than the inventories' cost at end of each year.

Development expenditures

When determining the capitalization amount, management should make assumptions such as the expected cash flows of the assets related, the applicable discount rate and expected benefit period.

Deferred tax assets

The Group should recognize the deferred income tax assets arising from all the existing unutilized tax deficits and deductible temporary differences to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary differences. Enormous accounting judgments, as well as the tax planning are compulsory for management to estimate the time and amount of prospective taxable profits and thus determine the appropriate amount of the deferred tax assets concerned.

Warranty

The Group provides warranties on automobile and undertakes to repair or replace items that fail to perform satisfactorily based on certain pre-determined conditions. Factors that influnces estimation of related warranty claim incluse: 1) renewal of laws and regulations; 2) quality promotion of Group products; 3) change of parts and labour cost. In general, the Group records warranty based on selling volumn and estimated compensatory unit warranty cost, deduction multiagreed compensation from suppliers. As at balance sheet day, the Groupt launchs retrospective analysis on warranty carrying amount in consideration of acutral warranty payment during relative warranty period, and recent trends of producet renovation and replacement, and further adjustment if necessary. Any increase or decrease in the provision would affect profit or loss in future years.

Depreciation and amortization

The Group's management determines the estimated useful lives and residual value of fixed assets and intangible assets. This estimate is based on the historical experience of actual useful lives of fixed assets and intangible assets of similar nature and functions. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated.

32. Changes in accounting policies and estimates

Changes in accounting policies

The change of "gain on disposal of assets" in reporting

In accordance with the circular on issuing the revised format of the financial statements for general enterprise issued by the Ministry of Finance (Cai Kuai [2017] No. 30), the Group added an items of "gain on disposal of assets" before operating profit in income statement. The income/loss on disposal of non-current assets which have listed as "non-operation income" and "non-operation expenses" in income statement has been reclassified to the item of "gain on disposal of assets".

Change of the above mentioned accounting policy adopted retrospective application. This change has no effects on the consolidated and the company's net profit and owner's equity.

The change of the accounting treatment of government grants

In accordance with the circular of issuing the revised Accounting Standard for Business Enterprises No. 16 — Government Grants (Cai Kuai [2017] No.15), the Group presented the government grants related to daily operation in the account of "other income" before "operating profit" in the income statement instead of recording the government grants in the account of "non-operating income". The Group accounted for government grants received before 1 January 2017 prospectively and make adjustment for the new government grants obtained between 1 January 2017 and the effective date in accordance with the Standard.

As a result, "other income", "operating profit" and "non-operating income" would be different for the years ended 31 December 2017 and 2016, but there was no substantial impact on net profit for both consolidated and company financial statement for the years ended 31 December 2017 and 2016.

IV TAXES

1. The major categories of taxes and surcharges

Categories of taxes and surcharges	Basis of tax	Tax rate
Value added tax ("VAT")	Levy on the taxable sales and rendering of services, deducted the deductible input VAT.	5%, 6% or 17%
Consumption tax	Taxable sales	1%,3% or 5%
City maintenance and construction tax	The turnover taxes paid	5% or 7%
Educational surcharge	The turnover taxes paid	3%
Local educational surcharge	The turnover taxes paid	2%
Corporate income tax	Taxable income	15% or 25%

2. Tax benefits

In accordance to Circular for Further Implementation of Tax Incentives In the Development of Western Regions (Cai Shui [2011] No. 58) collectively issued by the ministry of Finance, the Customs General Administration and the National Taxation Bureau of PRC, from 1 January 2011 to 31 December 2020, enterprises located in the Western Region and engaged in encouraged business would be entitled to a preferential CIT rate of 15%. For the year ended 2017, the Company, Changan Special Sales and Chongqing Changan Automobile Supporting are qualified to the requirement and acquired permission of the preferential tax rate of 15% from Chongqing Jiangbei National Tax Bureau (refer to Jiang Fa Gai Ti[2015] No. 135).

In accordance to Circular of the Administrative Measures for the Certification of New and High Technology Enterprises (Guo Ke Fa Huo [2016] No. 32) and Circular of the Working Guidance on the Recognition of Hi-tech Enterprises (Guo Ke Fa Huo [2016] No. 195), the subsidiary of Hefei Changan Automobile Co., Ltd. obtained the certificate of new and high technology enterprise on 21 October 2016 and is subjected to the preferential tax rate of 15% from 2016 to 2018.

In accordance to Circular of the Administrative Measures for the Certification of New and High Technology Enterprises (Guo Ke Fa Huo [2016] No. 32) and Circular of the Working Guidance on the Recognition of Hi-tech Enterprises (Guo Ke Fa Huo [2016] No. 195), the subsidiaries of Hebei Changan Automobile Co., Ltd. and Hebei Baoding Changan Bus Co., Ltd. obtained the certificate of new and high technology enterprise on 21 July 2017 and on 27 October 2017, and are subjected to the preferential tax rate of 15% from 2017 to 2019.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash

Item	2017	2016
Cash	33,089.31	29,559.40
Cash at bank	21,451,272,001.22	22,993,402,507.65
Other cash	1,180,231,406.00	1,789,072,485.39
Total	22,631,536,496.53	24,782,504,552.44

As at 31 December 2017, the book value of restricted cash and cash equivalents is RMB1,180,231,406.00 (As at 31 December 2016: RMB1,789,072,485.39), which was mainly restricted for the issuance of acceptance bill.

As at 31 December 2017, the cash at bank oversea is equivalent to RMB82,961,261.21 (As at 31 December 2016: RMB151,614,280.74).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Notice deposits are made for periods of 7 days, and short term time deposits are made for periods of 3 months to 12 months, depending on the cash requirements of the Group, and earn interest at respective deposit rates.

2. Notes recievable

(1) Classification of notes receivable

Type	2017	2016
Commercial acceptance bill	9,142,240,884.70	8,681,506,152.50
Bank acceptance bill	20,014,240,200.50	20,321,033,108.76
Total	29,156,481,085.20	29,002,539,261.26

(2) Pledged notes receivable

Type	2017	2016
Bank acceptance bill	287,427,970.00	1,029,541,142.00

As at 31 December 2017 and 2016, notes receivable with above carrying amount were pledged to issue notes payable.

(3) Endorsed or discounted but unexpired notes receivable as at the end of reporting period are as follow:

Type	2017		2016	
	Derecognition	Un-derecognition	Derecognition	Un-derecognition
Commercial acceptance bill	70,962,210.00	-	68,903,990.00	-
Bank acceptance bill	1,198,514,460.00	-	1,689,454,116.09	-
Total	1,269,476,670.00	-	1,758,358,106.09	-

(4) As at 31 December 2017, there are no notes transferred to accounts receivable due to the non-acceptance. (As at 31 December 2016: Nil)

3. Accounts receivable

(1) Aging analysis of the accounts receivable as at 31 December 2017 is as follows:

Aging	2017	2016
Within 1 year	1,375,775,524.93	1,356,947,071.58
1 to 2 years	320,269,522.88	117,208,110.44
2 to 3 years	106,193,915.65	22,550,444.94
Over 3 years	40,598,751.89	33,077,540.86
Total	1,842,837,715.35	1,529,783,167.82
Provision	(36,030,522.31)	(30,946,126.28)
	1,806,807,193.04	1,498,837,041.54

The movements in provision for impairment of accounts receivable are as follows:

	Beginning balance	Addition	Deduction		Ending balance
			Reversal	Write-off	
2017	30,946,126.28	8,587,659.49	3,058,543.46	444,720.00	36,030,522.31
2016	64,858,859.92	4,073,516.50	1,163,419.90	36,822,830.24	30,946,126.28

(2) Analysis of accounts receivable by category as at 31 December 2017 is as follows:

Item	2017				2016			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	734,064,982.48	39.83	-	-	807,264,568.09	52.77	-	-
Accounts receivable analyzed as groups for provision								
Group 1. Accounts receivable analyzed for provision according to aging analysis	811,522,470.21	44.04	22,765,588.74	2.81	539,225,767.44	35.24	23,064,841.85	4.28
Group 2. Accounts receivable from related parties	283,985,329.09	15.41	-	-	175,411,547.86	11.47	-	-
Group subtotal	1,095,507,799.30	59.45	22,765,588.74	2.08	714,637,315.30	46.71	23,064,841.85	3.23
Individually insignificant items but analyzed individually for provision	13,264,933.57	0.72	13,264,933.57	100	7,881,284.43	0.52	7,881,284.43	100
Total	1,842,837,715.35	100	36,030,522.31	1.96	1,529,783,167.82	100	30,946,126.28	2.02

In groups, accounts receivable were analyzed for provision by aging:

Aging	2017			2016		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	753,965,095.69	92.91	-	489,006,288.37	90.69	-

6 to 12 months	18,262,202.43	2.25	913,110.11	5,598,962.70	1.04	279,948.14
Within 1 year subtotal	772,227,298.12	95.16	913,110.11	494,605,251.07	91.73	279,948.14
1 to 2 years	12,198,268.67	1.50	1,219,826.87	5,365,243.93	0.99	536,524.39
2 to 3 years	1,451,653.80	0.18	435,496.14	22,497,896.67	4.17	6,749,369.00
3 to 4 years	10,368,508.00	1.28	5,184,254.00	1,319,200.00	0.24	659,600.00
4 to 5 years	1,319,200.00	0.16	1,055,360.00	2,993,877.26	0.56	2,395,101.81
Over 5 years	13,957,541.62	1.71	13,957,541.62	12,444,298.51	2.31	12,444,298.51
Total	811,522,470.21	100	22,765,588.74	539,225,767.44	100	23,064,841.85

In groups, accounts receivable were analyzed for provision by other methods:

Group	2017		2016	
	Balance	Provision	Balance	Provision
Accounts receivable from related parities	283,985,329.09	-	175,411,547.86	-

As at 31 December 2017 and 2016, there are no individually significant items analyzed individually for provision.

(3) In 2017, provision for accounts receivable amounted to RMB8,587,659.49 has been accrued (2016: RMB4,073,516.50). Provision for accounts receivable amounted to RMB3,058,543.46 has been reversed (2016: RMB1,163,419.90).

(4) As at 31 December 2017, Provision for accounts receivable amounted to RMB444,720.00 has been write-off (2016: RMB36,822,830.24).

(5) As at 31 December 2017, acconts receivable from Top 5 clients amounted to RMB553,166,995.66, accounted for 30.02% of the total accounts receivable (2016：RMB544,518,789.11，accounted for 35.59% of the total amount).

(6) There is no accounts receivable derecognized due to transfer of financial assets during 2017 (2016: Nil).

4. Prepayments

(1) Aging analysis of the prepayments is as follows:

Aging	2017		2016	
	Amount	Persentage (%)	Amount	Persentage (%)
Within 1 year	1,099,772,284.11	99.78	1,045,305,366.57	98.54
1 to 2 years	447,067.45	0.04	14,675,385.03	1.38
2 to 3 years	1,485,647.87	0.13	-	-
Over 3 years	534,931.90	0.05	829,141.15	0.08
Total	1,102,239,931.33	100	1,060,809,892.75	100

(2) As at 31 December 2017, prepayments to Top 5 suppliers amounted to RMB993,006,069.80, which accounted for 90.09% of the total prepayments (2016: RMB867,935,898.74, which accounted for 81.82% of the total amount).

5. Interest receivable

Item	2017	2016

Time Deposit	42,184,263.88	19,318,138.89

6. Other receivables

(1) Aging analysis of other receivables as at 31 December 2017 is as follows:

	2017	2016
Within 1 year	1,414,935,792.12	881,313,434.68
1 to 2 years	212,077,835.97	509,128,687.52
2 to 3 years	6,624,999.32	645,632.94
Over 3 years	15,794,423.31	16,431,705.62
Total	1,649,433,050.72	1,407,519,460.76
Provision	(4,156,595.68)	(4,120,282.27)
	1,645,276,455.04	1,403,399,178.49

Movements of provisions for other receivables are as follows:

	Beginning balance	Addition	Deduction		Ending balance
			Reversal	Write-off	
2017	4,120,282.27	1,231,570.84	1,109,854.82	85,402.61	4,156,595.68
2016	4,261,431.15	1,190,098.91	145,673.79	1,185,574.00	4,120,282.27

(2) Analysis of other receivables by category as at 31 December 2017 is as follows:

Item	2017				2016			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	1,404,077,945.42	85.12	-	-	1,092,099,200.00	77.59	-	-
Other receivables analyzed as groups for provision								
Group 1. Other receivables analyzed for provision according to aging analysis	201,199,672.08	12.20	1,177,852.02	0.59	174,186,479.76	12.38	1,132,652.00	0.65
Group 2. Other receivables from related parties	41,176,689.56	2.50	-	-	138,246,150.73	9.82	-	-
Group subtotal	242,376,361.64	14.70	1,177,852.02	0.49	312,432,630.49	22.20	1,132,652.00	0.36
individually insignificant items but analyzed individually for provision	2,978,743.66	0.18	2,978,743.66	100	2,987,630.27	0.21	2,987,630.27	100
Total	1,649,433,050.72	100	4,156,595.68	0.25	1,407,519,460.76	100	4,120,282.27	0.29

In groups, other receivables were analyzed for provision by aging:

Aging	2017		2016	
	Balance	Provision	Balance	Provision

	Amount	%		Amount	%	
Within 6 months	194,289,589.40	96.57	-	170,925,572.05	98.14	-
6 to 12 months	5,512,392.58	2.74	275,619.62	1,295,462.92	0.74	64,773.15
Within 1 year subtotal	199,801,981.98	99.31	275,619.62	172,221,034.97	98.88	64,773.15
1 to 2 years	405,884.15	0.20	40,588.42	803,497.37	0.46	80,349.74
2 to 3 years	48,000.00	0.02	14,400.00	227,858.77	0.13	68,357.63
3 to 4 years	193,123.94	0.10	96,561.97	-	-	-
4 to 5 years	-	-	-	74,585.84	0.04	59,668.67
Over 5 years	750,682.01	0.37	750,682.01	859,502.81	0.49	859,502.81
Total	201,199,672.08	100	1,177,852.02	174,186,479.76	100	1,132,652.00

As at 31 December 2017, there are no individually significant items analyzed individually for provision (2016: Nil).

(3) For the year ended 31 December 2017, provision for other receivables amounted to RMB1,231,570.84 have been accrued (2016: RMB1,190,098.91). Provision for other receivables amounted to RMB1,109,854.82 has been reversed (2016: RMB145,673.79).

(4) For the year ended 31 December 2017, provision for impairment of other receivables amounted to RMB85,402.61 has been written off (2016: RMB1,185,574.00).

(5) An analysis of the other receivables by nature is as follows:

Nature	2017	2016
Energy-saving and new energy subsidy	1,356,575,528.00	1,092,099,200.00
Petty Cash	93,960,780.74	69,412,492.44
Secuity Deposit	12,526,804.36	20,744,568.68
Export rebates	19,865,767.18	16,477,474.15
Others	162,347,574.76	204,665,443.22
Total	1,645,276,455.04	1,403,399,178.49

(6) As at 31 December 2017, top five debtors of other receivables are as follows:

Debtors	Amount	Nature	Aging	Proportion of total other receivables (%)	Provision
First	1,080,007,000.00	Energy-saving and new energy subsidy	Within three years	65.48	-
Second	230,157,128.00	New energy subsidy	Within three years	13.95	-
Third	40,784,896.53	Disposal of assets	two to three year	2.47	-
Fourth	25,358,400.00	New energy subsidy	one to two year	1.54	-
Fifth	21,053,000.00	New energy subsidy	Within one year	1.28	-
Total	1,397,360,424.53			84.72	-

As at 31 December 2016, top five debtors of other receivables are as follows:

Debtors	Amount	Nature	Aging	Proportion of total other receivables (%)	Provision
First	573,938,000.00	Energy-saving and new energy subsidy	Within two year	40.78	-
Second	492,802,800.00	New energy subsidy	Within two year	35.01	-
Third	82,947,788.84	Disposal of assets	Within one year	5.89	-
Fourth	50,687,982.45	Disposal of assets	one to two year	3.60	-
Fifth	25,358,400.00	New energy subsidy	Within one year	1.80	-
Total	1,225,734,971.29			87.08	-

(7) For the year ended 2017, there is no accounts receivable derecognized due to transfer of financial assets. (2016: Nil).

7. Inventories

(1) Classification of inventories

Item	2017			2016		
	Balance	Provision	Net value	Balance	Provision	Net value
Raw materials	461,911,233.10	33,713,007.05	428,198,226.05	473,106,798.06	57,482,949.30	415,623,848.76
Material in transit	511,912,371.36	-	511,912,371.36	60,411,091.37	-	60,411,091.37
Work in progress	633,181,546.29	32,329,369.55	600,852,176.74	615,327,063.78	53,155,331.21	562,171,732.57
Finish goods	3,154,147,791.47	103,902,330.06	3,050,245,461.41	6,236,803,244.45	91,631,171.89	6,145,172,072.56
Consigned processing material	26,530,300.45	-	26,530,300.45	60,288,380.19	-	60,288,380.19
Consumables	48,444,885.79	-	48,444,885.79	60,439,697.16	-	60,439,697.16
Total	4,836,128,128.46	169,944,706.66	4,666,183,421.80	7,506,376,275.01	202,269,452.40	7,304,106,822.61

(2) Provision for inventories

2017

Type	Beginning balance	Provision	Deduction	Ending balance
			Reversal Or Written off	
Raw materials	57,482,949.30	17,808,606.07	41,578,548.32	33,713,007.05
Work in progress	53,155,331.21	7,166,686.01	27,992,647.67	32,329,369.55
Finish goods	91,631,171.89	76,579,038.73	64,307,880.56	103,902,330.06
Total	202,269,452.40	101,554,330.81	133,879,076.55	169,944,706.66

2016

Type	Beginning balance	Provision	Deduction	Ending balance
			Reversal Or Written off	
Raw materials	112,671,279.09	44,266,019.44	99,454,349.23	57,482,949.30
Work in progress	33,014,300.12	28,507,957.64	8,366,926.55	53,155,331.21
Finish goods	140,838,362.77	87,106,574.34	136,313,765.22	91,631,171.89
Total	286,523,941.98	159,880,551.42	244,135,041.00	202,269,452.40

(3) Note for inventory provision

The Group assesses whether the cost of inventory is higher than the net realizable value and makes provision of the difference. Net realizable value is the estimated by selling price in the ordinary course of business deduct estimated costs in further production to sell and estimated necessary distribution expense and tax expense. The reversal of inventory provisions are due to price reboundence of previous impaired inventories by net realizable value test, while written off of inventory provisions are due to selling off of previous impaired inventories in current year.

Note for the inventory

As at 31 December 2017, 630 finished cars are transported to the dealers. According to the protocol signed among the Group, the bank and the dealer, corresponding car certificates are pledged in the bank, including: 200 cars in China Everbright Bank; 112 cars in Bank of Communications Co., Ltd.; 27 cars in China Merchants Bank; and 291 cars in Industrial Bank Co., Ltd.

As at 31 December 2016, 83,009 finished cars are transported to the dealers. According to the protocol signed among the Group, the bank and the dealer, corresponding car certificates are pledged in the bank, including: 5,195 cars in Huaxia Bank; 8,865 cars in China Citic Bank; 12,444 cars in China Everbright Bank; 8,209 cars in Bank of Communications Co., Ltd.; 41,188 cars in China South Industry Group Finance Co., Ltd; 2,849 cars in China Merchants Bank; and 4,259 cars in Industrial Bank Co., Ltd.

8. Other current assets

Item	2017	2016
Input VAT to be deducted	1,699,621,114.17	925,275,929.61
Others	6,289,416.26	784,401.26
Total	1,705,910,530.43	926,060,330.87

9. Available-for-sale financial assets

Item	2017			2016		
	Book value	Provision	Net value	Book value	Provision	Net value
Available-for-sale equity instrument						
Measured at fair value	191,485,000.00	27,120,000.00	164,365,000.00	280,235,000.00	27,120,000.00	253,115,000.00
Measured at historical cost	379,361,274.00	1,809,274.00	377,552,000.00	179,361,274.00	-	179,361,274.00
Total	570,846,274.00	28,929,274.00	541,917,000.00	459,596,274.00	27,120,000.00	432,476,274.00

Available-for-sale financial assets measured at fair value:

As at 31 December 2017, the available-for-sale equity securities instrument measured at fair value is 35.50 million ordinary shares of Southwest Securities Co., Ltd. (31 December 2016: 35.50 million ordinary shares of Southwest Securities Co., Ltd.).

Item	2017	2016
Cost of equity instrument	50,000,000.00	50,000,000.00
Fair value	164,365,000.00	253,115,000.00
Accumulated amount of change in fair value recorded in other comprehensive income	141,485,000.00	230,235,000.00
Provision	27,120,000.00	27,120,000.00

9. Available-for-sale financial assets (continued)

Available-for-sale financial assets measured at historical cost**:**

2017

Item	Book value				Provision				Shareholding Ratio (%)	Cash dividend in current year
	Beginning balance	Addition	Disposal	Ending balance	Beginning balance	Addition	Disposal	Ending balance		
China South Industry Group Finance Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-	-	-	3.83	46,814,239.43
Chongqing Ante trading Co., Ltd	3,000,000.00	-	-	3,000,000.00	-	-	-	-	10.00	-
Sichuan Glass Co., Ltd.	1,809,274.00	-	-	1,809,274.00	-	1,809,274.00		1,809,274.00	0.64	-
Zhong Fa Lian Investment Co., Ltd.	21,000,000.00	-	-	21,000,000.00	-	-	-	-	10.00	-
CAERI(Beijing) automobile Lightweight Technology Research Institution Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	-	6.89	-
Guoqi Automobile Power Cell Research Co., Ltd.	40,000,000.00	-	-	40,000,000.00	-	-	-	-	7.41	-
United Prosperity Investment (ShenZhen) Co., Ltd	30,552,000.00	-	-	30,552,000.00	-	-	-	-	5.00	-
Corun Hybrid Power Technology Co. Ltd	-	200,000,000.00	-	200,000,000.00		-	-	-	9.24	-
Total	179,361,274.00	200,000,000.00		379,361,274.00	-	1,809,274.00	-	1,809,274.00	-	46,814,239.43

2016

Item	Book value				Provision				Shareholding Ratio (%)	Cash dividend in current year
	Beginning balance	Addition	Disposal	Ending balance	Beginning balance	Addition	Disposal	Ending balance		
China South Industry Group Finance Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-	-	-	3.83	50,677,453.17
Chongqing Ante trading Co., Ltd	3,000,000.00	-	-	3,000,000.00	-	-	-	-	10.00	-
Sichuan Glass Co., Ltd.	1,809,274.00	-	-	1,809,274.00	-	-	-	-	0.64	-
Zhong Fa Lian Investment Co., Ltd.	21,000,000.00	-	-	21,000,000.00	-	-	-	-	10.00	-
CAERI(Beijing) automobile Lightweight Technology Research Institution Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	-	6.89	-
Guoqi Automobile Power Cell Research Co., Ltd.	40,000,000.00	-	-	40,000,000.00	-	-	-	-	7.41	-
United Prosperity Investment (ShenZhen) Co., Ltd	30,552,000.00	-	-	30,552,000.00	-	-	-	-	5.00	-
Total	179,361,274.00	-	-	179,361,274.00	-	-	-	-	-	50,677,453.17

Provision for available-for-sale financial asstes	Beginning balance	Addition	Disposal	Ending balance
Available-for-sale financial assets measured at fair value	27,120,000.00	-	-	27,120,000.00
Available-for-sale financial assets measured at historical cost	-	1,809,274.00	-	1,809,274.00
Total	27,120,000.00	1,809,274.00	-	28,929,274.00

10. Long-term equity investments

2017

Investee	Beginning balance	Addition	Deduction	Investment income under equity method	Other comprehensive income	Other equity variation	Cash dividends declared	Provision	Book value ending balance	Provision ending balance
Joint Venture										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,230,836,876.85	-	-	(42,413,558.40)	-	2,282,391.98	-	-	1,190,705,710.43	-
Jiangling Holding Co., Ltd.	2,991,207,303.06	-	-	(86,461,777.56)	(248,641.80)	3,253,059.67	-	-	2,907,749,943.37	-
Changan Ford Automobile Co., Ltd.	5,663,808,819.68	-	-	6,039,117,284.52	-	-	(7,577,500,000.00)	-	4,125,426,104.20	-
Changan Mazda Automobile Co., Ltd.	2,146,340,500.42	-	-	1,268,089,310.60	-	-	(975,000,000.00)	-	2,439,429,811.02	-
Changan Ford Mazda Engine Co., Ltd.	908,715,700.67	-	-	119,122,694.41	-	-	(124,000,000.00)	-	903,838,395.08	-
Changan PSA Automobiles Co., Ltd.	647,839,655.26	-	-	(554,278,528.50)	-	-	-	-	93,561,126.76	-
Associates										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.（note1）	7,556,448.42	-	(6,005,819.20)	(1,550,629.22)	-	-	-	-	-	-
Chongqing Changan Kuayue Automobile Co., Ltd.	83,406,464.16	-	-	17,993,428.27	-	-	-	-	101,399,892.43	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd. (note2)	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an cresent taxi Co., Ltd. (note2)	-	-	-	-	-	-	-	-	-	-
Changan Auto Finance Co.,Ltd	1,063,655,241.51	650,000,000.00	-	95,278,795.38	-	8,735,954.84	-	-	1,817,669,991.73	-
Zhenjiang Demao Hairun equity investment fund partnership (limited partnership)	-	518,743,029.48	-	(107.53)	-	-	-	-	518,742,921.95	-
Total	14,743,367,010.03	1,168,743,029.48	(6,005,819.20)	6,854,896,911.97	(248,641.80)	14,271,406.49	(8,676,500,000.00)	-	14,098,523,896.97	-

Note1: As at 22 December 2017, the Group transferred 40% of the Chongqing Xiyi Automobile Linkage Rod Co., Ltd. To Yunnan Xiyi industrial Co.,Ltd, which is Controlled by the same ultimate holding company, at the price of RMB7,069,600.00.

Note2: As at 31 December 2017, the Group is not responsible for extral loss from Chongqing Changan Kuayue Automobile Sales Co., Ltd. and Beijing Fang'an cresent taxi Co., Ltd.. Therefore, when excess losses of these two associates occurred, the Group just reduced its correspondent long-term equity investment to zero, and did not recognize contingent liabilities accordingly.

10. Long-term equity investments (continued)

2016

Investee	Beginning balance	Addition	Deduction	Investment income under equity method	Other comprehensive income	Other equity variation	Cash dividends declared	Provision	Book value ending balance	Provision ending balance
Joint Venture										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,211,881,807.44	-	-	16,949,536.68	-	2,005,532.73	-	-	1,230,836,876.85	-
Jiangling Holding Co., Ltd.	2,708,643,943.64	-	-	281,552,504.60	(166,479.23)	1,177,334.05	-	-	2,991,207,303.06	-
Changan Ford Automobile Co., Ltd.	5,504,416,392.18	-	-	9,029,392,427.50	-	-	(8,870,000,000.00)	-	5,663,808,819.68	-
Changan Mazda Automobile Co., Ltd.	1,998,126,415.64	-	-	998,214,084.78	-	-	(850,000,000.00)	-	2,146,340,500.42	-
Changan Ford Mazda Engine Co., Ltd.	781,796,686.36	-	-	126,734,131.00	-	184,883.31	-	-	908,715,700.67	-
Changan PSA Automobiles Co., Ltd.	1,462,904,374.63	-	-	(815,064,719.37)	-	-	-	-	647,839,655.26	-
Associates										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	7,511,430.77	-	-	45,017.65	-	-	-	-	7,556,448.42	-
Chongqing Changan Kuayue Automobile Co., Ltd.	76,219,385.83	-	-	7,187,078.33	-	-	-	-	83,406,464.16	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an cresent taxi Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Changan Auto Finance Co.,Ltd	1,155,000,000.00	-	-	(91,344,758.49)	-	-	-	-	1,063,655,241.51	-
Total	14,906,500,436.49	-	-	9,553,665,302.68	(166,479.23)	3,367,750.09	(9,720,000,000.00)	-	14,743,367,010.03	-

11. Investment property

Cost Model

2017

Item	Builidings	
	2017	2016
Original cost		
Beginning and Ending	10,050,100.00	10,050,100.00
Accumulated depreciation and amortization		
Beginning	2,267,115.60	2,040,404.04
Accrual	226,711.56	226,711.56
Ending	2,493,827.16	2,267,115.60
Impairment Provision		
Beginning and Ending	-	-
Carrying amount		
Ending	7,556,272.84	7,782,984.40
Beginning	7,782,984.40	8,009,695.96

The investment property is rented to third parties in the form of operating lease.

As at 31 December 2017, there is no investment property without property certificate (As at 31 December 2016: Nil).

12. Fixed assets

(1) Details of fixed assets

2017

Item	Buildings	Machinery	Vehicles	Other Equipments	Total
Original cost					
Beginning	6,585,025,213.48	14,656,950,077.02	635,870,396.01	4,254,426,806.07	26,132,272,492.58
Purchase	93,109,589.36	229,213,269.80	18,636,091.12	53,700,062.46	394,659,012.74
Transfer from Construction in progress	914,913,063.52	3,335,754,582.56	112,909,603.35	876,084,376.68	5,239,661,626.11
Disposal	4,697,436.93	441,600,013.54	9,248,049.09	218,967,942.16	674,513,441.72
Ending	7,588,350,429.43	17,780,317,915.84	758,168,041.39	4,965,243,303.05	31,092,079,689.71
Accumulated depreciation					
Beginning	1,333,083,905.82	6,198,699,998.91	93,947,322.89	2,017,878,519.69	9,643,609,747.31
Accrual	254,351,666.72	1,209,909,941.02	120,844,400.33	329,677,458.08	1,914,783,466.15
Disposal	1,795,642.30	225,452,257.08	7,434,957.28	156,939,526.77	391,622,383.43
Ending	1,585,639,930.24	7,183,157,682.85	207,356,765.94	2,190,616,451.00	11,166,770,830.03
Impairment provision					

Beginning	84,183,751.00	793,157,069.89	268,506.89	130,568,903.50	1,008,178,231.28
Accrual	-	64,328,680.40	-	15,651,081.91	79,979,762.31
Disposal	812,074.28	183,876,023.99	44,654.66	22,645,331.68	207,378,084.61
Ending	83,371,676.72	673,609,726.30	223,852.23	123,574,653.73	880,779,908.98
Carrying amount					
Ending	5,919,338,822.47	9,923,550,506.69	550,587,423.22	2,651,052,198.32	19,044,528,950.70
Beginning	5,167,757,556.66	7,665,093,008.22	541,654,566.23	2,105,979,382.88	15,480,484,513.99

2016

Item	Buildings	Machinery	Vehicles	Other Equipments	Total
Original cost					
Beginning	6,025,351,237.91	12,918,726,114.92	102,607,140.62	3,971,051,290.13	23,017,735,783.58
Purchase	393,542,090.56	60,196,378.18	533,727,912.71	72,966,387.94	1,060,432,769.39
Transfer from Construction in progress	167,211,070.34	2,162,109,384.82	14,298,865.24	441,797,764.60	2,785,417,085.00
Disposal	1,079,185.33	484,081,800.90	14,763,522.56	231,388,636.60	731,313,145.39
Ending	6,585,025,213.48	14,656,950,077.02	635,870,396.01	4,254,426,806.07	26,132,272,492.58
Accumulated depreciation					
Beginning	1,096,331,550.20	5,393,122,603.16	47,611,603.57	1,757,434,742.08	8,294,500,499.01
Accrual	237,133,553.39	1,086,711,305.91	51,415,720.92	404,285,130.02	1,779,545,710.24
Disposal	381,197.77	281,133,910.16	5,080,001.60	143,841,352.41	430,436,461.94
Ending	1,333,083,905.82	6,198,699,998.91	93,947,322.89	2,017,878,519.69	9,643,609,747.31
Impairment provision					
Beginning	84,279,067.92	667,183,282.50	9,011,534.73	52,523,868.61	812,997,753.76
Accrual	-	171,963,505.59	180,486.25	120,340,376.85	292,484,368.69
Disposal	95,316.92	45,989,718.20	8,923,514.09	42,295,341.96	97,303,891.17
Ending	84,183,751.00	793,157,069.89	268,506.89	130,568,903.50	1,008,178,231.28
Carrying amount					
Ending	5,167,757,556.66	7,665,093,008.22	541,654,566.23	2,105,979,382.88	15,480,484,513.99
Beginning	4,844,740,619.79	6,858,420,229.26	45,984,002.32	2,161,092,679.44	13,910,237,530.81

(2) Fixed assets that are temporarily unused

2017

Item	Original cost	Accumulated depreciation	Impairment provision	Carrying amount
Buildings	150,631,017.32	76,892,209.89	52,199,841.54	21,538,965.89
Machinery	1,826,830,449.60	1,259,936,903.19	555,048,275.37	11,845,271.04
Vehicles	110,256.41	32,307.39	77,949.02	-
Other Equipments	155,250,949.58	100,552,513.98	54,387,445.40	310,990.20
Total	2,132,822,672.91	1,437,413,934.45	661,713,511.33	33,695,227.13

2016

Item	Original cost	Accumulated depreciation	Impairment provision	Carrying amount
Buildings	144,780,067.56	72,038,546.15	50,061,405.94	22,680,115.47
Machinery	1,874,723,564.81	1,241,667,363.44	632,956,493.54	99,707.83
Vehicles	11,119,022.00	2,245,833.95	8,873,188.05	-
Other Equipments	180,532,464.65	83,871,111.79	96,328,591.86	332,761.00
Total	2,211,155,119.02	1,399,822,855.33	788,219,679.39	23,112,584.30

(3) The book value of fixed asstes which are rented out under operating leases is as follow:

Item	2017	2016
Machinery	10,288,642.35	-

(4) Fixed assets without property certificate as at 31 December 2017 are as follow:

Item	Carrying amount	Reason for incomplete certificate of title
Painting plant	165,863,087.21	In process
Assemble plant	161,782,092.72	In process
Yu Zui Auto City	119,702,964.68	Project not settled
H plant Phase IV	80,047,260.68	In process
Welding plant	76,746,455.24	In process
Other plant	74,562,670.66	In process
Other facilities	66,774,368.30	In process
S Engine plant	65,126,242.20	In process
Office building	55,149,082.61	In process
Stamping plant	49,376,369.63	In process
Second foundry plant	46,311,487.32	In process
EA Casting workshop Phase I	38,727,358.12	In process
Second plant and public building	36,929,263.04	In process
Engine workshop	30,952,044.48	In process
Comercial vehicle workshop	27,323,337.17	In process
Technology center workshop	15,039,982.76	In process
Warehouse	11,500,499.33	In process
Staff cafeteria	10,091,201.53	In process
Buildings in testing projects of Dianjiang	4,947,137.98	In process

13. Construction in progress

(1) Details of construction in progress

Item	2017			2016		
	Balance	Provision	Carrying amount	Balance	Provision	Carrying amount
Mini-bus production equipment	997,340,616.73	-	997,340,616.73	332,011,471.05	-	332,011,471.05
Yuzui motor city project	247,220,662.88	-	247,220,662.88	1,670,075,876.73	-	1,670,075,876.73
Car production equipment	165,767,240.81	-	165,767,240.81	68,289,153.08	-	68,289,153.08
Engine plant	341,191,269.61	-	341,191,269.61	749,552,604.51	-	749,552,604.51
Vehicle research institution	401,869,572.35	-	401,869,572.35	119,918,357.19	-	119,918,357.19
Vehicle moulds	365,419,879.40	-	365,419,879.40	446,423,242.75	-	446,423,242.75
Light vehicle technical transformation project of Baoding Changan bus	28,393,497.74	-	28,393,497.74	39,361,192.09	-	39,361,192.09
Plant for vehicle test project	6,052,888.00	-	6,052,888.00	16,109,878.08	-	16,109,878.08
Beijing vehicle construction project	163,600,842.58	-	163,600,842.58	47,364,971.59	-	47,364,971.59
Engine Base of Nanjing	3,201,929.85	-	3,201,929.85	809,483.55	-	809,483.55
Yuzui Refitting factory	30,880,135.49	-	30,880,135.49	29,200,422.80	-	29,200,422.80
Car production Project Of Hefei Changan	156,409,567.96	-	156,409,567.96	2,414,375.90	-	2,414,375.90
Nanjing Welding Technological transformation project	3,351,229.28	-	3,351,229.28	16,506,412.14	-	16,506,412.14
Yubei Factory	145,173.18	-	145,173.18	107,961,718.09	-	107,961,718.09
Others	323,328,649.66	-	323,328,649.66	175,704,671.23	-	175,704,671.23
Total	3,234,173,155.52	-	3,234,173,155.52	3,821,703,830.78	-	3,821,703,830.78

(2) Significant movements of construction in progress in 2017

Project	Budget (RMB0,000)	Beginning balance	Addition	Transfer to fixed assets	The project investments' proportion of budget	Progress of construction	Source of funds	Ending balance
Mini-bus production equipment	469,453.00	332,011,471.05	904,259,078.63	238,929,932.95	58%	58%	Raised	997,340,616.73
Yuzui motor city project	550,852.00	1,670,075,876.73	921,385,775.94	2,344,240,989.79	75%	75%	Raised and issued	247,220,662.88
Car production equipment	720,457.00	68,289,153.08	557,341,566.08	459,863,478.35	21%	21%	Raised	165,767,240.81
Engine plant	819,089.00	749,552,604.51	694,207,595.61	1,102,568,930.51	77%	77%	Raised and issued	341,191,269.61
Vehicle research institution	213,052.00	119,918,357.19	353,047,362.80	71,096,147.64	62%	62%	Raised	401,869,572.35
Vehicle moulds	180,742.00	446,423,242.75	196,116,894.76	277,120,258.11	95%	95%	Raised	365,419,879.40
Plant for vehicle test project	157,122.00	16,109,878.08	22,263,068.71	32,320,058.79	85%	85%	Raised	6,052,888.00
Yubei Factory	56,223.00	107,961,718.09	47,568,382.24	155,384,927.15	28%	28%	Raised	145,173.18
Beijing vehicle construction project	524,466.53	47,364,971.59	213,262,827.72	97,026,956.73	67%	67%	Raised	163,600,842.58
Light vehicle technical transformation project of Baoding Changan Bus	80,403.00	39,361,192.09	55,351,921.20	66,319,615.55	54%	54%	Raised	28,393,497.74
Engine Base of Nanjing	19,699.00	809,483.55	4,100,655.47	1,708,209.17	37%	37%	Raised	3,201,929.85
Yuzui Refitting factory	29,977.00	29,200,422.80	5,775,934.52	4,096,221.83	27%	27%	Raised	30,880,135.49
Car production project of Hefei Changan	389,601.00	2,414,375.90	164,546,124.65	10,550,932.59	27%	27%	Raised	156,409,567.96
Nanjing Welding Technological transformation project	9,700.00	16,506,412.14	-	13,155,182.86	94%	94%	Raised	3,351,229.28
Others		175,704,671.23	512,903,762.52	365,279,784.09				323,328,649.66
Total		3,821,703,830.78	4,652,130,950.85	5,239,661,626.11				3,234,173,155.52

(2) Significant movements of construction in progress in 2016：

Project	Budget (RMB0,000)	Beginning balance	Addition	Transfer to fixed assets	The project investments' proportion of budget	Progress of construction	Source of funds	Ending balance
Mini-bus production equipment	428,190.00	90,984,573.86	356,206,869.00	115,179,971.81	42%	42%	Raised	332,011,471.05
Yuzui motor city project	497,073.82	758,263,413.23	976,444,837.79	64,632,374.29	64%	64%	Raised and issued	1,670,075,876.73
Car production equipment	653,247.00	42,051,572.59	147,262,058.25	121,024,477.76	15%	15%	Raised	68,289,153.08
Engine plant	700,500.00	1,324,035,600.35	1,061,887,637.00	1,636,370,632.84	80%	80%	Raised and issued	749,552,604.51
Vehicle research institution	262,998.00	59,928,820.28	82,722,210.01	22,732,673.10	36%	36%	Raised	119,918,357.19
Vehicle moulds	147,242.00	250,678,762.19	355,209,442.54	159,464,961.98	98%	98%	Raised	446,423,242.75
Light vehicle technical transformation project of Baoding Changan Bus	38,145.00	48,649,227.54	63,458,917.37	72,746,952.82	99%	99%	Raised	39,361,192.09
Plant for vehicle test project	157,122.00	45,137,091.95	23,181,020.97	52,208,234.84	83%	83%	Raised	16,109,878.08
Beijing vehicle construction project	467,606.53	85,977,811.61	70,501,139.19	109,113,979.21	70%	70%	Raised	47,364,971.59
Engine Base of Nanjing	19,699.00	3,543,517.10	468,910.24	3,202,943.79	35%	35%	Raised	809,483.55
Yuzui Refitting factory	29,977.00	25,998,204.34	3,202,218.46	-	22%	22%	Raised	29,200,422.80
Car production project of Hefei Changan	172,917.72	162,436,108.67	91,011,524.85	251,033,257.62	23%	23%	Raised	2,414,375.90
Nanjing Welding Technological transformation project	9,700.00	44,360,154.14	19,720,944.18	47,574,686.18	94%	94%	Raised	16,506,412.14
Yubei Factory	56,223.00	-	108,239,598.43	277,880.34	19%	19%	Raised	107,961,718.09
Others		121,829,149.07	183,729,580.58	129,854,058.42	0%	0%	Raised	175,704,671.23
Total		3,063,874,006.92	3,543,246,908.86	2,785,417,085.00				3,821,703,830.78

14. Intangible assets

Details of intangibale assets

2017

Item	Land use rights	Software use rights	Trademark use rights	Non-patent technology	Total
Original cost					
Beginning	2,355,850,569.93	400,653,507.92	211,784,400.00	2,857,526,071.81	5,825,814,549.66
Purchase	28,410,154.07	40,149,946.39	-	838,679.23	69,398,779.69
Internal research and development	-	-	-	1,261,781,067.96	1,261,781,067.96
Ending	2,384,260,724.00	440,803,454.31	211,784,400.00	4,120,145,819.00	7,156,994,397.31
Accumulated amortization					
Beginning	232,965,494.61	364,220,086.22	135,950,586.62	1,504,959,094.21	2,238,095,261.66
Accrual	48,026,307.93	32,739,013.96	17,502,880.00	549,053,083.08	647,321,284.97
Ending	280,991,802.54	396,959,100.18	153,453,466.62	2,054,012,177.29	2,885,416,546.63
Impairment provision					
Beginning	-	21,319,804.81	-	121,448,808.16	142,768,612.97
Accrual	-	-	-	80,864,108.04	80,864,108.04
Ending	-	21,319,804.81	-	202,312,916.20	223,632,721.01
Carrying amount					
Ending	2,103,268,921.46	22,524,549.32	58,330,933.38	1,863,820,725.51	4,047,945,129.67
Beginning	2,122,885,075.32	15,113,616.89	75,833,813.38	1,231,118,169.44	3,444,950,675.03

2016

Item	Land use rights	Software use rights	Trademark use rights	Non-patent technology	Total
Original cost					
Beginning	2,137,762,363.93	370,981,530.88	211,784,400.00	1,974,487,952.33	4,695,016,247.14
Purchase	218,088,206.00	29,671,977.04	-	-	247,760,183.04
Internal research and development	-	-	-	883,038,119.48	883,038,119.48
Ending	2,355,850,569.93	400,653,507.92	211,784,400.00	2,857,526,071.81	5,825,814,549.66
Accumulated amortization					
Beginning	186,841,350.16	311,958,198.25	118,447,706.48	1,116,601,226.35	1,733,848,481.24
Accrual	46,124,144.45	52,261,887.97	17,502,880.14	388,357,867.86	504,246,780.42
Ending	232,965,494.61	364,220,086.22	135,950,586.62	1,504,959,094.21	2,238,095,261.66
Impairment provision					
Beginning	-	21,319,804.81	-	96,516,218.42	117,836,023.23
Accrual	-	-	-	24,932,589.74	24,932,589.74
Ending	-	21,319,804.81	-	121,448,808.16	142,768,612.97

Carrying amount					
Ending	2,122,885,075.32	15,113,616.89	75,833,813.38	1,231,118,169.44	3,444,950,675.03
Beginning	1,950,921,013.77	37,703,527.82	93,336,693.52	761,370,507.56	2,843,331,742.67

As at 31 December 2017, the intangible assets from internal research and development account for 46.06% of total intangible assets (as at 31 December 2016: 35.74%).

As at 31 December 2017, there is no land use right with no certificate (As at 31 December 2016: Nil).

15. Development expenditure

2017

Item	Beginning balance	Addition	Deduction		Ending balance
		Internal research and development	Recognized as intangible assets	Charged to income Statement of the current year	
Automobile Development	1,111,176,453.49	1,014,802,796.47	1,261,781,067.96	27,559,853.90	836,638,328.10

2016

Item	Beginning balance	Addition	Deduction		Ending balance
		Internal research and development	Recognized as intangible assets	Charged to income Statement of the current year	
Automobile Development	1,093,462,382.64	944,747,467.22	883,038,119.48	43,995,276.89	1,111,176,453.49

16. Goodwill

2017 and 2016

Investee	Beginning balance	Addition	Deduction	Ending balance
		Business combination under common control	Disposal	
Hebei Changan Automobile Co., Ltd.	9,804,394.00	-	-	9,804,394.00
Nanjing Changan Automobile Co., Ltd.	-	-	-	-
Total	9,804,394.00	-	-	9,804,394.00

Movement of provision for goodwill is as follow:

2017 and 2016

Investee	Beginning balance	Addition	Deduction	Ending balance
		Accrual	Disposal	
Nanjing Changan Automobile Co., Ltd.	73,465,335.00	-	-	73,465,335.00

Due to the accumulated losses of Nanjing Changan Automobile Co., Ltd., provision for related goodwill has been fully accrued amounted to RMB73,465,335.00.

17. Long-term deferred expenses

2017

Item	Beginning balance	Addition	Amortization	Ending balance
Long-term deferred expenses	13,448,409.63	662,532.39	565,352.63	13,545,589.39

2016

Item	Beginning balance	Addition	Amortization	Ending balance
Long-term deferred expenses	8,028,811.27	8,191,450.04	2,771,851.68	13,448,409.63

18. Deferred tax assets and liabilities

Item	2017		2016	
Deferred tax assets：	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets provision	1,125,450,484.06	168,817,572.61	1,126,915,748.00	169,037,362.20
Accrued expenses and contingent liabilities	5,127,444,400.38	769,116,660.06	5,393,107,999.39	808,966,199.91
Unpaid tech development expense and advertisement expense	519,329,094.71	77,899,364.21	306,173,312.02	45,925,996.80
Deferred income	3,195,940,607.31	479,391,091.10	2,337,829,565.30	350,674,434.80
Unpaid salary and bonus and others	257,554,155.44	38,633,123.29	486,688,568.49	73,003,285.27
Total	10,225,718,741.90	1,533,857,811.27	9,650,715,193.20	1,447,607,278.98

Item	2017		2016	
Deferred tax liabilities：	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Available-for-sale financial assets on the changes in fair value recorded in capital reserve	141,485,000.00	21,222,750.00	230,235,000.00	34,535,250.00

Unrcognized deductible temporary differences and tax losses of unrecognized are as follows:

Item	2017	2016

The deductible temporary difference	908,825,383.95	1,043,531,482.32
The deductible tax loss	2,128,637,423.38	1,743,264,928.96
Total	3,037,462,807.33	2,786,796,411.28

Note: Due to the uncertainty of whether there will be enough taxable profit in future to utilize the above deductible loss, no deferred tax assets have been recognized accordingly.

Maturity period for unrcognized deductible tax losses:

Year	2017	2016
2017	-	284,843,562.52
2018	149,359,690.13	327,777,591.19
2019	699,253,694.79	706,542,668.17
2020	292,774,189.16	296,235,959.65
2021	104,062,642.15	127,865,147.43
2022	883,187,207.15	-
Total	2,128,637,423.38	1,743,264,928.96

19. Provision for the impairment of assets

2017

Item	Beginning	Addition	Deduction		Ending
			Reversal	Write-off	
I. Bad debt provision	35,066,408.55	9,819,230.33	4,168,398.28	530,122.61	40,187,117.99
II. Provision for inventory	202,269,452.40	101,554,330.81	18,341,152.61	115,537,923.94	169,944,706.66
III. Provision for fixed assets	1,008,178,231.28	79,979,762.31	-	207,378,084.61	880,779,908.98
IV. Provision for intangible assets	142,768,612.97	80,864,108.04	-	-	223,632,721.01
V. Provision for goodwill	73,465,335.00	-	-	-	73,465,335.00
VI. Provision for available-for-sale financial assets	-	1,809,274.00	-	-	1,809,274.00
Total	1,461,748,040.20	274,026,705.49	22,509,550.89	323,446,131.16	1,389,819,063.64

Note: Accrued provision for inventory is mainly due to the cost of some types of vehicles and engines is lower than the net realizable value.

Accrued provision for fixed assets is mainly due to the abandoned factory and impairment of machinery and moulds for the discontinued productions this year.

Accrued provision for intangible assets is mainly due to the impairment of the non-patent technology for the discontinued productions.

Accured provision for available-for-sales assets is due to the impairment of the Sichuan Glass Co., Ltd., which went bankrupt.

2016

Item	Beginning	Addition	Deduction		Ending
			Reversal	Write-off	
I. Bad debt provision	69,120,291.07	5,263,615.41	1,309,093.69	38,008,404.24	35,066,408.55

II. Provision for inventory	286,523,941.98	159,880,551.42	12,400,630.42	231,734,410.58	202,269,452.40
III. Provision for fixed assets	812,997,753.76	292,484,368.69	-	97,303,891.17	1,008,178,231.28
IV. Provision for intangible assets	117,836,023.23	24,932,589.74	-	-	142,768,612.97
V. Provision for goodwill	73,465,335.00	-	-	-	73,465,335.00
Total	1,359,943,345.04	482,561,125.26	13,709,724.11	367,046,705.99	1,461,748,040.20

20. Short-term loans

Classification of short-term loans：

Item	2017	2016
Mortgage loans	175,000,000.00	150,000,000.00
Credit loans	10,000,000.00	25,000,000.00
Total	185,000,000.00	175,000,000.00

As at 31 December 2017, the interest rates of the above loans were 4.35%-5.22% (as at 31 December 2016: 4.35%-5.44%).

As at 31 December 2017, there is no overdued short-term loan (as at 31 December 2016: Nil).

For the year ended 31 December 2017, the Group obtained short-term loan of RMB175,000,000.00 from China South Industry Group Finance Co., Ltd. The credit was secured by the land use rights amounted to RMB45,862,242.27.

For the year ended 31 December 2016, the Group obtained short-term loan of RMB150,000,000.00 and commercial acceptance bill of RMB50,000,000.00 from China South Industry Group Finance Co., Ltd. The credit was secured by the land use rights amounted to RMB27,573,761.27, buildings amounted to RMB34,815,200.25, and accounts receivable amounted to RMB585,632,645.22.

21. Notes payable

Item	2017	2016
Commercial acceptance bill	1,585,249,372.80	2,040,438,358.00
Bank acceptance bill	16,417,677,207.01	18,911,666,447.58
Total	18,002,926,579.81	20,952,104,805.58

As at 31 December 2017, there is no overdued unpaid notes payable (as at 31 December 2016: Nil)

22. Accounts payable

(1) Accounts payable

Item	2017	2016
Accounts payable	21,902,826,194.15	19,880,580,102.39

(2) As at 31 December 2017, there is no significant accounts payable aged over one year.

23. Advances from customers

(1) Advances from customers

Item	2017	2016
Advances from customers	3,878,382,556.43	6,854,337,365.01

(2) As at 31 December 2017, advances from customers of RMB182,862,326.57 aged over one year is mainly credit guarantee charged to dealers (as at 31 December 2016: RMB200,541,311.34).

24. Payroll payable

2017

Item	Beginning	Addition	Deduction	Ending
Short term salary benefits	1,778,345,189.08	5,013,582,936.94	5,224,271,838.99	1,567,656,287.03
Defined contribution plans	59,207,286.15	515,800,516.74	506,851,767.59	68,156,035.30
Early retirement benefits	2,395,000.00	5,609,000.00	2,931,000.00	5,073,000.00
Total	1,839,947,475.23	5,534,992,453.68	5,734,054,606.58	1,640,885,322.33

2016

Item	Beginning	Addition	Deduction	Ending
Short term salary benefits	1,429,426,563.28	5,297,598,085.78	4,948,679,459.98	1,778,345,189.08
Defined contribution plans	65,948,316.50	589,883,072.75	596,624,103.10	59,207,286.15
Early retirement benefits	4,239,000.00	162,754.00	2,006,754.00	2,395,000.00
Total	1,499,613,879.78	5,887,643,912.53	5,547,310,317.08	1,839,947,475.23

Short term salary benefits：

2017

Item	Beginning	Addition	Deduction	Ending
Salary, bonus, allowance and subsidy	1,422,437,552.40	4,027,904,589.37	4,242,840,934.91	1,207,501,206.86
Employee benefit	199,134,921.94	324,516,943.52	316,249,516.51	207,402,348.95
Social insurance	911,790.47	272,656,058.22	273,742,007.61	(174,158.92)
Medical insurance	80,386.21	234,753,565.07	234,274,720.98	559,230.30
Industrial injury insurance	(514,009.35)	25,238,863.73	27,821,443.67	(3,096,589.29)
Maternity insurance	1,345,413.61	12,663,629.42	11,645,842.96	2,363,200.07
Housing accumulation fund	82,224,632.32	272,664,886.79	295,667,357.84	59,222,161.27
Labor fund and employee education fund	73,636,291.95	115,840,459.04	95,772,022.12	93,704,728.87
Total	1,778,345,189.08	5,013,582,936.94	5,224,271,838.99	1,567,656,287.03

2016

Item	Beginning	Addition	Deduction	Ending
Salary, bonus, allowance and subsidy	1,106,536,422.36	4,306,054,239.92	3,990,153,109.88	1,422,437,552.40
Employee benefit	161,138,872.11	312,163,863.48	274,167,813.65	199,134,921.94
Social insurance	(6,121,466.85)	269,622,349.86	262,589,092.54	911,790.47
Medical insurance	(7,093,640.84)	240,476,817.18	233,302,790.13	80,386.21
Industrial injury insurance	(844,065.90)	15,934,140.81	15,604,084.26	(514,009.35)
Maternity insurance	1,816,239.89	13,211,391.87	13,682,218.15	1,345,413.61
Housing accumulation fund	116,439,265.39	296,922,573.42	331,137,206.49	82,224,632.32
Labor fund and employee education fund	51,433,470.27	112,835,059.10	90,632,237.42	73,636,291.95
Total	1,429,426,563.28	5,297,598,085.78	4,948,679,459.98	1,778,345,189.08

Defined contribution plans：

2017

Item	Beginning	Addition	Deduction	Ending
Basic retirement security	51,342,643.25	501,577,268.72	492,831,249.44	60,088,662.53
Unemployment insurance	7,864,642.90	14,223,248.02	14,020,518.15	8,067,372.77
Total	59,207,286.15	515,800,516.74	506,851,767.59	68,156,035.30

2016

Item	Beginning	Addition	Deduction	Ending
Basic retirement security	58,211,141.01	571,276,349.01	578,144,846.77	51,342,643.25
Unemployment insurance	7,737,175.49	18,606,723.74	18,479,256.33	7,864,642.90
Total	65,948,316.50	589,883,072.75	596,624,103.10	59,207,286.15

The salary, bonus, allowance and subsidy, employee benefits and other social insurances mentioned above are paid in time according to related laws and regulations and sets of the Group.

25. Taxes payable

Item	2017	2016
Value-added tax	20,724,979.91	61,599,556.40
Consumption tax	315,331,520.62	331,988,223.84
Corporate income tax	(5,866,525.85)	117,965,863.43
Individual Income tax	3,496,728.45	3,009,136.60
City maintenance and construction tax	27,566,226.75	17,543,881.51

Education surcharge	20,798,543.86	15,117,014.02
Others	12,269,923.40	8,457,813.36
Total	394,321,397.14	555,681,489.16

26. Interest payable

Item	2017	2016
Corporate bonds interest	-	73,458,000.00

27. Dividend payable

Item	2017	2016
Dividend payable – Hebei Changan minority interests	79,742.80	79,742.80

28. Other payables

Item	2017	2016
Deposits of dealer and supplier	64,938,552.00	62,903,407.42
Mainteniance fees	166,703,421.92	192,922,034.17
Sales rewards	23,159,476.00	34,504,273.00
Advertisement fees	322,762,545.86	362,870,963.91
Warehousing and transport fees	169,100,711.73	102,452,830.88
Integrated service charges and miscellaneous expenses	140,284,047.51	144,749,843.68
Project funds	1,499,489,207.73	406,491,895.86
Others	212,575,448.23	142,133,347.05
Total	2,599,013,410.98	1,449,028,595.97

29. Contingent liabilities

2017

Item	Beginning	Addition	Deduction	Ending
Warranty	2,010,153,951.87	941,896,851.28	528,092,528.45	2,423,958,274.70

2016

Item	Beginning	Addition	Deduction	Ending
Warranty	1,641,676,220.15	963,436,544.44	594,958,812.72	2,010,153,951.87

Note: Warranty is the estimated repair expenses for the sold vehicles within warranty period.

30. Other current liabilities

Item	2017	2016
Accrued utilities	59,634,137.49	38,792,016.31

Accrued transportation fee	540,328,536.56	640,217,259.02
Accrued labor service fee	55,133,842.44	59,225,911.17
Accrued technology royalty	164,331,878.15	90,722,615.32
Accrued commercial discount payable	1,928,754,888.23	2,949,334,782.23
Accrued market development expense	578,090,324.55	337,366,127.19
Accrued lease fee	96,417,863.95	24,218,943.95
Accrued counsulting fee	45,510,193.20	18,177,226.70
Others	93,952,981.25	53,515,316.99
Total	3,562,154,645.82	4,211,570,198.88

31. Current portion of non-current liabilities

Item	2017	2016
Corporate bonds within 1 year(Note)	-	1,979,020,519.81
Long-term loan within 1 year(NoteV.32)	13,151,946.67	13,320,608.00
Total	13,151,946.67	1,992,341,127.81

Note: With approval of circular Zheng Jian Xu Ke [2012] No. 388 issued by China Securities Regulatory Commission, the Company issued bonds with the face value of RMB1,980,000,000.00 to the public. The face interest rate is fixed at 5.30% and the interests shall be repaid annually on 23 April each year. The final redemption date is 23 April 2017. After the deduction of issuance costs amounted to RMB19,589,600.00, the Company raised RMB1,960,410,400.00 totally. The bond was guaranteed by China Changan unconditionally and irrevocably, and was repaid on due.

Bonds payable is measured at amortized cost using the effective interest.

As at 31 December 2017, movement of bonds payables is as follows:

	Beginning	Accrued interest	Amortization	Paid principal/ interest	Ending
Bonds payable	1,979,020,519.81	-	979,480.19	1,980,000,000.00	-
Interest payable	73,458,000.00	31,482,000.00	-	104,940,000.00	-

As at 31 December 2016, movement of bonds payables is as follows:

	Beginning	Accrued interest	Amortization	Paid principal/ interest	Ending
Bonds payable	1,975,102,599.85	-	3,917,919.96	-	1,979,020,519.81
Interest payable	73,458,000.00	104,940,000.00	-	104,940,000.00	73,458,000.00

32. Long-term Loan

Item	2017	2016
Credit loan	19,727,920.00	33,301,520.00
Deduction: Loan within 1 year	(13,151,946.67)	(13,320,608.00)

Total	6,575,973.33	19,980,912.00

As at 31 December 2017, the interest rates of the alove loans were 3.044% (as at 31 December 2016: 3.044%.

As at 31 December 2017, there is no overdued long-term loans (as at 31 December 2016: Nil).

33. Long-term payroll payable

Item	2017	2016
Net obligation of defined benefit plan	100,782,000.00	96,591,000.00
Early retirement	12,230,000.00	8,541,000.00
Total	113,012,000.00	105,132,000.00

In addition to basic retirement security and unemployment insurance, which are managed by local government, the Group offers different kinds of overall pension and annual compensation to some retired employees until their death. The group provides subsidies to former military personnel who participated in specific wars and offers large medical treatment insurance for all retired personnel. The group also offered early-retired salary, social insurances and housing accumulation fund with different standards until their formal retirement (Male: Age 60; Female: Age 50 or 55). These amounts of social insurances and housing accumulation fund are based on cost base and statutory proportion.

The present value of the defined benefits planis is valued by expected cumulative welfare units determination, which was ensured by Mercer, a member of Acturial Society of Hongkong as at 31 December 2017.

As at balance sheet day, key actuarial assumptions are as follows:

	2017	2016
Discount rate		
Retirement Staff	4.1%-4.2%	3.3%-3.5%
Early retirement staff	3.8%-3.9%	2.7%-3.0%
Retirement age		
Male	60	60
Female	50/55	50/55
Increase rate of key benefits		
Retired employees	0.0%-6.0%	0.0%-6.0%
Early retired employees	0.0%-4.0%	0.0%-4.0%

The future mortality rate is based on China experience life table of life insurance (2000-2003) "CL (2000-2003)", the table is a public statistics in PRC.

The sensitive analyses of key assumption are as follows:

2017

	Increase %	Increase/(Decrease) in the obligation of defined benefits plan	Decrease %	Increase/(Decrease) in the obligation of defined benefits plan
Discount rate	0.5%	(6,270,000.00)	0.5%	6,672,000.00
Increase rate of key benefits	0.5%	6,615,000.00	0.5%	(6,281,000.00)
Mortality rate	5%	(1,955,000.00)	5%	1,839,000.00

2016

	Increase %	Increase/(Decrease) in the obligation of defined benefits plan	Decrease %	Increase/(Decrease) in the obligation of defined benefits plan
Discount rate	0.5%	(6,280,000.00)	0.5%	6,330,000.00
Increase rate of key benefits	0.5%	6,300,000.00	0.5%	(6,240,000.00)
Mortality rate	5%	(2,138,000.00)	5%	2,139,000.00

The sensitive analysis above is based on the deduction to reasonable change of key assumption as at the balance sheet date. Sensitive analysis is resulted from fluctuation of main assumptions with other assumptions unchanged. As all assumptions are not isolated from each other, sensitive analysis shall not represent actual result of obligation of defined benefits plan.

The related costs of the defined benefit plan charged to income statement are as follows：

	2017	2016
Service costs- current period	41,000.00	52,000.00
Service costs- prior period	-	302,000.00
Net interest	3,266,000.00	3,005,000.00
Post employment benefits, net	3,307,000.00	3,359,000.00
Recorded in general administrative expenses	3,307,000.00	3,359,000.00

Movement of present value of defined benefits plan is as follows:

	Defined Benefit Plan Obligation	
	2017	2016
Beginning balance	96,591,000.00	93,775,000.00
Charged to income Statement of the current period		
Service costs- current period	41,000.00	52,000.00
Service costs- prior period	-	302,000.00
Interest expense, net	3,266,000.00	3,005,000.00
Actuarial losses charged to other comprehensive income	6,201,000.00	4,676,000.00
Benefits Payment	(5,317,000.00)	(5,219,000.00)
Ending balance	100,782,000.00	96,591,000.00

34. Special payables

2017

Item	Beginning	Addition	Deduction	Ending
Project 863	2,603,472.95	-	-	2,603,472.95
Test on key technology of hybrid electric vehicles	1,412,205.57	-	65,540.00	1,346,665.57
New vehicle product	5,821,883.01	6,820,000.00	4,833,556.43	7,808,326.58
Automobile product chain sharing platform	5,890,973.75	-	1,340,000.00	4,550,973.75
Gasoline Engine Development	1,640,515.05	564,600.00	751,571.90	1,453,543.15

Changan automobile E class Gasoline engine cylinder block, cylinder head production line project	60,347,217.64	8,190,000.00	1,056,970.69	67,480,246.95
Land relocation compensation	55,350,709.40	-	-	55,350,709.40
Automotive order to delivery system project	2,832,689.00	-	1,382,425.89	1,450,263.11
Industrialization of patented technologies	1,879,318.52	240,000.00	1,457,021.54	662,296.98
Vehicle network intelligent information terminal middleware key technologies research and application	1,858,453.43	2,150,000.00	2,548,400.48	1,460,052.95
Development and industrialization of C206 pure electric cars	(32,666,228.71)	120,000,000.00	72,751,490.71	14,582,280.58
System development of electromagnetic compatibility of key accessories on electric cars	5,131,308.66	400,000.00	4,197,271.11	1,334,037.55
Intalligent manufacturIng project	61,526,291.76	1,683,000.00	17,754,134.36	45,455,157.40
Lightweight design of automobile structure	30,075,234.45	54,150,000.00	20,660,529.25	63,564,705.20
Technology of All regional platform development	-	1,000,000.00	-	1,000,000.00
Standardization of LTE-V wireless transmission technology and Development and validation of prototype	-	3,895,400.00	1,308,859.25	2,586,540.75
Development and demonstration of high performance magnesium alloys	-	1,605,000.00	103,841.48	1,501,158.52
Research and application of integrated control integration technology in intelligent cockpit system of automobile industry	-	3,145,200.00	-	3,145,200.00
Others	13,793,496.32	3,930,580.00	4,452,556.69	13,271,519.63
Total	217,497,540.80	207,773,780.00	134,664,169.78	290,607,151.02

2016

Item	Beginning	Addition	Deduction	Ending
Project 863	2,627,172.95	-	23,700.00	2,603,472.95
Test on key technology of hybrid electric vehicles	2,324,391.07	-	912,185.50	1,412,205.57
New vehicle product	6,663,072.47	-	841,189.46	5,821,883.01
Automobile product chain sharing platform	6,530,459.44	-	639,485.69	5,890,973.75
Gasoline Engine Development	2,033,834.26	160,000.00	553,319.21	1,640,515.05
Development and industrialization of the embedded software platform for automotive electronic controllers	263,547.70	-	-	263,547.70
Changan automobile E class Gasoline engine cylinder block, cylinder head production line project	60,357,617.64	-	10,400.00	60,347,217.64
Land relocation compensation	55,350,709.40	-	-	55,350,709.40
Project 973	161,820.82	-	-	161,820.82
Automotive order to delivery system project	3,175,689.00	1,790,000.00	2,133,000.00	2,832,689.00

Industrialization of patented technologies	8,670,532.59	-	6,791,214.07	1,879,318.52
Vehicle network intelligent information terminal middleware key technologies research and application	(237,413.99)	2,580,000.00	484,132.58	1,858,453.43
Development and industrialization of C206 pure electric cars	(28,922,057.58)	-	3,744,171.13	(32,666,228.71)
System development of electromagnetic compatibility of key accessories on electric cars	3,120,683.25	2,338,500.00	327,874.59	5,131,308.66
Intalligent manufacturIng project	29,912,733.30	45,000,000.00	13,386,441.54	61,526,291.76
Lightweight design of automobile structure	(94,602.64)	49,300,000.00	19,130,162.91	30,075,234.45
Others	12,183,590.37	4,604,600.00	3,420,062.57	13,368,127.80
Total	164,121,780.05	105,773,100.00	52,397,339.25	217,497,540.80

35. Deferred income

2017

Item	Beginning	Addition	Deduction	Ending
Government grants related to assets	2,762,931,782.46	246,106,000.00	183,952,296.38	2,825,085,486.08
Government grants related to gains	-	900,000,000.00	145,951,754.64	754,048,245.36
Others	22,953,843.91	25,729,843.70	-	48,683,687.61
Total	2,785,885,626.37	1,171,835,843.70	329,904,051.02	3,627,817,419.05

2016

Item	Beginning	Addition	Deduction	Ending
Government grants related to assets	2,662,177,255.96	280,035,500.00	179,280,973.50	2,762,931,782.46
Others	4,366,152.86	18,587,691.05	-	22,953,843.91
Total	2,666,543,408.82	298,623,191.05	179,280,973.50	2,785,885,626.37

As at 31 December 2017, details of liabilities related to government grants are as follows:

Item	Beginning	Addition	Recorded to non-operating income	Ending	Relates to asset/gain
Funds for Beijing Changan project	1,082,156,856.13	155,540,000.00	35,654,140.96	1,202,042,715.17	Relates to asset
Subsidies for the automobile comprehensive testing ground project	516,102,750.02	-	28,199,166.75	487,903,583.27	Relates to asset
Subsidies for the construction of Hefei new plants	375,527,109.56	-	46,757,429.50	328,769,680.06	Relates to asset
Funds for Yuzui motor city project	244,397,959.12	-	5,683,673.52	238,714,285.60	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	141,980,628.51	-	6,820,018.49	135,160,610.02	Relates to asset
Engine production restructure program	100,000,000.00	-	-	100,000,000.00	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	108,619,861.17	-	15,965,833.29	92,654,027.88	Relates to asset
Expansion of production capacity project	46,819,725.17	-	4,686,606.83	42,133,118.34	Relates to asset
Funds for H series engine	42,666,666.72	-	5,333,333.32	37,333,333.40	Relates to asset
New energy subsidy	-	40,845,000.00	13,106,750.00	27,738,250.00	Relates to asset
Changan service platform project of	-	25,000,000.00	-	25,000,000.00	Relates to asset

Whole industry chain					
Funds for expansion of production capacity of auto mold	16,839,333.32	-	580,666.68	16,258,666.64	Relates to asset
Funds for technology innovation	16,150,000.00	-	-	16,150,000.00	Relates to asset
Subsidies for the construction of Hebei new plant	17,220,000.00	-	2,735,000.00	14,485,000.00	Relates to asset
Premium rebate from Dingzhou local bureau of finance	10,682,802.07	-	218,016.36	10,464,785.71	Relates to asset
New industrialization subsidy funds	16,282,876.64	-	7,245,839.60	9,037,037.04	Relates to asset
Subsidies for engine produce base of Nanjing Changan	9,181,349.74	-	198,873.96	8,982,475.78	Relates to asset
Government return of land of engine	-	6,861,000.00	148,613.76	6,712,386.24	Relates to asset
Changan Yuzui infrastructure subsidy	5,380,000.00	-	-	5,380,000.00	Relates to asset
Funds for the project of Ministry of Industry and Information Technology	5,000,000.00	-	-	5,000,000.00	Relates to asset
Development and industrial application of high-effective and clean turbochargeddirect injection gasoline engine	4,484,419.91	-	-	4,484,419.91	Relates to asset
Special fund subsidy of R101	-	4,000,000.00	199,444.44	3,800,555.56	Relates to asset
Upgrading subsidies for intelligent equipment in emerging industries	-	3,860,000.00	65,555.55	3,794,444.45	Relates to asset
Hebei M201 bus production plant project	3,194,444.45	-	333,333.33	2,861,111.12	Relates to asset
Coal boiler retrofit project	244,999.93	-	20,000.04	224,999.89	Relates to asset
Subsidy of Technical transformation of V7 production line	-	10,000,000.00	10,000,000.00	-	Relates to asset
Subtotal	2,762,931,782.46	246,106,000.00	183,952,296.38	2,825,085,486.08	
Subsidy of Nanjing new energy research and development	-	600,000,000.00	-	600,000,000.00	Relates to gains
Research and development fund subsidy of Hefei Changan	-	300,000,000.00	145,951,754.64	154,048,245.36	Relates to gains
Subtotal	-	900,000,000.00	145,951,754.64	754,048,245.36	
Total	2,762,931,782.46	1,146,106,000.00	329,904,051.02	3,579,133,731.44	

As at 31 December 2016, details of liability related to government grants are as follows：

Item	Beginning	Addition	Recorded to non-operating income	Ending	Relates to asset/gain
Subsidies for the automobile comprehensive testing ground project	544,301,916.66	-	28,199,166.64	516,102,750.02	Relates to asset
Funds for Yuzui motor city project	250,081,632.64	-	5,683,673.52	244,397,959.12	Relates to asset
Funds for Beijing Changan project	1,065,749,966.56	50,000,000.00	33,593,110.43	1,082,156,856.13	Relates to asset
Funds for technology innovation	16,150,000.00	-	-	16,150,000.00	Relates to asset
Funds for expansion of production capacity of auto mold	17,420,000.00	-	580,666.68	16,839,333.32	Relates to asset
Funds for H series engine	48,000,000.05	-	5,333,333.33	42,666,666.72	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	124,585,694.48	-	15,965,833.31	108,619,861.17	Relates to asset
Expansion of production capacity project	51,506,332.01	-	4,686,606.84	46,819,725.17	Relates to asset
Subsidies for the construction of Hebei new plant	19,960,000.00	-	2,740,000.00	17,220,000.00	Relates to asset
Funds for the project of Ministry of Industry and Information Technology	5,000,000.00	-	-	5,000,000.00	Relates to asset
Subsidies for engine produce base of Nanjing Changan	9,380,223.70	-	198,873.96	9,181,349.74	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	148,800,647.00	-	6,820,018.49	141,980,628.51	Relates to asset
Subsidies for the construction of Hefei new plants	210,200,213.38	210,741,400.00	45,414,503.82	375,527,109.56	Relates to asset
Premium rebate from Dingzhou local bureau of finance	10,900,818.41	-	218,016.34	10,682,802.07	Relates to asset
Hebei M201 bus production plant project	3,527,777.78	-	333,333.33	3,194,444.45	Relates to asset
Producitization of automobile lightweight components	15,278,642.84	-	15,278,642.84	-	Relates to asset

Development and industrial application of high-effective and clean turbochargeddirect injection gasoline engine	11,347,874.15	-	6,863,454.24	4,484,419.91	Relates to asset
Development and industrial application of the intelligent vehicle terminal with Beidou compatible GPS	4,340,516.34	-	4,340,516.34	-	Relates to asset
Engine production restructure program	100,000,000.00	-	-	100,000,000.00	Relates to asset
Changan Yuzui infrastructure subsidy	5,380,000.00	-	-	5,380,000.00	Relates to asset
Coal boiler retrofit project	264,999.96	-	20,000.03	244,999.93	Relates to asset
New industrialization subsidy funds	-	19,294,100.00	3,011,223.36	16,282,876.64	Relates to asset
Total	2,662,177,255.96	280,035,500.00	179,280,973.50	2,762,931,782.46	

36. Share capital

2017

			Movement					
		31 December 2016	Issuance of shares	Stock dividend	Transfer of reserve to common shares	Others	Sub-total	31 December 2017
I.	**Restricted shares**							
1	State-owned shares	-	-	-	-	-	-	-
2	Shares held by state-owned legal persons	139,762,403	-	-	-	-	-	139,762,403
3	Other domestic shares	-	-	-	-	-	-	-
	Including:		-	-	-	-	-	
	Shares held by non-state-owned legal persons	-	-	-	-	-	-	-
	Shares held by domestic natural person	18,900	-	-	-	-	-	18,900
4	Foreign Shares	-	-	-	-	-	-	-
	Including:							
	Shares held by foreign legal persons	-	-	-	-	-	-	-
	Shares held by foreign natural persons	-	-	-	-	-	-	-
Total of restricted shares		139,781,303	-	-	-	-	-	139,781,303
II.	**Unrestricted shares**							
1	RMB ordinary shares	3,760,881,066	-	-	-	-	-	3,760,881,066
2	Foreign-funded shares listed domestically	901,986,142	-	-	-	-	-	901,986,142
3	Foreign-funded shares listed overseas	-	-	-	-	-	-	-
4	Others	-	-	-	-	-	-	-
Total of unrestricted shares		4,662,867,208						4,662,867,208
III.	**Total shares**	4,802,648,511						4,802,648,511

36. Share capital (continued)

2016

			Movement					
		31 December 2015	Issuance of shares	Stock dividend	Transfer of reserve to common shares	Others	Sub-total	31 December 2016
I.	**Restricted shares**							
1	State-owned shares	-	-	-	-	-	-	-
2	Shares held by state-owned legal persons	373,358,342	139,762,403	-	-	(373,358,342)	(233,595,939)	139,762,403
3	Other domestic shares	-	-	-	-	-	-	-
	Including:							
	Shares held by non-state-owned legal persons	-	-	-	-	-	-	-
	Shares held by domestic natural person	18,900	-	-	-	-	-	18,900
4	Foreign Shares	-	-	-	-	-	-	-
	Including:							
	Shares held by foreign legal persons	-	-	-	-	-	-	-
	Shares held by foreign natural persons	-	-	-	-	-	-	-
Total of restricted shares		373,377,242	139,762,403	-	-	(373,358,342)	(233,595,939)	139,781,303
II.	**Unrestricted shares**							
1	RMB ordinary shares	3,387,522,724	-	-	-	373,358,342	373,358,342	3,760,881,066
2	Foreign-funded shares listed domestically	901,986,142	-	-	-	-	-	901,986,142
3	Foreign-funded shares listed overseas	-	-	-	-	-	-	-
4	Others	-	-	-	-	-	-	-
Total of unrestricted shares		4,289,508,866	-	-	-	373,358,342	373,358,342	4,662,867,208
III.	**Total shares**	4,662,886,108	139,762,403	-	-	-	139,762,403	4,802,648,511

37. Capital reserves

2017

Item	Beginning	Addition	Deduction	Ending
Share premium	4,969,218,884.37	-	-	4,969,218,884.37
Share-based payment	13,715,900.00	18,981,100.00	-	32,697,000.00
Capital reserve transferred arising from the old standards	44,496,899.00	-	-	44,496,899.00
Restricted capital reserve of equity investments	17,015,985.20	-	-	17,015,985.20
Others(Note)	40,853,863.98	8,735,954.84	13,612,630.45	35,977,188.37
Total	5,085,301,532.55	27,717,054.84	13,612,630.45	5,099,405,956.94

2016

Item	Beginning	Addition	Deduction	Ending
Share premium	3,125,122,572.65	1,844,096,311.72	-	4,969,218,884.37
Share-based payment	-	13,715,900.00	-	13,715,900.00
Capital reserve transferred arising from the old standards	44,496,899.00	-	-	44,496,899.00
Restricted capital reserve of equity investments	17,015,985.20	-	-	17,015,985.20
Others	40,853,863.98	-	-	40,853,863.98
Total	3,227,489,320.83	1,857,812,211.72	-	5,085,301,532.55

Note: In 2017, the addition of other capital reserve is due to the pickup of change in capital reserve of Changan Auto Finance Co.,Ltd amounted to RMB8,735,954.84. The deduction of other capital reserve is due to the acquisition of 5% shares of Chongqing Changan International Automobile Sales Co., Ltd. from Changan Industries Group Co. Ltd., which is controlled by the same ultimate holding company, amounted to RMB13,612,630.45.

38. Other comprehensive income

Accumulated other comprehensive income in balance sheet attributable to parent company is as follows:

	1 January 2016	Movement	31 December 2016	Movement	31 December 2017
Change in net liability or assest from defined benefit plan	3,512,000.00	4,676,000.00	8,188,000.00	6,201,000.00	14,389,000.00
Comprehensive income which can not be reclassified into profit and loss under equity method	(966,718.09)	(166,479.23)	(1,133,197.32)	(248,641.80)	(1,381,839.12)
Fair value change generated from available for sale financial assets	279,284,499.99	(83,584,750.00)	195,699,749.99	(75,437,500.00)	120,262,249.99
Foreign currency translation difference	(39,718,937.36)	(21,554,707.08)	(61,273,644.44)	10,963,657.41	(50,309,987.03)
Total	242,110,844.54	(100,629,936.31)	141,480,908.23	(58,521,484.39)	82,959,423.84

Current occurance amount of other comprehensive income in income statement attributable to parent company:

2017

	Amount before tax	Deduct: amounts transferred to income statement which were recoginzed in other comprehensive income in prior period	Deduct:Income tax	Amount attributable to owners	Amount attributable to minority interests
Other comprehensive income not to be reclassified to profit or loss in subsequent period					
Change in net liability or assest from defined benefit plan	6,201,000.00	-	-	6,201,000.00	-
Comprehensive income which can not be reclassified into profit and loss under equity method	(248,641.80)	-	-	(248,641.80)	-
Subtotal	5,952,358.20	-	-	5,952,358.20	-
Other comprehensive income will be reclassified to profit or loss in subsequent period					
Fair value change of available for sale financial assets	(88,750,000.00)	-	(13,312,500.00)	(75,437,500.00)	-
Foreign currency translation difference	10,963,657.41	-	-	10,963,657.41	-
Subtotal	(77,786,342.59)	-	(13,312,500.00)	(64,473,842.59)	-
Total	(71,833,984.39)	-	(13,312,500.00)	(58,521,484.39)	-

2016

	Amount before tax	Deduct: amounts transferred to income statement which were recoginzed in other comprehensive income in prior period	Deduct:Income tax	Amount attributable to owners	Amount attributable to minority interests
Other comprehensive income not to be reclassified to profit or loss in subsequent period					
Change in net liability or assest from defined benefit plan	4,676,000.00	-	-	4,676,000.00	-
Comprehensive income which can not be reclassified into profit and loss under equity method	(166,479.23)	-	-	(166,479.23)	-
Subtotal	4,509,520.77	-	-	4,509,520.77	-
Other comprehensive income will be reclassified to profit or loss in subsequent period					
Fair value change of available for sale financial assets	(98,335,000.00)	-	(14,750,250.00)	(83,584,750.00)	-
Foreign currency translation difference	(21,554,707.08)	-	-	(21,554,707.08)	-
Subtotal	(119,889,707.08)	-	(14,750,250.00)	(105,139,457.08)	-
Total	(115,380,186.31)	-	(14,750,250.00)	(100,629,936.31)	-

39. Special reserves

2017

Item	Beginning	Addition	Deduction	Ending
Safety fund	16,349,485.65	69,130,921.26	57,200,673.85	28,279,733.06

2016

Item	Beginning	Addition	Deduction	Ending
Safety fund	22,036,479.54	83,471,643.34	89,158,637.23	16,349,485.65

The Group accrued safety fund according to the circular of <the Guidance of Safety Fund Accual and Usage> (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the State Administration of work safety on 14 February 2012.

40. Surplus reserves

2017

Item	Beginning	Addition	Deduction	Ending
Statutory surplus	2,401,324,255.50	-	-	2,401,324,255.50

2016

Item	Beginning	Addition	Deduction	Ending
Statutory surplus	2,331,443,054.00	69,881,201.50	-	2,401,324,255.50

The Company appropriated statutory surplus reserves based on profit after tax. When statutory surplus reserves account for 50% of paid-in capital, no further surplus reserve will be appropriated.

41. Retained earnings

Item	2017	2016
Retained earnings at beginning of the year	31,126,707,710.94	23,899,223,263.45
Add: Profits attributable to parent company for the current year	7,137,234,723.47	10,285,284,120.57
Less: Appropriation to statutory surplus reserves	-	(69,881,201.50)
Less: Ordinary share dividend of cash	(3,079,869,372.47)	(2,987,918,471.58)
Retained earnings at the end of year	35,184,073,061.94	31,126,707,710.94

According to the resolution of the 30th meeting of the seventh session of the Board of Directors, the profit distribution plan of 2017 is as follows: on the base of the existing share capital of 4,802,648,511 shares, the Group will issue cash dividends of RMB4.46 per 10 shares, RMB 2,141,981,235.91 in total (tax included). This profit distribution plan should be approved by the annual general meeting.

42. Operating revenue and cost

(1) Operating revenue and cost

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Main business	78,501,538,830.04	68,427,473,075.45	77,542,340,592.35	63,693,696,179.47
Other business	1,510,666,352.33	935,559,665.40	1,000,101,164.84	793,909,729.11
Total	80,012,205,182.37	69,363,032,740.85	78,542,441,757.19	64,487,605,908.58

(2) Operating revenue listed as follows:

Item	2017	2016
Sale of goods	79,980,063,484.58	78,506,025,516.77
Outsourcing processing	32,141,697.79	36,416,240.42
Total	80,012,205,182.37	78,542,441,757.19

43. Tax and surcharges

Item	2017	2016
Consumption tax	2,408,112,724.61	2,874,356,589.50
City maintenance and construction tax	264,492,830.21	364,924,745.16
Educational surcharge	201,515,531.59	269,828,642.30
Others	199,901,923.01	120,509,063.97
Total	3,074,023,009.42	3,629,619,040.93

44. Operating expenses

Item	2017	2016
Payroll and welfare	306,321,124.09	325,742,448.77
Promotion and advertisement fee	365,811,339.53	2,066,751,277.81
Transportation expenses	2,093,762,247.10	2,144,357,371.63
Travelling expenses	87,609,625.71	79,542,362.17
Package expenses	22,441,698.92	16,389,134.58
Administrative expenses	22,468,514.60	17,496,915.23
Selling service fee	886,373,255.71	544,689,424.65
Consulting fee	66,038,123.17	14,148,510.49
Training fee	77,532,792.04	35,192,458.39
Others	49,766,138.78	49,434,796.91
Total	3,978,124,859.65	5,293,744,700.63

45. General and administrative expenses

Item	2017	2016
Payroll and welfare	1,211,108,800.21	1,604,552,623.54
Technology research expenses	2,616,651,435.07	2,257,769,157.44
Administrative expenses	237,923,264.06	263,382,701.10
Depreciation and amortization	747,392,544.90	608,414,749.54
Miscellaneous service charges	178,864,213.05	77,122,898.53
Tax fee	-	110,102,918.29
Traffic expenses	68,944,235.42	57,142,203.37
Travelling expenses	44,956,439.22	32,078,342.44
Entertainment expenses	3,774,067.11	3,814,801.49
Others	170,681,494.48	114,475,989.44
Total	5,280,296,493.52	5,128,856,385.18

46. Financial income

Item	2017	2016

Interest income	609,804,833.96	409,583,961.44
Less: Foreign exchange gain or loss	7,812,127.89	(39,782,187.89)
Interest expense	48,334,684.86	122,341,936.68
Others	28,684,060.19	21,633,297.36
Total	524,973,961.02	305,390,915.29

47. Impairment loss on assets

Item	2017	2016
I. Bad debt loss	5,650,832.05	3,954,521.72
II. Impairment of inventory	83,213,178.20	147,479,921.00
III. Impairment of fixed assets	79,979,762.31	292,484,368.69
IV. Impairment of intangible assets	80,864,108.04	24,932,589.74
V. Impairment of available-for-sale financial assets	1,809,274.00	-
Total	251,517,154.60	468,851,401.15

48. Investment income

Item	2017	2016
Long-term equity investment income under equity method	6,854,896,911.97	9,563,723,801.40
Investment income generated by disposition of long-term equity investment	1,063,780.80	-
Investment income during holding period from available-for-sale financial assets	50,364,239.43	55,292,453.17
Total	6,906,324,932.20	9,619,016,254.57

49. Gain on disposal of assets

Item	2017	2016	Amount recognized in 2017 as non-recurring profit and loss
Gain on disposal of fixed-assets (losses”-“)	(42,423,660.98)	(26,176,073.44)	(42,423,660.98)
Gain on disposal of Intangible assets	84,198,113.21	-	84,198,113.21
Total	41,774,452.23	(26,176,073.44)	41,774,452.23

50. Other income

Item	2017	2016	Amount recognized in 2017 as non-recurring profit and loss
Other income	1,613,343,216.59	-	1,613,343,216.59

50. Other income (continued)

Government grants recognized as current income are as follows:

Item	2017	Relates to asset/gain
Subsidies for the construction of Hefei new plants	46,757,429.50	Relates to asset
Funds for Beijing Changan project	35,654,140.96	Relates to asset
Comprehensive testing field program	28,199,166.75	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	15,965,833.29	Relates to asset
New energy subsidy	13,106,750.00	Relates to asset
Subsidy of Technical transformation of V7 production line	10,000,000.00	Relates to asset
New industrialization subsidy funds	7,245,839.60	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	6,820,018.49	Relates to asset
Funds for Yuzui motor city project	5,683,673.52	Relates to asset
Funds for H series engine	5,333,333.32	Relates to asset
Expansion of production capacity project	4,686,606.83	Relates to asset
Subsidies for the construction of Hebei new plant	2,735,000.00	Relates to asset
finance fund for Automobile mold expansion technology project	580,666.68	Relates to asset
Production line remodeling project	333,333.33	Relates to asset
Premium rebate from Dingzhou local bureau of finance	218,016.36	Relates to asset
Funds for the project of Ministry of Industry and Information Technology	198,873.96	Relates to asset
Special fund subsidy of R101	199,444.44	Relates to asset
Government return of land of engine	148,613.76	Relates to asset
Upgrading subsidies for intelligent equipment in emerging industries	65,555.55	Relates to asset
Coal boiler retrofit project	20,000.04	Relates to asset
Subtotal	183,952,296.38	
Nanjing Changan R & D funding subsidies	500,000,000.00	Relates to gain
Hefei Changan R & D funding subsidies	325,951,754.63	Relates to gain
Government grants for technology research expenses	208,010,700.00	Relates to gain
New product subsidy	128,049,000.00	Relates to gain
Enterprise development fund	131,864,400.00	Relates to gain
Energy saving subsidies	43,889,509.96	Relates to gain
Subsidies and rewards for career training	28,645,153.77	Relates to gain
Others	62,980,401.85	Relates to gain
Subtotal	1,429,390,920.21	Relates to gain
Total	1,613,343,216.59	

Note: Refer to Note III 32, In accordance with the circular of issuing the revised Accounting Standard for Business Enterprises No. 16 — Government Grants (Cai Kuai [2017] No.15) , from 1 January 2017, the Group presented the government grants related to daily operation in the account of "other income" instead of recording the government grants in the account of “non-operating income”.

51. Non-operating income

Item	2017	2016	Amount recognized in 2017 as non-recurring profit and loss
Government grants	-	864,258,952.35	-
Fines, penalties and others	104,330,128.12	111,202,001.41	104,330,128.12
Total	104,330,128.12	975,460,953.76	104,330,128.12

Government grants are as follows:

Item	2016	Relates to asset/gain
Subsidies for the construction of Hefei new plants	45,414,503.82	Relates to asset
Funds for Beijing Changan project	33,593,110.43	Relates to asset
Comprehensive testing field program	28,199,166.64	Relates to asset
Industry upgrading project for small displacement engine and technological transformation project for CB type engine production line	15,965,833.31	Relates to asset
Producitization of automobile lightweight components	15,278,642.84	Relates to asset
Development and industrial application of high-effective and clean turbochargeddirect injection gasoline engine	6,863,454.24	Relates to asset
Light vehicle technical transformation project of Baoding Changan Bus	6,820,018.49	Relates to asset
Funds for Yuzui motor city project	5,683,673.52	Relates to asset
Funds for H series engine	5,333,333.33	Relates to asset
Expansion of production capacity project	4,686,606.84	Relates to asset
Development and industrial application of the intelligent vehicle terminal with Beidou compatible GPS	4,340,516.34	Relates to asset
New industrialization subsidy funds	3,011,223.36	Relates to asset
Subsidies for the construction of Hebei new plant	2,740,000.00	Relates to asset
finance fund for Automobile mold expansion technology project	580,666.68	Relates to asset
Production line remodeling project	333,333.33	Relates to asset
Premium rebate from Dingzhou local bureau of finance	218,016.34	Relates to asset
Funds for the project of Ministry of Industry and Information Technology	198,873.96	Relates to asset
Coal boiler retrofit project	20,000.03	Relates to asset
Subtotal	179,280,973.50	
Hefei Changan R & D funding subsidies	360,000,000.00	Relates to gain
Government grants for technology research expenses	100,300,000.00	Relates to gain
Enterprise development fund	63,477,200.00	Relates to gain
New product subsidy	50,000,000.00	Relates to gain
Production subsidy bonus	26,100,000.00	Relates to gain
Tax return	22,890,000.00	Relates to gain
Subsidies and rewards for career training	22,433,695.46	Relates to gain
Employment allowance	6,000,000.00	Relates to gain
Energy saving subsidies	380,000.00	Relates to gain
Development fund for energy saving demonstration program	100,000.00	Relates to gain
Others	33,297,083.39	Relates to gain
Subtotal	684,977,978.85	
Total	864,258,952.35	

52. Non-operating expenses

Item	2017	2016	Amount recognized in 2017 as non-recurring profit and loss
Donation	31,310,130.00	28,925,237.53	31,310,130.00
Vehicle premium	214,986.42	5,518,650.03	214,986.42
Fines and penalties	9,370,376.77	18,290,396.10	9,370,376.77
Others	34,172,564.09	4,897,306.99	34,172,564.09
Total	75,068,057.28	57,631,590.65	75,068,057.28

53. Income tax expense

Item	2017	2016
Current income tax expense	58,702,819.44	105,226,209.27
Deferred income tax expense	(86,250,532.29)	(31,996,087.86)
Total	(27,547,712.85)	73,230,121.41

The relationship between income tax expense and profit before tax is as follows:

Item	2017	2016
Profit before tax	7,180,889,557.21	10,349,824,780.25
Tax at the applicable tax rate	1,077,133,433.58	1,552,473,717.04
Impact of different tax rates of subsidiaries	404,092,024.03	688,529,903.53
Adjustments to current income tax of previous period	(13,742,364.78)	(93,027,283.86)
Profit or loss attributable to joint ventures and associates	(1,370,979,382.39)	(1,912,744,760.28)
Non-taxible income	(15,239,846.00)	(14,685,010.51)
Non-deductible tax expense	15,026,313.78	17,320,501.98
Usage previous deductible losses	(123,846,927.16)	(85,175,861.29)
Unrecognized deductible temporary differences and deductible losss	154,597,285.95	73,237,011.98
Additional deduction arising from research and development expense	(154,588,249.86)	(152,698,097.18)
Tax expense under actual tax rate of the Group	(27,547,712.85)	73,230,121.41

54. Earnings per share ("EPS")

The basic EPS is calculated by dividing the net profit of the current period attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares. In accordance with the specific terms and clauses of the issuance contract, the number of newly issued ordinary shares shall be calculated and determined as of the date of receiving the consideration (generally the date of issuance).

The Company has no dilutive potential ordinary shares.

	2017	2016
Earnings		
Net profit attributable to ordinary shareholders	7,137,234,723.47	10,285,284,120.57
Shares		
Weighted average ordinary shares	4,802,648,511.00	4,686,179,842.00

Note: In 2017, no change in the number of ordinary shares or potential common shares has occurred. Therefore, the total share capital is 4,802,648,511 shares. The EPS for reporting period is calculated based on this number of shares.

From the balance sheet day and to the approval date of reporting, there is no event that may causes changes in ordinary shares or potential ordinary shares.

55. Notes to cash flow statement

(1) Items of cash received relating to other operating activities ars as follows:

Item	2017	2016
Interest income	586,938,708.97	405,561,689.22
Government grants related to operating activities	2,391,212,945.57	790,751,078.85
Others	526,234,421.27	159,204,872.93
Total	3,504,386,075.81	1,355,517,641.00

(2) Items of cash paid relating to other operating activitiesar as follows:

Item	2017	2016
Selling expense	4,204,915,189.82	4,513,624,277.60
Administrative expense	1,997,066,073.75	1,704,616,140.17
Others	87,099,290.90	404,370,598.98
Total	6,289,080,554.47	6,622,611,016.75

(3) Items of cash received relating to other investing activitiesare as follows:

Item	2017	2017
Government grants related to assets	246,106,000.00	280,035,500.00

(4) Items of cash received relating to other financing activities are as follows:

Item	2017	2016
Withdraw for deposit of bill	978,689,175.66	1,109,969.63

(5) Items of cash paid relating to other financing activities are as follows:

Item	2017	2016
Payment for deposit of bill	369,848,096.27	1,480,994,122.03
Others	110,146.05	1,214,927.68
Total	369,958,242.32	1,482,209,049.71

56. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Supplementary information	2017	2016
1. Cash flows from operating activities calculated by adjusting the net profit		
Net profit	7,208,437,270.06	10,276,594,658.84
Add: impairment provision for assets	251,517,154.60	468,851,401.15
Depreciation of fixed assets	1,914,783,466.15	1,779,545,710.24
Depreciation and amortization of investment property	226,711.56	226,711.56
Amortization of intangible assets	647,321,284.97	504,246,780.42
Amortization of long-term deferred expense	565,352.63	2,771,851.68
Amortization of deferred income	(329,904,051.02)	(179,280,973.50)
Disposal loss on fixed assets, intangible assets and others long-term assets	(41,774,452.23)	26,176,073.44
Financial expense	48,334,684.86	122,341,936.68
Investment income	(6,906,324,932.20)	(9,619,016,254.57)
Increase in deferred tax assets	(86,250,532.29)	(31,996,087.86)
Decrese(Increase) in inventory	2,554,710,222.61	687,546,887.03
Increase in operating receivables	(2,178,353,076.04)	(8,528,097,899.38)
Increase in operating payables	(4,478,567,770.20)	6,772,191,515.29
Others	25,701,889.71	4,448,994.18
Net cash flows from operating activities	(1,369,576,776.83)	2,286,551,305.20
2. Movement of cash and cash equivalents		
Ending balance of cash	21,451,305,090.53	22,993,432,067.05
Less: beginning balance of cash	22,993,432,067.05	17,725,921,341.22
Increase in cash and cash equivalents	(1,542,126,976.52)	5,267,510,725.83

56. Supplementary information of cash flow statement (continued)

(2) The major non-cash investing and financing activities:

Item	2017	2016
Endorsed bank acceptance received by sales and providing service	4,385,282,036.50	5,118,402,768.50

(3) Cash and cash equivalents

Item	2017	2016
I. Cash		
Including: Cash on hand	33,089.31	29,559.40
Bank deposits that can be readily used	21,451,272,001.22	22,993,402,507.65
II. Cash equivalents	-	-
III. Ending balance of cash and cash equivalents	21,451,305,090.53	22,993,432,067.05

Note: The restricted cash and cash equivalents of the Group are not included in the cash and cash equivalents.

57. The assests with ownership or right restricted

Item	2017	2016	Notes
Cash and cash equivalents	1,180,231,406.00	1,789,072,485.39	Note 1
Accounts receivable	-	585,632,645.22	
Notes receivable	287,427,970.00	1,029,541,142.00	Note 3
Fixed assets	-	34,815,200.25	
Intagable assets	45,862,242.27	27,573,761.27	Note 2

Note 1: As at 31 December 2017, the Group has restricted cash at banks for the issuance of bank acceptance bill.

Note 2: As at 31 December 2017, land use right with book value of RMB45,862,242.27 has been pledged to obtain RMB175,000,000.00 short-term loan from China South Industry Group Finance Co., Ltd. The amortization of the land use right in 2017 is RMB1,048,488.91.

Note 3: As at 31 December 2017, notes receivable with a book value of RMB287,427,970.00 (31 December 2016: RMB1,029,541,142.00) has been pledged to issue bank acceptance bills.

58. Foreign Monetary Item

Item	2017			2016		
	Original Currency	Exchange Rate	Translated to RMB	Original Currency	Exchange Rate	Translated to RMB
Cash						
USD	4,420,601.04	6.5342	28,885,091.32	6,280,348.46	6.9370	43,566,777.27
GBP	5,214,513.52	8.7792	45,779,257.09	14,272,345.00	8.5094	121,449,092.54
EUR	873,368.30	7.8023	6,814,281.49	2,586,925.09	7.2372	18,722,094.26
JPY	99,652,227.00	0.0579	5,769,863.94	37,152,598.00	0.0596	2,214,294.84
SUR	148,035,845.87	0.1135	16,802,068.51	14,674,783.44	0.1154	1,693,470.01
BRL	534,493.53	1.9650	1,050,279.79	505,779.50	2.1357	1,080,193.28
Accounts receivable						
USD	42,208,456.93	6.5342	275,798,499.27	37,711,420.75	6.9370	261,604,125.74
GBP	7,044,658.64	8.7792	61,846,467.13	5,836,112.00	8.5094	49,661,811.45
EUR	6,354,896.12	7.8023	49,582,806.00	5,543,420.00	7.2372	40,118,839.22
Other receivables						
USD	193,596.84	6.5342	1,265,000.47	-	-	-
JPY	16,317,989.00	0.0579	944,811.56	11,548,320.00	0.0596	688,279.87
EUR	2,840,750.58	7.8023	22,164,388.25	2,262,091.00	7.2372	16,371,204.99
SUR	-	-	-	194,452.54	0.1154	22,439.82
Accounts Payable						
USD	31,190,199.07	6.5342	203,802,998.76	23,715,173.20	6.9370	164,512,156.49
JPY	22,631,013.00	0.0579	1,310,335.65	-	-	-
EUR	1,628,974.37	7.8023	12,709,746.73	1,825,264.47	7.2372	13,209,804.02
GBP	3,087,973.61	8.7792	27,109,937.92	874,896.00	8.5094	7,444,840.02
Other Payables						
USD	40,116.00	6.5342	262,125.97	14,170.00	6.9370	98,297.29
EUR	40,966.63	7.8023	319,633.94	574.00	7.2372	4,154.15
GBP	145,431.19	8.7792	1,276,769.50	89,340.00	8.5094	760,229.80

VI Shares in other entities

1. Shares in subsidaries

The subsidiaries of the Company are as follows：

Company name	Main operating place	Registered place	Nature of business	Registered capital (0,000)	Total proportion of shareholders (%)	
					direct	indirect
I. The subsidiary formed by establish or investment						
Hebei Changan Automobile Co., Ltd. (note 1)	Dingzhou	Dingzhou	Manufacturing	46,469	94.22	-
Chongqing Changan International Automobile Sales Co., Ltd.(note 2)	Chongqing	Chongqing	sales	1,376	100.00	-
Chongqing Changan Connected Car Technology Co., Ltd.	Chongqing	Chongqing	lease	8,850	100.00	-
Chongqing Changan Special Automobile Co., Ltd (note 3)	Chongqing	Chongqing	sales	500	50.00	-
Chongqing Changan Automobile Supporting Service Co., Ltd.	Chongqing	Chongqing	sales	3,000	99.00	1.00
Chongqing Changan New Energy Automobile Co. Ltd.	Chongqing	Chongqing	R&D	2,900	65.00	-
Chongqing Changan Europe Design Academy Co., Ltd.	Turin, Italy	Turin, Italy	R&D	EUR1,738.36	100.00	-
Changan United Kingdom R&D Center Co., Ltd.	Nottingham, United Kingdom	Nottingham, United Kingdom	R&D	GBP2,482	100.00	-
Beijing Changan R&D Center Co., Ltd.	Beijing	Beijing	R&D	100	100.00	-
Harbin Changan R&D Center Co., Ltd.	Habin	Habin	R&D	100	100.00	-
Shanghai Changan R&D Center Co., Ltd.	Shanghai	Shanghai	R&D	100	100.00	-
Changan Japan Designing Center Co.,Ltd.	Yokohama, Japan	Yokohama, Japan	R&D	JPY2,000	100.00	-
Changan United States R&D Center Co., Ltd.	Troy, United states	Detriot, United states	R&D	USD154	100.00	-
Changan Automobile Russia Co., Ltd.	Moscow, Russia	Moscow, Russia	Sales	USD20	100.00	-
Changan Brazil Holdings Limited	St. Paul, Brazil	St. Paul, Brazil	Sales	BRL100	100.00	-
Shenzhen Changan New energy automobile service Co., Ltd.	Shenzhen	Shenzhen	Sales	5000	100.00	-
Hangzhou Changan Yixing Technology Co., Ltd.	Hangzhou	Hangzhou	Lease	500	100.00	
Hefei Changan Yixing Technology Co., Ltd.	Hefei	Hefei	Lease	500	100.00	
Nanjing Changan Connected Car Technology Co., Ltd.	Nanjing	Nanjing	Lease	500	100.00	
Beijing Changan Connected Car Technology Co., Ltd.	Beijing	Beijing	Lease	500	100.00	
Haikou Changan Connected Car Technology Co., Ltd.	Haikou	Haikou	Lease	500	100.00	
Changan Connected Car (Shanghai)Technology Co., Ltd	Shanghai	Shanghai	Lease	500	100.00	
Tianjin Changan Connected Car Technology Co., Ltd.	Tianjin	Tianjin	Lease	500	100.00	

1. Shares in subsidiaries (continued)

II. The subsidiary formed by business combination not under common control						
Nanjing Changan Automobile Co., Ltd.(note1)	Nanjing	Nanjing	Manufacturing	60,181	84.73	-
III. The subsidiary formed by business combination under common control						
Chongqing Changan Automobile sales subsidiaries	China	China	Sales	350	100.00	-
Hebei Baoding Changan Bus Co., Ltd.	Dingzhou	Dingzhou	Manufacturing	3,000	100.00	-
Hefei Changan Automobile Co.,Ltd.	Hefei	Hefei	Manufacturing	77,500	100.00	-

Note 1: the Company owns 93.79% and 95.70% of voting shares of Nanjing Changan Automobile Co., Ltd. and Hebei Changan Automobile Co., Ltd. respectively, the discrepancy between proportion of voting shares and proportion of shares held is due to the voting right consigned from minority shareholders.

Note 2: On 17 May 2017, the Company acquired 5% shares of Chongqing Changan International Automobile Sales Co., Ltd. from Changan Industries Group Co. Ltd., which is controlled by the same ultimate holding company. After the acquisition, the shareholding ratio of our company changed from 95% to 100%.

Note 3: The remaining shareholders of Chongqing Changan Special Automobile Co., Ltd. made an agreement with the Company that the remaining shareholders are to vote in accordance with the Company. The main financial and operating policies have been controlled by the Company, so it is included in the scope of consolidated financial statements.

As at 31 December 2017, the Group has no subsidiaries with important minority interests.

2. Shares in joint ventures and associates

Company name	Main operating place	Registered place	Nature of business	Registered capital (0,000)	Total proportion of shareholders (%)		Accounting treatment
					direct	inderect	
I. Joint ventures							
Chongqing Changan Suzuki Automobile Co., Ltd.	Chongqing	Chongqing	Manufacture and sale of automobiles, and components	USD19,000	50.00	-	Equity
Jiangling Holding Co., Ltd.	Nanchang	Nanchang	Manufacture and sale of automobiles, and components	200,000	50.00	-	Equity
Changan Ford Automobile Co., Ltd.	Chongqing	Chongqing	Manufacture and sale of automobiles, and components	USD24,100	50.00	-	Equity
Changan Mazda Automobile Co., Ltd.	Nanjing	Nanjing	Manufacture and sale of automobiles, and components	USD11,097	50.00	-	Equity
Changan Ford Mazda Engine Co., Ltd.	Nanjing	Nanjing	Manufacture and sale of automobiles, and components	USD20,996	50.00	-	Equity
Changan PSA Automobiles Co., Ltd. (Note)	Shenzhen	Shenzhen	Manufacture and sale of automobiles, and components	400,000	50.00	-	Equity
II. Associates							
Chongqing Changan Kuayue Automobile Co., Ltd.	Chongqing	Chongqing	Develop, product and sale of automobile and components; import and export goods.	6,533	34.30	-	Equity
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	Chongqing	Chongqing	Sale of Changan Kuayue's automobile and agricultural cars and components. Technical advisory services for automobile	300	34.30	-	Equity
Beijing Fang'an cresent	Beijing	Beijing	Regional taxi operation	2,897.96	20.70	-	Equity

taxi Co., Ltd. (Note1)							
Changan Automobile Finacing Co., Ltd. (Note1)	Chongqing	Chongqing	Provide car loan; provide vehicle loans and operating equipment loans to car dealers, including the construction loans of exhibition hall,spare parts loans and maintenance equipment loans, etc.	476,843.10	28.66	-	Equity
Zhenjiang Demao Hairun equity investment fund partnership (limited partnership)(Note2)	Zhenjiang	Zhenjiang	Equity investment activities (except securities) and related consulting business.	150,001	32.67	-	Equity

Note1: In December 2017, Changan Automobile Finacing Co., Ltd. adopted the resolutions of Shareholders' Meeting, agreed the fixed direct collection of China South Industries Group Co., LTD., Chongqing Changan Automobile Co., Ltd., and Chongqing Yufu Assets Management Group Co., Ltd amounted to RMB3,000,000,000.00. After the completion of the capital increase, the registered capital of Changan Automobile Finacing Co., Ltd. Increased from RMB2,500,000,000.00 to RMB4,768,431,002.00, the shareholding ratio of the Company changed from 35.00% to 28.66%.

Note2: In October 2017, the Company invested RMB 490,000,000.00 to purchase Merchants Wealth Asset Management Co., Ltd.'s stake of Zhenjiang Demao Hairun equity investment fund partnership (limited partnership). After the completion of the investment, the ration of the Company is 32.67%.

Changan Ford Automobile Co., Ltd. is the important joint venture to the Group and makes great influence in the share of profit and loss in joint venture and associates, the Group adopts equity method to deal with the investment to it.

The table below shows the financial status of Changan Ford Automobile Co., Ltd., and all the information has been adjusted to eliminate the difference of the accounting policies.

	2017	2016
Current assets	18,809,741,660.00	25,086,720,176.00
Of which: cash and cash equivalent	8,711,501,769.00	15,063,726,383.00
Non-current assets	26,516,644,244.00	26,866,945,974.00
Total assets	45,326,385,904.00	51,953,666,150.00
Current liabilities	34,485,401,852.00	38,087,643,270.00
Non-current liabilities	2,402,328,204.00	2,367,240,505.00
Total liabilities	36,887,730,056.00	40,454,883,775.00
Minority interests	66,800,070.00	54,873,155.00
Equity attributable to owners	8,371,855,778.00	11,443,909,220.00
Net asset owned according to share proportion	4,185,927,889.00	5,721,954,610.00
Adjustment	(60,501,784.80)	(58,145,790.32)
Book value of investment	4,125,426,104.20	5,663,808,819.68
Operating revenue	106,027,523,250.00	126,451,681,660.00
Financial expenses- interest income	175,167,770.00	187,486,263.00
Financial expenses- interest	9,284,431.00	4,394,559.00

expense		
Income tax expense	2,480,443,915.00	3,567,237,373.00
Net profit	12,171,169,510.00	18,165,176,384.00
Net profit attributable to owners	12,159,242,595.00	18,155,239,653.00
Net profit owned according to share proportion	6,079,621,297.50	9,077,619,826.50
Adjustment	(40,504,012.98)	(48,227,399.00)
Book value of investment income	6,039,117,284.52	9,029,392,427.50
Dividend	7,577,500,000.00	8,870,000,000.00

The table below shows the financial status of the less important joint ventures and associates:

	2017	2016
Joint venture		
Total book value of the investment	7,535,284,986.66	7,924,940,036.26
Total amount calculated by shareholding proportion		
Net profit	704,058,140.55	618,444,036.41
Other comprehensive income	(248,641.80)	(166,479.23)
Total comprehensive income	703,809,498.75	618,277,557.18
Total book value of the investment	2,437,812,806.11	1,154,618,154.09
Total amount calculated by shareholding proportion		
Net profit	111,721,486.90	(84,112,662.51)
Other comprehensive income	-	-
Total comprehensive income	111,721,486.90	(84,112,662.51)

As at 31 December 2017, since the Group has no obligation to undertake the extra loss of Chongqing Changan Kuayue Automobile Sales Co., Ltd and Beijing Fang'an cresent taxi Co., Ltd, when extra loss occurs, the Group writes down the long-term investment to zero without recognizing the extra loss.

VII. Risks associated with financial instruments

1. Classification of financial instruments

As at balance sheet day, the book values of financial instruments are as follows:

Financial assets

2017	Loans and accounts receivable	Available-for-sale financial assets	Total
Cash	22,631,536,496.53	-	22,631,536,496.53
Notes receivable	29,156,481,085.20	-	29,156,481,085.20
Accounts receivable	1,806,807,193.04	-	1,806,807,193.04
Other receivables	1,645,276,455.04	-	1,645,276,455.04
Available-for-sale financial assets	-	541,917,000.00	541,917,000.00
Interest receivable	42,184,263.88	-	42,184,263.88
Total	55,282,285,493.69	541,917,000.00	55,824,202,493.69

2016	Loans and accounts receivable	Available-for-sale financial assets	Total
Cash	24,782,504,552.44	-	24,782,504,552.44
Notes receivable	29,002,539,261.26	-	29,002,539,261.26
Accounts receivable	1,498,837,041.54	-	1,498,837,041.54
Other receivables	1,403,399,178.49	-	1,403,399,178.49
Available-for-sale financial assets	-	432,476,274.00	432,476,274.00
Interest receivable	19,318,138.89	-	19,318,138.89
Total	56,706,598,172.62	432,476,274.00	57,139,074,446.62

Financial liabilities

	Other financial liabilities	
	2017	2016
Short-term loans	185,000,000.00	175,000,000.00
Notes payable	18,002,926,579.81	20,952,104,805.58
Accounts payable	21,902,826,194.15	19,880,580,102.39
Interest payable	-	73,458,000.00
Dividend payable	79,742.80	79,742.80
Other payables	2,599,013,410.98	1,449,028,595.97
Bonds payable	-	1,979,020,519.81
Long-term loan	19,727,920.00	33,301,520.00
Total	42,709,573,847.74	44,542,573,286.55

2. Transfer of financial assets

The transferred financial assets that entirely derecognized but continuing involved

As at 31 December 2017, the Group has endorsed bank acceptance bill with a carrying amount of RMB1,050,643,090.00(2016: RMB1,543,480,581.00) to suppliers to settle the accounts payable. The maturities of the notes are between 1 to 6 months. According to the relevant provisions of the "law of negotiable instruments", if the banks refuse the payment, the holder has the right of recourse to the Group (the "continuing involvement"). The Group holds the view that almost all the risks and rewards concerned have been transferred; therefore, the book value of the accounts payable should be derecognized. The maximum loss and the undiscounted cash flow of the continuing involvement and repurchase is equal to its book value, the Group regards the fair value of the continuing involvement is not significant.

In 2017, the Group didn’t recoganize profit or loss on the transferring date. No revenue or expense should be recogazied in accordance with the continuing involvement in the current period. The indorsement occurred flatly in this period.

3. Risks of financial instruments

The Group’s principal financial instruments, except for derivatives, include bank loans, bonds payable, cash, etc. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are credit risk, liquidity risk and market risk. The Group’s risk management policies are summarized below:

Credit risk

The Group trades only with recognized, creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the special department of credit control.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets, other receivables, dividend receivables and certain derivatives financial instruments, the Group’s exposure to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, listed as book value of financial assets in consolidated financial statements. In 2017, there was no credit risk arising from financial guarantee.

No gage is required since the Group trades only with recognized, creditworthy third parties. Credit risks are managed by clients and industries collectively. As at 31 December 2017, among the Group’s collections with specific credit risk, 30.02%(2016: 35.59%) of accounts receivables of the Group are due from top five clients. The Group does not hold any gage from or enhance credit limit to these clients.

As at the end of the year, the maturity analysis for the Group’s financial assets not impaired is as follows:

2017

	Total	Neither overdue nor impaired	Overdue but not impaired		
			Within 3 months	3 months to 1 year	Over 1 year
Cash	22,631,536,496.53	22,631,536,496.53	-	-	-
Accounts receivable	1,806,807,193.04	1,772,015,407.26	7,479,861.25	18,392,420.88	8,919,503.65
Other receivables	1,645,276,455.04	1,639,544,224.38	4,478,714.96	833,762.70	419,753.00
Notes receivable	29,156,481,085.20	29,156,481,085.20	-	-	-

Available for sale fianciail assets	541,917,000.00	541,917,000.00	-	-	-
Interest receivables	42,184,263.88	42,184,263.88	-	-	-

2016

	Total	Neither overdue nor impaired	Overdue but not impaired		
			Within 3 months	3 months to 1 year	Over 1 year
Cash	24,782,504,552.44	24,782,504,552.44	-	-	-
Accounts receivable	1,498,837,041.54	1,471,682,404.32	9,411,389.87	14,538,978.64	3,204,268.71
Other receivables	1,403,399,178.49	1,401,270,922.78	1,326,128.21	354,108.97	448,018.53
Notes receivable	29,002,539,261.26	29,002,539,261.26	-	-	-
Available for sale fianciail assets	432,476,274.00	432,476,274.00	-	-	-
Interest receivables	19,318,138.89	19,318,138.89	-	-	-

As at 31 December 2017 and 2016, the balance of accounts receivable which is neither overdued nor impaired is mainly due to the customers who have no default records recently.

As at 31 December 2017 and 2016, overdued but not impaired accounts receivable are related to independent clients with satisfactory transaction records with the Group. Based on previous experience, since credit quality has no significant changes and the receivables can be fully recovered, the Group considers no impairment provision should be made to them. The Group does not hold any gage from or enhance credit limit to these clients.

Liquidity risk

The Group adopts cycle liquidity planning instrument to manage capital shortage risks. The instrument takes into consideration the maturity date of financial instruments plus estimated cash flow from the Group's operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility and sufficient cash to support operating capital through financing functions by the use of bank loans, debentures, etc.

The table below summarizes the maturity profile of the Group's financial liabilities based on the non-discounted cash flow of the contracts:

2017

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Short-term loans	10,681,519.86	156,059,552.74	20,503,408.22	-	187,244,480.82
Notes payable	2,847,766,239.74	6,137,090,029.66	9,018,070,310.41	-	18,002,926,579.81
Accounts payable	9,535,702,595.63	11,132,995,526.80	1,234,128,071.72	-	21,902,826,194.15
Divedend payable	79,742.80	-	-	-	79,742.80
Other payable	1,546,654,688.65	721,527,064.67	330,831,657.66	-	2,599,013,410.98
Long-term loan	49,649.96	6,648,538.66	6,800,216.57	6,597,797.49	20,096,202.68
Total	13,940,934,436.64	18,154,320,712.53	10,610,333,664.58	6,597,797.49	42,712,186,611.24

2016

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total

Short-term loans	5,631,132.88	156,052,405.86	15,353,922.90	-	177,037,461.64
Notes payable	3,136,065,384.48	6,707,746,699.60	11,108,292,721.50	-	20,952,104,805.58
Accounts payable	1,996,590,348.88	15,119,807,231.91	2,764,182,521.60	-	19,880,580,102.39
Interest payable	-	-	73,458,000.00	-	73,458,000.00
Divedend payable	79,742.80	-	-	-	79,742.80
Other payable	268,803,158.68	992,947,531.56	187,277,905.73	-	1,449,028,595.97
Bonds payable	-	-	2,011,482,000.00	-	2,011,482,000.00
Long-term loan	86,096.62	6,799,169.51	7,194,103.03	20,356,404.35	34,435,773.51
Total	5,407,255,864.34	22,983,353,038.44	16,167,241,174.76	20,356,404.35	44,578,206,481.89

Market risk

Interest rate risk

The Group's revenue and operating cash flows are seldomly influenced by the interest fluctuation. As at 31 December 2016, the Group's loans are bearing fixed interest rate and the Group is not hedging the risk currently.

Foreign currency risk

The Group's exposures to fluctuation in foreign currency exchange rate mainly arise from operating activities where transactions are settled in currencies other than the units' functional currency and net investment to offshore subsidiary.

In 2017, the Group only has transactional currency exposures of 2.08% (2016: 0.98%) of its total revenue that is valued in currencies other than the units' functional currency. Since most of the Group's businesses are opertated in China mainland, the estimated influence of fluctuation of foreign currency is insignificant; therefore, the Group hasn't carried out large amount of hedging to reduce the risk.

Equity instruments investment price risk

The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (Note V 9) as at 31 December 2017. The Group's listed investments are listed on the Shanghai stock exchanges and valued at quoted market prices at the end of the reporting period. The following table demonstrates the sensitivity to every 5% change (based on the carrying amount as at the end of reporting period) in the Group's net profit and fair value of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments	Change in fair value	Increase/ (decrease) in net profit	Increase/(decrease) in equity
2017				
Shanghai- Available for sale	164,365,000.00	5%	8,218,250.00	8,218,250.00
Shanghai- Available for sale	164,365,000.00	(5%)	(8,218,250.00)	(8,218,250.00)
2016				
Shanghai- Available for sale	253,115,000.00	5%	12,655,750.00	12,655,750.00
Shanghai- Available for sale	253,115,000.00	(5%)	(12,655,750.00)	(12,655,750.00)

4. Capital management

The main goal of the Group's capital management is to ensure that the ability of continuous operation, and maintain a healthy capital ratios in order to support business development, and to maximize shareholder value.

The Group manages the capital structure and adjusts it with the change of economy trend and the risk feature of the assets. To maintain or adjust the capital structure, the Group can rectify dividend distribution, return capital to shareholders or issue new shares. The Group is not subject to external mandatory capital requirements constraints. The goal, principle and procedure of capital management stay the same in 2016 and 2017.

The Group's leverage ratio on the balance sheet date is as follows:

	31 December 2017	31 December 2016
Leverage ratio	55.28%	59.30%

VIII. Disclosure of fair value

1. Assets and liabilities measured at fair value

2017

	Input measured at fair value			
	Quoted price in active market (The first level)	Important and observable input(The second level）	Important but unobservable input(The third level)	Total
Available-for-sale financial assets- equity instruments	164,365,000.00	-	-	164,365,000.00

2016

	Input measured at fair value			
	Quoted price in active market (The first level)	Important and observable input(The second level）	Important but unobservable input(The third level)	Total
Available-for-sale financial assets- equity instruments	253,115,000.00	-	-	253,115,000.00

2. Assets and liabilities disclosed at fair value

2017

	Input measured at fair value			
	Quoted market price in active market (The first level)	Important and observable input (The second level）	Important but unobservable input (The third level)	Total
Bonds payable	-	-	-	-

2016

	Input measured at fair value			
	Quoted market price in active market (The first level)	Important and observable input (The second level）	Important but unobservable input (The third level)	Total
Bonds payable	1,990,969,200.00	-	-	1,990,969,200.00

3. Fair value estimation

Fair value of financial instruments

Following are book value and fair value of financial instruments of the group except for equity instruments whose fair value is similar with book value and those neither have quoted market price in active market nor be reliably measured.

	Book value		Fair value	
	2017	2016	2017	2016
Finacial assets				
Financial assets available for sale- equtiy instruments	164,365,000.00	253,115,000.00	164,365,000.00	253,115,000.00
Finacial liabilities				
Bonds payable	-	1,979,020,519.81	-	1,990,969,200.00

Management has assessed and concluded that, accounts, including cash, notes receivable, accounts receivable, interest receivable, other receivables, short-term loans, interest payable, dividend payable, other payables, notes payable, accounts payable and so on, whose fair value equals to book value because of its short term to overdue.

Financial assets and financial liabilities are measured at the amount that an asset could be exchanged for or by which a liability could be incurred or settled by knowledged, willing parties in a current arm's-length transaction, other than liquidation or unwilling sales. Methods and hypothesis followed are used for determining fair value.

Bonds payable are carried at armotized cost and thoses fair value are determined by the settlement price on 31 December 2017 and 2016, which are traded in open and active market.

Long-term loans and long-term loans within 1 year use discounted cash flow method to determine its fair value, with discount rate in accordance with market return of other financial instruments based on similar terms, credit risks and remaining terms. As at 31 December 2017, the default risk of long-term loans and long-term loans within 1 year was considered immaterial.

IX. Related party relationships and transactions

1. Parent company

Parent	Place of registration	Registered capital	Nature of the business	Proportion of shares in the Company	Proportion of voting rights in the company
China Changan Automobile Group Co ,Ltd.	Beijing	4,582,373,700.00	Manufacture and sale of automobiles, engine, and components	40.88%	40.88%

The ultimate holding company is China South Industries Group Corporation.

The registered capital and paid-up capital of the parent company was unchanged in 2017.

2. Subsidiaries

Refer to Note VI 1 for details of the Group’s subsidiaries.

3. Joint ventures and associates

Refer to Note VI 2 for details of the Group’s joint ventures and associates.

4. Other related parties

Related parties	Relationship
China Changan Automobile Co., Ltd. – Chongqing Tsingshan Transmission Branch (hereafter referred to as "CSIA-Chongqing Tsingshan Transmission Branch")	Branch of parent
Sichuan Jian'an Industrial Co.,Ltd. – Chengdu Jian'an Automobile Bridge Branch (hereafter referred to as "Sichuan Jian'an Industrial Chengdu Jian'an Automobile Bridge Branch)	Controlled by the same parent company
Sichuan Jian'an Industrial Co., Ltd	Controlled by the same parent company
Chengdu Huachuan Electric Equipment Co., Ltd.	Controlled by the same parent company
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	Controlled by the same parent company
Harbin Dongan Auto Engine Co., Ltd.	Controlled by the same parent company
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Controlled by the same parent company
Hafei Motor Co., Ltd.	Controlled by the same parent company
South Tianhe Chassis System Co., Ltd.	Controlled by the same parent company
South Inter Air-conditioner Co, .Ltd.	Controlled by the same parent company
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	Controlled by the same parent company
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	Controlled by the same parent company
Wanyou Automobile Investment Co., Ltd.	Controlled by the same parent company
China Changan Automobile Group Tianjin Sales Co., Ltd.	Controlled by the same parent company
United Prosperity (Hongkong) Investment Co., Ltd.	Controlled by the same parent company
Chongqing Anfu Automobile Co., Ltd.	Controlled by the same parent company
Chongqing Automobile Air-conditioner Co., Ltd.	Controlled by the same parent company
The Automobile Trade Service Co. Ltd.(changed from Chengdu Wanyou Economic Technological Development Co., Ltd.)	Controlled by the same parent company
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Guangxi Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Guizhou Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Nanning Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Yunnan Wanyou Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Chongqing Wanyou Economic Development Co., Ltd.	Controlled by the same parent company

Related parties	Relationship
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Chongqing Wanyou Longxing Auto Sales and Service Co., Ltd.	Controlled by the same parent company
Harbin Hafei Automobile Industry Group Co., Ltd.	Controlled by the same parent company
Chongqing Changfeng Jiquan Machinery Co., Ltd.	Controlled by the same ultimate holding company
Beijing Beiji Mechanical and Electrical Industry Co., Ltd.	Controlled by the same ultimate holding company
China South Industry Group Finance Co., Ltd.	Controlled by the same ultimate holding company
CDGM Tanaka Environmental Catalyst Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Lingchuan Special Industry Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Ningxing Automobile Spring Co., Ltd.	Controlled by the same ultimate holding company
Chengdu Wanyou Filter Co., Ltd.	Controlled by the same ultimate holding company
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	Controlled by the same ultimate holding company
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Controlled by the same ultimate holding company
Yunnan Xiyi Industries Co., Ltd.	Controlled by the same ultimate holding company
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Jiexing Forging Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Jialing Yimin Special Equipment Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Shangfang Automobile Fittings Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Qingshan Transmission Sales Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Property Management Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Wanyou Construction Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Yihong Engineering Plastic Products Co., Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Real Estate Development Co., Ltd.	Controlled by the same ultimate holding company
Changan Industries Group Co. Ltd.	Controlled by the same ultimate holding company
Chongqing Changan Construction Co., Ltd.	Controlled by the same ultimate holding company

Related parties	Relationship
Chongqing Changrong Machinery Co., Ltd.	Controlled by the same ultimate holding company
Harbin Botong Auto Parts Co.,LTD.	Controlled by the same ultimate holding company
Southwest Ordnance Industry Corporation	Controlled by the same ultimate holding company
Chongqing Changan Min Sheng Logistics Co., Ltd.	Participated by the Ultimate holding company
Chongqing Fuji Supply Chain Management Co.,Ltd.	Controlled by the same ultimate holding company
Chongqing Nexteer Steering System Co.,Ltd.	Joint venture company by the Ultimate holding company

5. Major transactions between the Group and its related parties

(1) Transactions of goods and services

Purchases of goods and services from related parties

Related parties	Nature of the transaction	2017	2016
CSIA-Chongqing Tsingshan Transmission Branch”)	Purchase of spare parts	1,920,824,540.34	2,030,474,310.08
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Purchase of spare parts and accept service	1,685,162,025.13	2,343,854,848.51
Chongqing Changan Min Sheng Logistics Co., Ltd.	Purchase of spare parts/ Transportation fee	1,351,597,111.16	1,572,181,323.93
Harbin Dongan Auto Engine Co., Ltd.	Purchase of spare parts	1,043,649,785.91	1,226,319,358.94
Sichuan Jian'an Industrial Co., Ltd	Purchase of spare parts	952,596,664.63	932,197,539.05
South Tianhe Chassis System Co., Ltd.	Purchase of spare parts	722,807,300.20	837,559,232.44
South Inter Air-conditioner Co, .Ltd.	Purchase of spare parts	572,728,698.23	367,384,090.66
Jiangling Holding Co., Ltd.	Purchase of cars and spare parts	548,265,973.00	-
Chongqing Nexteer Steering System Co.,Ltd.	Purchase of spare parts	324,469,905.26	-
Chengdu Huachuan Electric Equipment Co., Ltd.	Purchase of spare parts	275,908,197.18	338,304,665.53
Chongqing Wanyou Economic Development Co., Ltd.	Purchase of spare parts	180,138,574.78	70,144,386.07
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	Purchase of spare parts	165,599,788.86	124,360,991.14
Chongqing Changan Suzuki Automobile Co., Ltd.	Purchase of spare parts and accept processing services	156,019,997.92	104,830,718.51
Chengdu Wanyou Filter Co., Ltd.	Purchase of spare parts	145,873,367.68	121,019,639.80
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	Purchase of spare parts	138,880,769.27	60,124,661.45

Related parties	Nature of the transaction	2017	2016
Changan Ford Automobile Co., Ltd.	Purchase of spare parts and accept processing services	101,320,721.57	186,549,864.61
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	Purchase of spare parts	90,534,101.05	115,479,734.84
Yunnan Xiyi Industries Co., Ltd.	Purchase of spare parts	88,056,763.21	84,561,755.21
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	Purchase of spare parts	74,700,158.09	26,353.54
Chongqing Shangfang Automobile Fittings Co., Ltd.	Purchase of spare parts	71,513,288.68	85,168,186.79
Chongqing Changan Kuayue Automobile Co., Ltd.	Accept service	66,952,800.00	16,664,400.00
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	Purchase of spare parts and accept service	62,073,927.72	74,986,033.09
Changan Industries Group Co. Ltd.	Purchase of spare parts and accept service	58,803,886.18	29,206,240.42
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	Purchase of spare parts	56,922,952.53	44,307,211.65
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	Purchase of spare parts	52,955,838.01	94,123,897.60
Chongqing Yihong Engineering Plastic Products Co., Ltd.	Purchase of spare parts	44,957,884.97	49,422,884.11
Chongqing Changfeng Jiquan Machinery Co., Ltd.	Purchase of spare parts	38,663,332.17	36,513,529.49
Chongqing Changrong Machinery Co., Ltd.	Purchase of spare parts	31,920,181.87	40,752,601.79
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	Purchase of spare parts	30,603,270.36	25,442,790.94
Chengdu Lingchuan Special Industry Co., Ltd.	Purchase of spare parts	20,759,869.43	59,585,238.14
Chengdu Ningxing Automobile Spring Co., Ltd.	Purchase of spare parts	17,404,696.45	9,957,614.43
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	Purchase of spare parts	14,759,612.09	2,685,994.38
Harbin Botong Auto Parts Co.,LTD.	Accept service	11,639,993.11	-
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Purchase of spare parts	8,847,938.92	11,929,563.09
Chongqing Qingshan Transmission Sales Co., Ltd.	Purchase of spare parts	6,687,785.88	7,579,721.53
Chongqing Changan Property Management Co., Ltd.	Accept service	4,644,858.72	6,407,174.58
Chongqing Dajiang Jiexin	Purchase of spare parts	4,303,952.13	2,981,020.55
Chongqing Changan Construction Co., Ltd.	Accept service	1,392,469.91	-
China Changan Automobile Group Co ,Ltd.	Purchase of spare parts	310,385.23	-
Chongqing Wanyou Construction Co., Ltd.	Accept service	257,144.54	-
Beijing Beiji Mechanical and Electrical Industry Co., Ltd.	Purchase of spare parts and accept service	153,855.09	1,515,281.91
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	Purchase of spare parts	116,398.24	5,011,945.84
Harbin Hafei Automobile Industry Group Co.,Ltd.	Purchase of spare parts	-	45,518,795.88

Related parties	Nature of the transaction	2017	2016
Hafei Motor Co., Ltd.	Purchase of spare parts and accept service	-	9,777,633.36
CDGM Tanaka Environmental Catalyst Co., Ltd.	Purchase of spare parts	-	1,094,205.35
United Prosperity (Hongkong) Investment Co., Ltd.	Accept service	-	158,960.85
Chongqing Jialing Yimin Special Equipment Co., Ltd.	Purchase of spare parts	-	36,951.21
Sichuan Jian'an Industrial Co., Ltd– Chengdu Jian'an Automobile Bridge Branch	Purchase of spare parts	-	35,101.47
Total		11,145,780,765.70	11,176,236,452.76

The price of the Group’s purchase from related parties is based on contracts agreed by both parties.

Sales of goods and services to related parties

Related parties	Nature of the transaction	2017	2016
Chongqing Wanyou Economic Development Co., Ltd.	Sales of cars and spare parts	1,561,916,357.55	2,127,413,232.34
Guizhou Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	1,003,042,141.84	1,134,116,654.59
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	Sales of cars	975,719,318.04	1,364,853,472.13
Yunnan Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	841,434,091.94	853,497,907.44
The Automobile Trade Service Co. Ltd.	Sales of cars and spare parts	824,993,835.42	1,005,713,612.97
Wanyou Automobile Investment Co., Ltd.	Sales of cars	614,678,667.25	1,162,903,051.28
Guangxi Wanyou Auto Sales and Service Co., Ltd.	Sales of cars and spare parts	238,569,478.33	272,848,989.87
China Changan Automobile Group Tianjin Sales Co., Ltd.	Sales of cars	142,472,640.19	164,287,182.90
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	Sales of cars	108,897,440.96	107,002,484.62
Jiangling Holding Co., Ltd.	Sale of spare parts and providing service technical service	95,243,193.28	1,070,065.38
Nanning Wanyou Auto Sales and Service Co., Ltd.	Sales of cars	61,999,048.73	102,970,362.39
China South Industry Group Finance Co., Ltd.	Providing service	57,440,875.44	33,982,192.00
Chongqing Anfu Automobile Co., Ltd.	Sales of cars	37,806,005.09	27,024,982.92
Harbin Dongan Auto Engine Co., Ltd.	Sale of spare parts and provind service	35,076,218.15	68,085,662.12
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	Sales of cars, spare parts and providing service	30,161,181.98	13,107,799.11
Changan Ford Automobile Co., Ltd.	Sale of spare parts and provind service	15,775,360.36	66,903,309.03

Related parties	Nature of the transaction	2017	2016
Chongqing Changan Suzuki Automobile Co., Ltd.	Sales of spare parts and providing service	15,123,607.10	28,028,657.42
Yunnan Xiyi Industries Co., Ltd.	Sale of spare parts	7,277,992.45	2,149,915.85
Hafei Motor Co., Ltd.	Providing technical service	7,058,479.96	-
Chengdu Lingchuan Special Industry Co., Ltd.	Sale of spare parts	4,708,798.64	61,213,747.01
Chongqing Changan Kuayue Automobile Co., Ltd.	Sales of cars and spare parts	4,377,088.40	7,062,777.99
Sichuan Hongguang Machinery and Electrics Co., Ltd.	Sale of spare parts	2,738,185.98	7,078,056.56
Chongqing Changan Min Sheng Logistics Co., Ltd.	Sale of spare parts and providing service	1,843,499.57	1,134,617.05
CSIA-Chongqing Tsingshan Transmission Branch	Sales of cars and spare parts	292,252.09	-
Chengdu Huachuan Electric Equipment Co., Ltd.	Providing service and provding service	140,610.18	93,803.77
South Tianhe Chassis System Co., Ltd.	Providing service	72,181.13	-
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	Sale of spare parts	50,513.21	-
Chengdu Wanyou Filter Co., Ltd.	Sale of spare parts	48,120.75	-
Chongqing Shangfang Automobile Fittings Co., Ltd.	Sale of spare parts	21,667.92	-
South Inter Air-conditioner Co, .Ltd.	Providing service	11,931.13	86,400.94
Hubei Xiaogan Huazhong Automobile Light Co., Ltd	Sale of spare parts	4,722.22	-
Chongqing Changfeng Jiquan Machinery Co., Ltd.	Providing service	1,240.17	-
Changan PSA Automobiles Co., Ltd.	Providing service	-	618,000.00
China Changan Automobile Group Co ,Ltd.	Providing service	-	48,000.00
Chongqing Wanyou Longxing Auto Sales and Service Co., Ltd.	Sale of spare parts	-	919.65
Total		6,688,996,745.45	8,613,295,857.33

The price of the Group's sales to related parties is based on contracts agreed by all parties.

Other major related-party transactions

The price of the Group's other major related-party transactions is based on contracts agreed by all parties.

Expenses of integrated service charges

Related parties	Nature of the transaction	2017	2016
Changan Industries Group Co. Ltd.	Payment of utilities	108,837,168.01	148,518,647.74
Changan Industries Group Co. Ltd.	Payment of land rental fees	26,975,981.43	26,141,365.75
Changan Industries Group Co. Ltd.	Payment of building rental fees	11,056,294.32	32,533,804.09
Changan Industries Group Co. Ltd.	Others	10,364,865.24	16,727,283.22
Changan Industries Group Co. Ltd.	Payment of firefighting fees	2,740,000.00	2,740,000.00
Hafei Motor Co., Ltd.	Intergrated service	79,555,300.00	-
Total		239,529,609.00	226,661,100.80

Purchase of project materials

Related parties	2017	2016
Chongqing Changan Construction Co., Ltd.	429,275,229.02	248,081,434.88
Chongqing Wanyou Construction Co., Ltd.	68,047,748.98	61,518,379.98
Chongqing Changan Min Sheng Logistics Co., Ltd.	-	21,105,907.68
Changan Industries Group Co. Ltd.	-	762,395.00
Total	497,322,978.00	331,468,117.54

Staff expenses for technical supporting

Related parties	2017	2016
Chongqing Changan Suzuki Automobile Co., Ltd.	46,491,980.31	6,263,924.53
Changan Ford Automobile Co., Ltd.	42,372,915.44	44,048,776.40
Changan Mazda Automobile Co., Ltd.	21,187,776.74	21,618,850.94
Changan Ford Mazda Engine Co., Ltd.	16,318,922.12	16,900,043.40
Chongqing Changan Kuayue Automobile Co., Ltd.	2,784,811.32	916,937.74
Jiangling Holding Co., Ltd.	1,497,727.68	1,550,981.13
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	281,990.59	-
Changan PSA Automobiles Co., Ltd.	(1,424,129.38)	1,493,400.00
Hafei Motor Co., Ltd.	-	425,784.92
Total	129,511,994.82	93,218,699.06

Capital occupied income

Related parties	2017	2016

The Automobile Trade Service Co. Ltd.	1,544,802.57	1,086,289.74
Yunnan Wanyou Auto Sales and Service Co., Ltd.	1,118,742.73	1,801,359.42
Wanyou Automobile Investment Co., Ltd.	705,979.48	1,006,733.33
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	659,937.61	2,778,357.55
Chongqing Wanyou Economic Development Co., Ltd.	501,588.89	51,878.63
Guangxi Wanyou Auto Sales and Service Co., Ltd.	128,670.08	14,205.98
Guizhou Wanyou Auto Sales and Service Co., Ltd.	81,722.22	454,317.65
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	14,478.64	195,795.62
Nanning Wanyou Auto Sales and Service Co., Ltd.	1,392.31	-
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	-	7,043.44
Total	4,757,314.53	7,395,981.36

Equity trading between related parties

Related parties	Type of transaction	2017	2016
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	Disposal the shares of joint venture	7,069,600.00	-
Changan Industries Group Co. Ltd.	Acquisition subsidiary's minority stake	1.00	-

(2) Lease between related parties

Rent assets to related parties

Lessees	Type of leased assets	2017	2016
Chongqing Changan Min Sheng Logistics Co., Ltd.	Building	1,903,400.00	-
Jiangling Holding Co., Ltd.	Equipment	1,889,756.41	-
Total		3,793,156.41	-

Rent assets from related parties

Lessors	Type of leased assets	2017	2016
Chongqing Changan Real Estate Development Co., Ltd.	Office building and storage	2,766,244.60	2,786,094.28
Chongqing Changan Suzuki Automobile Co., Ltd.	Storage	734,293.28	645,129.14
Chongqing Changan Property Management Co., Ltd.	Building	518,193.00	508,670.99
Hafei Motor Co., Ltd.	Land	435,600.00	-
Changan Industries Group Co. Ltd.	Land	68,571.44	-
Chongqing Changan Min Sheng Logistics Co., Ltd.	Storage	-	2,850,308.60
Chongqing Fuji Supply Chain Management Co.,Ltd.	Storage	-	653,359.13
Total		4,522,902.32	7,443,562.14

(3) Transfer of assets between related parties

Related party	Type of transaction	2017	2016
Chongqing Changan Kuayue Automobile Co., Ltd.	Transfer of assets	-	70,895,546.02

(4) Deposits and loan interest from related parties

Deposits interest income

Related party	Type of transaction	2017	2016
China South Industry Group Finance Co., Ltd.	Interest income	76,630,292.88	57,485,059.30
Changan Automobile Financing Co.,Ltd	Interest income	39,150,000.00	-
Total		115,780,292.88	57,485,059.30

Loan interest expense

Related party	Type of transaction	2017	2016
China South Industry Group Finance Co., Ltd.	Interest expense	6,950,091.68	5,620,625.00

(5) Guarantee of related party

In the year of 2017, China Changan, the parent company, provided an unconditionally and irrevocably joint guarantee for the corporate bonds with face value of RMB1,980,000,000.00. Refer to Note V 31.

(6) Other related party transaction

Item	2017	2016
Compensation of key management personal	13,599,300.00	11,872,845.00

6. Amounts due from/to related parties

Notes receivable

Related parties	2017	2016
Wanyou Automobile Investment Co., Ltd.	2,676,220,000.00	3,471,660,000.00
China Changan Automobile Group Tianjin Sales Co., Ltd.	37,824,480.00	78,957,994.00
Yunnan Wanyou Auto Sales and Service Co., Ltd.	17,000,000.00	14,000,000.00
The Automobile Trade Service Co. Ltd.	16,900,000.00	11,835,000.00
Chongqing Wanyou Economic Development Co., Ltd.	2,000,000.00	7,300,000.00
Guangxi Wanyou Auto Sales and Service Co., Ltd.	2,000,000.00	3,000,000.00
Guizhou Wanyou Auto Sales and Service Co., Ltd.	1,500,000.00	900,000.00
Total	2,753,444,480.00	3,587,652,994.00

Accounts receivable

Related parties	2017	2016
Chongqing Changan Suzuki Automobile Co., Ltd.	135,914,168.09	81,267,096.52
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	43,541,400.14	14,204,793.72
Jiangling Holding Co., Ltd.	30,661,901.66	7,644,669.31
Changan PSA Automobiles Co., Ltd.	22,926,567.86	25,111,849.15
Changan Ford Automobile Co., Ltd.	22,529,864.32	21,633,279.39
Chongqing Changan Kuayue Automobile Co., Ltd.	10,887,572.26	10,315,352.70
Changan Mazda Automobile Co., Ltd.	10,185,773.13	5,172,339.17
Yunnan Wanyou Auto Sales and Service Co., Ltd.	4,700,833.08	-
Changan Industries Group Co. Ltd.	1,325,600.89	1,325,600.89
The Automobile Trade Service Co. Ltd.	1,311,647.66	-
Changan Ford Mazda Engine Co., Ltd.	-	6,018,814.08
CSIA-Chongqing Tsingshan Transmission Branch	-	1,535,992.93
Chongqing Changan Min Sheng Logistics Co., Ltd.	-	1,181,760.00
Total	283,985,329.09	175,411,547.86

Prepayments

Related parties	2017	2016
Chongqing Changan Suzuki Automobile Co., Ltd.	295,474.25	-

Other recievables

Related party	2017	2016
Chongqing Changan Suzuki Automobile Co., Ltd.	40,784,896.53	50,687,982.45
Harbin Dongan Auto Engine Co., Ltd.	268,000.00	
Chongqing Changan Min Sheng Logistics Co., Ltd.	123,793.03	6,860.00
Chongqing Changan Kuayue Automobile Co., Ltd.	-	82,947,788.84
Changan Ford Automobile Co., Ltd.	-	4,603,519.44
Total	41,176,689.56	138,246,150.73

Notes payable

Related parties	2017	2016
Harbin Dongan Auto Engine Co., Ltd.	617,420,000.00	726,330,000.00
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	479,180,000.00	967,050,000.00
Chongqing Changan Construction Co., Ltd.	332,992,262.00	120,564,352.00
CSIA-Chongqing Tsingshan Transmission Branch	214,270,000.00	308,428,358.00
Chongqing Changan Min Sheng Logistics Co., Ltd.	198,023,651.37	89,305,155.59
Chongqing Changan Suzuki Automobile Co., Ltd.	189,532,516.13	113,856,733.59
South Inter Air-conditioner Co, .Ltd.	182,640,000.00	64,930,000.00
Changan Ford Automobile Co., Ltd.	65,536,197.82	85,794,900.04
Chongqing Wanyou Construction Co., Ltd.	52,786,747.00	21,609,792.00
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	27,120,000.00	42,770,000.00
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	20,580,000.00	16,400,000.00

Related parties	2017	2016
Chengdu Wanyou Filter Co., Ltd.	14,960,000.00	32,180,000.00
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	9,950,000.00	14,990,000.00
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	7,690,000.00	350,000.00
Sichuan Jian'an Industrial Co., Ltd	5,910,000.00	-
Chongqing Changfeng Jiquan Machinery Co., Ltd.	5,510,000.00	1,400,000.00
Chongqing Yihong Engineering Plastic Products Co., Ltd.	5,310,000.00	1,720,000.00
Chengdu Huachuan Electric Equipment Co., Ltd.	2,190,000.00	1,590,000.00
Sichuan Hongguang Machinery and Electrics Co., Ltd.	2,030,000.00	1,540,000.00
South Tianhe Chassis System Co., Ltd.	1,370,000.00	215,680,000.00
Chengdu Ningxing Automobile Spring Co., Ltd.	1,110,000.00	2,480,000.00
Chengdu Lingchuan Special Industry Co., Ltd.	170,000.00	4,900,000.00
Yunnan Xiyi Industries Co., Ltd.	-	26,200,000.00
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	-	20,890,000.00
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	-	18,860,000.00
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	-	14,970,000.00
Chengdu Guangming Tianzhong Environmental Protection Technology Co., Ltd.	-	590,000.00
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	-	540,000.00
Chongqing Wanyou Economic Development Co., Ltd.	-	400,000.00
Total	2,436,281,374.32	2,916,319,291.22

Accounts payable

Related parties	2017	2016
Harbin Dongan Auto Engine Co., Ltd.	345,797,944.98	527,147,806.85
CSIA-Chongqing Tsingshan Transmission Branch	207,968,397.78	52,180,219.64
South Tianhe Chassis System Co., Ltd.	199,363,707.33	202,673,506.88
Jiangling Holding Co., Ltd.	191,084,011.75	-
Chongqing Nexteer Steering System Co.,Ltd.	176,288,268.39	-
South Inter Air-conditioner Co, .Ltd.	171,872,351.49	95,068,450.02
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	155,247,645.33	290,041,888.65
Sichuan Jian'an Industrial Co., Ltd	117,078,608.55	148,642,065.47
Chongqing Changan Kuayue Automobile Co., Ltd.	93,727,399.68	200,427,855.44
Changan Ford Automobile Co., Ltd.	89,646,556.61	55,690,770.88
Chongqing Changan Suzuki Automobile Co., Ltd.	77,082,367.50	15,338,611.57
Chongqing Wanyou Economic Development Co., Ltd.	54,096,010.02	20,199,877.52
Chengdu Wanyou Filter Co., Ltd.	42,372,755.39	23,884,754.69
Chongqing Changan Min Sheng Logistics Co., Ltd.	37,085,168.07	33,230,330.04
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.	30,253,807.17	6,206,931.40
Chongqing Dajiang Yuqiang Plastic Co., Ltd.	26,019,486.15	125,092.40
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.	25,415,872.54	17,008,148.70
Chongqing Jianshe Automobile Air-conditioner Co., Ltd.	21,933,236.63	44,834,573.54

Related parties	2017	2016
Hubei Xiaogan Huazhong Automobile Light Co., Ltd.	18,068,182.67	35,171,485.54
Chongqing Changfeng Jiquan Machinery Co., Ltd.	14,806,992.88	17,755,042.08
Chongqing Shangfang Automobile Fittings Co., Ltd.	12,633,188.89	19,471,409.27
Changan Industries Group Co. Ltd.	10,548,846.45	11,133,702.18
Chengdu Ningxing Automobile Spring Co., Ltd.	8,808,787.49	2,699,367.12
Chongqing Yihong Engineering Plastic Products Co., Ltd.	8,669,550.54	5,380,998.77
Yunnan Xiyi Industries Co., Ltd.	5,574,383.25	3,561,238.93
Sichuan Ningjiang Shanchuan Machinery Co, Ltd.	5,527,769.06	11,620,091.77
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd.	5,431,628.68	1,108,626.60
Chengdu Huachuan Electric Equipment Co., Ltd.	4,332,585.36	17,909,499.41
Longchang Shanchuan Shock-absorbing Vehicles Parts Co., Ltd.	4,093,547.21	24,749,631.74
Chengdu Lingchuan Special Industry Co., Ltd.	3,626,071.14	16,324,169.20
Chongqing Changrong Machinery Co., Ltd.	3,524,818.39	6,053,153.05
Chengdu Ningjiang Zhaohe Automobile Components Co., Ltd.	2,976,243.85	9,859,366.38
Sichuan Hongguang Machinery and Electrics Co., Ltd.	1,939,534.94	770,939.74
Hafei Motor Co., Ltd.	661,117.68	-
Chongqing Dajiang Jiexing Forging Co., Ltd.	605,591.85	916,367.87
Chongqing Changan Construction Co., Ltd.	271,400.31	-
Chongqing Automobile Air-conditioner Co., Ltd.	205,041.51	205,041.51
Chongqing Jialing Yimin Special Equipment Co., Ltd.	104,496.50	104,496.50
Chengdu Guangming Tianzhong Environmental Protection Technology Co., Ltd.	88,689.65	100,673.23
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	70,136.39	743,950.45
Beijing Beiji Mechanical and Electrical Industry Co., Ltd.	26,382.70	103,700.00
Sichuan Jian'an Industrial Co., Ltd – Chengdu Jian'an Automobile Bridge Branch	20,257.22	16,779.87
Chongqing Qingshan Transmission Sales Co., Ltd.	548.02	4,565,235.88
Total	2,174,949,387.99	1,923,025,850.78

Advances from customers

Related parties	2017	2016
Chengdu Wanyou Xiangyu Auto Sales and Service Co., Ltd.	149,605,982.46	26,923,721.35
Chongqing Wanyou Economic Development Co., Ltd.	147,992,787.85	59,225,452.11
Guizhou Wanyou Auto Sales and Service Co., Ltd.	93,966,433.63	52,459,795.76
Yunnan Wanyou Auto Sales and Service Co., Ltd.	56,027,446.21	39,662,459.55
Wanyou Automobile Investment Co., Ltd.	33,392,271.43	5,720,958.00
The Automobile Trade Service Co. Ltd.	28,665,986.30	41,753,923.53
Yunnan Xiangyu Auto Sales and Service Co., Ltd.	13,152,733.90	5,768,219.12
Guangxi Wanyou Auto Sales and Service Co., Ltd.	10,218,258.22	15,722,476.69
China Changan Automobile Group Tianjin Sales Co., Ltd.	8,262,589.55	2,086,522.00
Changan Ford Mazda Engine Co., Ltd.	3,202,789.69	-
Nanning Wanyou Auto Sales and Service Co., Ltd.	3,049,999.16	11,830,415.87

Related parties	2017	2016
Hafei Motor Co., Ltd.	670,500.00	-
Chongqing Changan Min Sheng Logistics Co., Ltd.	361,998.32	361,998.32
Chongqing Anfu Automobile Co., Ltd.	119,144.00	15,878,770.00
Southwest Ordnance Industry Corporation	113,420.00	-
South Inter Air-conditioner Co, .Ltd.	4,991.00	-
Changan Ford Automobile Co., Ltd.	-	672,289.44
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd.	-	659.60
Total	548,807,331.72	278,067,661.34

Other payables

Related parties	2017	2016
Chongqing Changan Min Sheng Logistics Co., Ltd.	159,507,227.79	77,817,823.03
Chongqing Changan Construction Co., Ltd.	23,746,341.39	9,972,195.85
Changan Industries Group Co. Ltd.	4,841,997.36	4,038,966.50
Chongqing Changan Property Management Co., Ltd.	2,470,202.68	2,215,310.58
Chongqing Wanyou Construction Co., Ltd.	2,278,297.00	729,632.00
Hafei Motor Co., Ltd.	640,668.85	2,239,226.36
Chongqing Wanyou Economic Development Co., Ltd.	450,057.20	100,000.00
Chongqing Changan Suzuki Automobile Co., Ltd	330,432.00	220,288.00
The Automobile Trade Service Co. Ltd.	191,979.64	150,000.00
Yunnan Wanyou Auto Sales and Service Co., Ltd.	182,607.80	100,000.00
Guizhou Wanyou Auto Sales and Service Co., Ltd.	159,500.00	150,000.00
Guangxi Wanyou Auto Sales and Service Co., Ltd.	150,000.00	150,000.00
Changan Ford Mazda Engine Co., Ltd.	144,115.79	-
Chengdu Wanyou Filter Co., Ltd.	120,000.00	120,000.00
Chongqing Anfu Automobile Co., Ltd.	100,000.00	-
China Changan Automobile Group Co ,Ltd.	-	791,056.30
Chongqing Fuji Supply Chain Management Co.,Ltd.	-	496,341.00
Chongqing Changan Real Estate Development Co., Ltd.	-	42,426.00
Total	195,313,427.50	99,333,265.62

7. Cash deposited in related party

Related party	2017	2016
China South Industry Group Finance Co., Ltd.	4,449,345,493.13	3,932,976,564.53
Changan Automobile Financing Co.,Ltd	1,500,000,000.00	1,000,000,000.00
Total	5,949,345,493.13	4,932,976,564.53

In 2017, deposit rates in related party are 0.35% to 3.915%, deposit terms are 0 to 12 months. (in 2016, deposit rate were 0.35% to 3.915%, terms are 0 to 6 months.)

8. Loans from related parties

Short-term loans

Related parties	2017	2016
China South Industry Group Finance Co., Ltd.	175,000,000.00	150,000,000.00

Refer to Note V 20 for the details of the interest rates of the short-term loan.

X Share-based payments

1. General information

	2017	2016
The total amount of the employee services as a result of the share-based payments	32,697,000.00	13,715,900.00

The equity settled share based payments are as follows:

	2017	2016
The accumulated amount of equity settled share-based payments included in capital reserve	32,697,000.00	13,715,900.00
The amount of equity settled share-based payments included in current year expense	18,981,100.00	13,715,900.00

2. Share-based payment scheme

On 23 September 2016, the share option was approved to be granted on 23 September 2016 by the 12th meeting of the seventh session of the Board of Directors and the 8th meeting of the seventh session of Board of Supervisors. According to the share option scheme, the Company granted 29,140,000 options to 202 employees, conferring rights to purchase 1 A share of Changan Automobile for each option before the expiration date. Share options are granted to directors, chief executive officers and key technical and management personnel.

The share option will expire in 5 years. After the vesting period of 24 month since the grant date, the option shall be exercised in three periods. In each exercise period, 1/3 of the total options could be exercised when the prescribed performance conditions are met. As at 31 December 2017, the exercise price is RMB13.478 per share (31 December 2016: RMB14.12 per share). The options granted shall be exercised before the expiration date. The share should not be exercised unless the prescribed conditions are met. The exercisable shares not exercised in above periods will be written off by the Company.

The performance indicators of the share option includes:

(1) Return on equity (ROE)

(2) Net profit growth rate attributable to owners

(3) Economic value added (EVA), and

(4) The ratio of prime operating revenue to operating revenue

The above net profit and ROE are based on net profit and weighted average net assets attributable to owners deducting non-recurring gains and losses.

The exercise terms of share options:

Exercise Period	Exercise Ratio	Exercise Time	Exercise Terms

The 1st exercise period	1/3	The 1st trading day since 24 month after the grant date to the last trading day since 36 month after the grant date	2017 net profit growth rate based on 2015 average growth rate ≥3.2%(growth amount equivalent to RMB10,182,000,000); ROE≥15% The above indicators≥benchmark average, and ≥ 75 quartile △EVA>0; The ratio of prime operating revenue to operating revenue≥95%
The 2nd exercise period	1/3	The 1st trading day since 36 month after the grant date to the last trading day since 48 month after the grant date	2018 net profit growth rate based on 2015 average growth rate ≥3.2%(growth amount equivalent to RMB10,507,000,000); ROE≥15% The above indicators≥benchmark average, and ≥ 75 quartile △EVA>0; The ratio of prime operating revenue to operating revenue≥95%
The 3rd exercise period	1/3	The 1st trading day since 48 month after the grant date to the last trading day since 60 month after the grant date	2019 net profit growth rate based on 2015 average growth rate ≥3.2%(growth amount equivalent to RMB10,844,000,000); ROE≥15% The above indicators≥benchmark average, and ≥ 75 quartile △EVA>0; The ratio of prime operating revenue to operating revenue≥95%

The fair value of the equity-settled share option is determined using Black-Scholes model based on the estimate in accordance with the terms and conditions of the share options. The input variables are as follows:

Valuation factors	23 September 2016
Dividend rate (%)	0%
Expected volatility (%)	29.78%
Historical volatility (%)	29.78%
Risk-free rate (%)	2.4987%
Expected duration (year)	4
Share price as at the grant date (yuan)	15.43

The expected duration of the option is based on the historical data of the past, which is not necessarily reflected in the exercise of the right in future. The expected volatility is based on the assumption that the historical volatility reflects the future trend, but not necessarily the actual results.

On the date of granting, the fair value of share options granted amounted to RMB139,527,600. On 17 April 2018, in accordance with resolution of the 30th meeting of the seventh session of the Board of Directors, due the first prescribed performance conditions of the share option is not achieved and 12 employees have terminated the labor contract with the company and were no longer granted the options, the Board of Directors of the Company approved to cancel 10,826,600 shares of the share option. After cancellation, the number of the stock option issued by the company under the plan is 18,313,400 with the fair value of RMB87,721,200.

XI Contingencies and commitments

1. Commitments

Contracted, but not provided for

Item	2017	2016
Capital commitments	16,723,740,000.00	17,058,024,403.29
Investment commitments	49,000,000.00	-

2. Contingencies

As at 31 December 2017, no material contingencies needed to be disclosed.

XII Events after the balance sheet date

1. The dividends after balance sheet date

Profits or dividends to be allocated	Refer to Note V 41.

2. Other events after the balance sheet date

On 12 January 2018, according to the resolution of the 27th meeting of the seventh board of directors, the board of directors approved the proposal about increase RMB1,800 million investment on Changan PSA Automobiles Co., Ltd.. with the euity interests of 50% upon the completion of the investment. On 30 January 2018, the proposal has been approved by the 1st interim shareholders' meeting. As of the approval date of the financial statement, the above investment has not been completed.

On 14 March 2018, China Changan and China South Industries Group Co., Ltd. entered into an agreement to transfer 21.56% share of the Company with nil consideration. In accordance with agreement, China Changan will transfer 1,035,312,673 common A shares (equal to 21.56% of the total capital of the Company) to China South Industries Co., Ltd.. As of the approval date of the financial statement, the above shares transfer has not been completed.

On 3 April 2018, according to the resolution of the 29th meeting of the seventh board of directors, the board of directors approved the proposal on setting up China Motor (Beijing) Intelligent Network of Automobile Research Institute Co., Ltd., hereafter referred to as “China Automobile Institute”, together with the other 12 shareholders including FAW CAR CO., LTD. The Company will invest RMB50 million to hold 8.33% equity interdsts of China Automobile Institute. As of the approval date of the financial statement, the above investment has not been completed.

On 11 April 2018, according to the resolution of the 31th meeting of the seventh board of directors, the board of directors approved the proposal on setting up new corporation together with Tencent Land Thoroughfare (Shenzhen) Technology Co. Ltd. The Company will invest RMB98 million to hold 49% equity interdsts of the now corporation. As of the approval date of the financial statement, the above investment has not been completed.

As of the approval date of financial statement, no other significant event after balance sheet date was noted.

XIII Other important event

1. Leasing arrangements

According to the lease contracts signed with the lessor, the minimum leases payments under non-cancellable leases are as follows:

Item	2017	2016
Less than 1 year (including 1 year)	15,795,702.31	11,768,779.44
1 to 2 years (including 2 years)	5,067,570.60	8,320,440.46
2 to 3 years (including 3 years)	7,038,573.12	1,434,975.00
Over 3 years	2,583,750.00	7,832,471.32
Total	30,485,596.03	29,356,666.22

2. Segment report

The Group identifies operating segments based on the internal organization structure, managerial requirements and internal reporting system, and identifies reportable segments based on operating segments and discloses segment information by operating segment.

An operating segment is a component of the Group that meets all the following conditions:

(1) it engages in business activities from which it may earn revenues and incur expenses;
(2) its operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and assess its performance; and
(3) the Group is able to obtain relevant accounting information such as its financial position, operating results and cash flows.

If two or more segments have similar economic characteristics and meet certain conditions, they can be aggregated into a single operating segment.

The revenue and profit of the Group mainly consist of the automobile manufacturing and domestic sales. The Group's principal assets are in China. The operating performance of the Group has been evaluated as a whole by the management. So the segment report has not been prepared for this year.

XIV Notes to the Company's financial statements

1. Accounts Receivable

(1) Aging analysis of accounts receivable as at 31 December 2017 is as follows:

Aging	2017	2016
Within 1 year	3,184,481,577.60	3,250,560,308.22
1 to 2 years	1,508,834,126.68	752,872,792.63
2 to 3 years	201,227,844.24	47,459,307.66
Over 3 years	110,700,935.91	289,770,618.23
Total	5,005,244,484.43	4,340,663,026.74
Provision	(13,247,893.43)	(11,776,256.96)
	4,991,996,591.00	4,328,886,769.78

Movements of provision for accounts receivable are as follows:

	Beginning	Addition	Reduction		Ending Balance
			Reversal	Write-off	
2017	11,776,256.96	1,471,636.47	-	-	13,247,893.43
2016	44,127,656.24	712,173.76	-	33,063,573.04	11,776,256.96

(2) Analysis of the accounts receivable by category as at 31 December 2017 is as follows:

Item	2017				2016			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	-	-	-	-	-	-	-	-
Accounts receivable analyzed as groups for provision								
Group 1. Accounts receivable analyzed for provision according to aging analysis	336,704,741.88	6.73	13,247,893.43	3.93	199,462,633.59	4.60	11,776,256.96	5.90
Group 2. Accounts receivable from related parties	4,668,539,742.55	93.27	-	-	4,141,200,393.15	95.40	-	-
Group subtotal	5,005,244,484.43	100	13,247,893.43	0.26	4,340,663,026.74	100	11,776,256.96	0.27
Individually insignificant items but analyzed individually for provision	-	-	-	-	-	-	-	-
Total	5,005,244,484.43	100	13,247,893.43	0.26	4,340,663,026.74	100	11,776,256.96	0.27

In groups, accounts receivable were analyzed for provision by aging:

Aging	2017			2016		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	308,058,891.27	91.50	-	187,249,804.89	93.88	-
6 to 12 months	11,052,418.43	3.28	552,620.92	-	-	-
Within 1 year subtotal	319,111,309.70	94.78	552,620.92	187,249,804.89	93.88	-
1 to 2 years	5,432,400.00	1.61	543,240.00	42,444.52	0.02	4,244.45
2 to 3 years	2,836.67	0.00	851.00	26,216.67	0.01	7,865.00
3 to 4 years	14,028.00	0.00	7,014.00	-	-	-
4 to 5 years	-	-	-	1,900,100.00	0.95	1,520,080.00
Over 5 years	12,144,167.51	3.61	12,144,167.51	10,244,067.51	5.14	10,244,067.51
Total	336,704,741.88	100.00	13,247,893.43	199,462,633.59	100.00	11,776,256.96

In groups, accounts receivable were analyzed for provision with other methods:

Group	2017		2016	
	Balance	Provision	Balance	Provision
Accounts receivable from related parities	4,668,539,742.55	-	4,141,200,393.15	-

As at 31 December 2017, there was no individually significant items but analyzed individually for provision (2016: Nil).

(3) For the year ended 2017, no provision for accounts receivable has been reversed (2016: RMB Nil).

(4) For the year ended 2017, no write-offs for accounts receivable provision (2016: RMB33,063,573.04).

(5) As at 31 December 2017, accounts receivable from top 5 clients amounted to RMB3,973,737,026.11, accounted for 79.39% of the total amount (2016： RMB3,600,501,720.54, accounted for 82.95% of the total amount).

(6) There is no accounts receivable derecognized due to transference of financial assets during 2017 (2016: Nil).

2. Other receivables

(1) Aging analysis of other receivables as at 31 December 2017 is as follows:

Aging	2017	2016
Within 1 year	1,683,813,894.71	1,068,196,054.26
1 to 2 years	26,899,001.97	380,563,436.92
2 to 3 years	6,170,910.10	293,123.94
Over 3 years	7,928,129.93	7,959,929.33
Total	1,724,811,936.71	1,457,012,544.45
Provision	(1,088,333.82)	(995,559.54)
Net Value	1,723,723,602.89	1,456,016,984.91

Movements of provisions for other receivables are as follows:

	Opening Balance	Addition	Deduction		Ending Balance
			Reversal	Write-off	
2017	995,559.54	92,774.28	-	-	1,088,333.82
2016	2,094,451.68	86,681.86	-	1,185,574.00	995,559.54

(2) Analysis of other receivables by category as at 31 December 2017 is as follows:

Item	2017				2016			
	Balance		Provision		Balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant items and analyzed individually for provision	1,127,509,417.42	65.37	-	-	573,938,000.00	39.39	-	-
Other receivables analyzed as groups for provision								
Group 1. Other receivables analyzed for provision according to aging analysis	125,520,423.39	7.28	1,088,333.82	0.87	105,367,648.00	7.23	995,559.54	0.94
Group 2. Other receivables from related parties	471,782,095.90	27.35	-	-	777,706,896.45	53.38	-	-
Group subtotal	597,302,519.29	34.63	1,088,333.82	0.18	883,074,544.45	60.61	995,559.54	0.11
Individually insignificant items but analyzed individually for provision	-	-	-	-	-	-	-	-
Total	1,724,811,936.71	100	1,088,333.82	0.06	1,457,012,544.45	100	995,559.54	0.07

In groups, other receivables were analyzed for provision by aging:

Aging	2017			2016		
	Balance		Provision	Balance		Provision
	Amount	%		Amount	%	
Within 6 months	119,053,084.31	94.85	-	102,631,260.66	97.40	-
6 to 12 months	5,512,392.58	4.39	275,619.62	908,083.19	0.86	45,404.16
Within 1 year subtotal	124,565,476.89	99.24	275,619.62	103,539,343.85	98.26	45,404.16
1 to 2 years	76,250.15	0.06	7,625.02	798,497.37	0.76	79,849.74
2 to 3 years	48,000.00	0.04	14,400.00	227,858.77	0.22	68,357.63
3 to 4 years	80,014.34	0.06	40,007.17	-	-	-
4 to 5 years	-	-	-	-	-	-
Over 5 years	750,682.01	0.60	750,682.01	801,948.01	0.76	801,948.01
Total	125,520,423.39	100	1,088,333.82	105,367,648.00	100.00	995,559.54

(3) For the year ended 2017, no provision for other receivables has been reversed (2016: Nil).

(4) For the year ended 2017, there was no write-off for other receivable provision (2016: 1,185,574.00).

(5) Analysis of other receivables by nature is as follows:

Nature	2017	2016
Energy-saving and new energy subsidy	1,080,007,000.00	573,938,000.00
Technical royalties	179,848,570.43	131,500,340.36
Disposal income of assets	137,053,901.49	320,683,334.80
Loans to third parties	124,782,800.00	190,782,800.00
Pretty cash	92,067,567.52	67,463,129.22
Warranty	24,605,361.42	42,787,301.14
Security deposits	11,793,261.36	20,077,869.68
Others	73,565,140.67	108,784,209.71
Total	1,723,723,602.89	1,456,016,984.91

(6) As at 31 December 2017, top five debtors of other receivables are as follows:

Debtors	Amount	Aging	Proportion of total other receivables (%)	Ending balance of provision
First	1,080,007,000.00	Within 3 years	62.62	-
Second	241,884,365.21	Within 1 year	14.02	-
Third	100,000,000.00	Within 1 year	5.80	-
Forth	40,784,896.53	2 to 3 years	2.36	-

Fifth	25,978,477.97	Within 1 year	1.51	-
Total	1,488,654,739.71		86.31	-

(7) There is no other receivables derecognized due to transfer of financial assets during 2017 (2016: Nil).

3. Long-term investments

2017

Investee	Opening Balance	Addition	Deduction	Investment income/loss nder equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Joint ventures										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,230,836,876.85			(42,413,558.40)	-	2,282,391.98	-		1,190,705,710.43	-
Jiangling Holding Co., Ltd.	2,991,207,303.06			(86,461,777.56)	(248,641.80)	3,253,059.67	-		2,907,749,943.37	-
Changan Ford Automobile Co., Ltd.	5,663,808,819.68			6,039,117,284.52	-	-	(7,577,500,000.00)		4,125,426,104.20	-
Changan Mazda Automobile Co., Ltd.	2,146,340,500.42			1,268,089,310.60	-	-	(975,000,000.00)		2,439,429,811.02	-
Changan Ford Mazda Engine Co., Ltd.	908,715,700.67			119,122,694.41	-	-	(124,000,000.00)		903,838,395.08	-
Changan PSA Automobiles Co., Ltd.	647,839,655.26			(554,278,528.50)	-	-	-		93,561,126.76	-
Associates										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	7,556,448.42	-	(6,005,819.20)	(1,550,629.22)	-	-	-	-	-	-
Chongqing Changan Kuayue Automobile Co., Ltd.	83,406,464.16	-	-	17,993,428.27	-	-	-	-	101,399,892.43	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an taxi Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Changan Automobile Financing Co.,Ltd	1,063,655,241.51	650,000,000.00	-	95,278,795.38	-	8,735,954.84	-	-	1,817,669,991.73	-
Zhenjiang Demao Hairun equity investment fund partnership (limited partnership)	-	518,743,029.48	-	(107.53)	-	-	-	-	518,742,921.95	-
Subsidiaries										
Nanjing Changan Automobile Co., Ltd.	422,533,259.00	-	-	-	-	-	-	-	422,533,259.00	-
Hebei Changan Automobile Co., Ltd.	438,223,236.00	-	-	-	-	-	-	-	438,223,236.00	-

Investee	Opening Balance	Addition	Deduction	Investment income/loss nder equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Chongqing Changan International Automobile Sales Co., Ltd.	13,068,580.00	1.00	-	-	-	-	-	-	13,068,581.00	-
Chongqing Changan Automobile supporting service Co., Ltd.	29,700,000.00	-	-	-	-	-	-	-	29,700,000.00	-
Chongqing Changan Connected Car Technology Co., Ltd.	88,500,000.00	-	-	-	-	-	-	-	88,500,000.00	-
Chongqing Changan Automobile sales subsidiaries	5,600,000.00	-	(2,450,000.00)	-	-	-	-	-	3,150,000.00	-
Chongqing Changan Special Automobile sales Co., Ltd.	2,500,000.00	-	-	-	-	-	-	-	2,500,000.00	-
Chongqing Changan Europe Design Academy Co., Ltd.	155,872,524.00	(402,610.50)	-	-	-	-	-	-	155,469,913.50	-
Chongqing Changan new Engergy Automobile Co. Ltd.	18,850,000.00	-	-	-	-	-	-	-	18,850,000.00	-
Changan United Kingdom R&D Center Co., Ltd.	236,387,395.40	-	-	-	-	-	-	-	236,387,395.40	-
Beijing Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Harbin Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Shanghai Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Changan Japan Designing Center Co., Ltd.	1,396,370.15	-	-	-	-	-	-	-	1,396,370.15	-
Changan United States R&D Center Co., Ltd.	1,317,720.00	8,925,740.00	-	-	-	-	-	-	10,243,460.00	-
Hebei Baoding Changan Bus Co., Ltd.	176,002,613.18	-	-	-	-	-	-	-	176,002,613.18	-
Hefei Changan Automobile Company Ltd.	35,367,765.23	-	-	-	-	-	-	-	35,367,765.23	-
Changan Automobile Russia Co., Ltd.	1,242,589.15	-	-	-	-	-	-	-	1,242,589.15	-
Changan Brazil Holdings Limited	2,584,556.97	-	-	-	-	-	-	-	2,584,556.97	-
Shenzhen Changan New Energy Automobile Service Co., Ltd.	50,000,000.00	-	-	-	-	-	-	-	50,000,000.00	-
Total	16,425,513,619.11	1,177,266,159.98	(8,455,819.20)	6,854,896,911.97	(248,641.80)	14,271,406.49	(8,676,500,000.00)	-	15,786,743,636.55	-

2016

Investee	Opening Balance	Addition	Deduction	Investment income/loss nder equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Joint ventures										
Chongqing Changan Suzuki Automobile Co., Ltd.	1,201,823,308.72	-	-	27,008,035.40	-	2,005,532.73	-	-	1,230,836,876.85	-
Jiangling Holding Co., Ltd.	2,708,643,943.64	-	-	281,552,504.60	(166,479.23)	1,177,334.05	-	-	2,991,207,303.06	-
Changan Ford Automobile Co., Ltd.	5,504,416,392.18	-	-	9,029,392,427.50	-	-	(8,870,000,000.00)	-	5,663,808,819.68	-
Changan Mazda Automobile Co., Ltd.	1,998,126,415.64	-	-	998,214,084.78	-	-	(850,000,000.00)	-	2,146,340,500.42	-
Changan Ford Mazda Engine Co., Ltd.	781,796,686.36	-	-	126,734,131.00	-	184,883.31		-	908,715,700.67	-
Changan PSA Automobiles Co., Ltd.	1,462,904,374.63	-	-	(815,064,719.37)	-	-	-	-	647,839,655.26	-
Associates										
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	7,511,430.77	-	-	45,017.65	-	-	-	-	7,556,448.42	-
Chongqing Changan Kuayue Automobile Co., Ltd.	76,219,385.83	-	-	7,187,078.33	-	-	-	-	83,406,464.16	-
Chongqing Changan Kuayue Automobile Sales Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Beijing Fang'an taxi Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Changan Automobile Financing Co.,Ltd	1,155,000,000.00	-	-	(91,344,758.49)	-	-	-	-	1,063,655,241.51	-
Subsidiaries										
Nanjing Changan Automobile Co., Ltd.	422,533,259.00	-	-	-	-	-	-	-	422,533,259.00	-
Hebei Changan Automobile Co., Ltd.	438,223,236.00	-	-	-	-	-	-	-	438,223,236.00	-
Chongqing Changan International Automobile Sales Co., Ltd.	13,068,580.00	-	-	-	-	-	-	-	13,068,580.00	-
Chongqing Changan Automobile supporting service Co., Ltd.	29,700,000.00	-	-	-	-	-	-	-	29,700,000.00	-
Chongqing Changan Connected Car Technology Co., Ltd.	48,500,000.00	40,000,000.00	-	-	-	-	-	-	88,500,000.00	-

Investee	Opening Balance	Addition	Deduction	Investment income/loss nder equity method	Other comprehensive income	Other movements of equity	Dividend of cash declared	Provision	Ending Balance of book value	Ending Balance of provision
Chongqing Changan Automobile sales subsidiaries	8,050,000.00	3,379,233.00	(5,829,233.00)	-	-	-	-	-	5,600,000.00	-
Chongqing Changan Special Automobile sales Co., Ltd.	2,500,000.00	-	-	-	-	-	-	-	2,500,000.00	-
Chongqing Changan Europe Design Academy Co., Ltd.	134,879,700.00	20,992,824.00	-	-	-	-	-	-	155,872,524.00	-
Chongqing Changan new Engergy Automobile Co. Ltd.	18,850,000.00	-	-	-	-	-	-	-	18,850,000.00	-
Changan United Kingdom R&D Center Co., Ltd.	981,934.40	235,405,461.00	-	-	-	-	-	-	236,387,395.40	-
Beijing Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Harbin Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Shanghai Changan R&D Center Co., Ltd.	1,000,000.00	-	-	-	-	-	-	-	1,000,000.00	-
Changan Japan Designing Center Co., Ltd.	1,396,370.15	-	-	-	-	-	-	-	1,396,370.15	-
Changan United States R&D Center Co., Ltd.	1,317,720.00	-	-	-	-	-	-	-	1,317,720.00	-
Hebei Baoding Changan Bus Co., Ltd.	176,002,613.18	-	-	-	-	-	-	-	176,002,613.18	-
Hefei Changan Automobile Company Ltd.	35,367,765.23	-	-	-	-	-	-	-	35,367,765.23	-
Changan Automobile Russia Co., Ltd.	1,242,589.15	-	-	-	-	-	-	-	1,242,589.15	-
Changan Brazil Holdings Limited	2,584,556.97	-	-	-	-	-	-	-	2,584,556.97	-
Shenzhen Changan New Energy Automobile Service Co., Ltd.	-	50,000,000.00	-	-	-	-	-	-	50,000,000.00	-
Total	16,234,640,261.85	349,777,518.00	(5,829,233.00)	9,563,723,801.40	(166,479.23)	3,367,750.09	(9,720,000,000.00)	-	16,425,513,619.11	-

4. Operating revenue and cost

(1) Operating revenue, operating cost

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Primary Operation	75,808,523,264.79	68,132,068,016.71	76,247,249,150.13	65,163,173,869.78
Other Operation	1,949,953,122.72	600,493,843.34	1,886,694,926.20	609,271,572.83
Total	77,758,476,387.51	68,732,561,860.05	78,133,944,076.33	65,772,445,442.61

(2) Revenue listed by products are as follows:

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Sales of goods	77,539,745,872.67	68,427,035,082.82	77,912,630,846.99	65,569,169,219.67
Outsourcing processing	218,730,514.84	305,526,777.23	221,313,229.34	203,276,222.94
Total	77,758,476,387.51	68,732,561,860.05	78,133,944,076.33	65,772,445,442.61

5. Investment income

(1) Details of investment income

Item	2017	2016
Long-term equity investment income under equity method	6,854,896,911.97	9,563,723,801.40
Investment income during holding period of available-for-sale financial assets	50,364,239.43	55,292,453.17
Others	2,802,352.95	29,239,175.50
Total	6,908,063,504.35	9,648,255,430.07

(2) Available-for-sale financial assets under cost method

Investee	2017	2016
Cash dividend received from China South Industry Group Finance Co., Ltd.	46,814,239.43	50,677,453.17

5. Investment income (continued)

(3) Long-term equity investment income under equity method

Investee	2017	2016	Reason for the fluctuation
Changan Ford Automobile Co., Ltd.	6,039,117,284.52	9,029,392,427.50	Decrease in profit due to sales derease
Changan Mazda Automobile Co., Ltd.	1,268,089,310.60	998,214,084.78	Increase in profit due to sales expansion
Chongqing Changan Suzuki Automobile Co., Ltd.	(42,413,558.40)	27,008,035.40	Decrease in profit due to sales derease
Changan Ford Mazda Engine Co., Ltd.	119,122,694.41	126,734,131.00	Decrease in profit due to sales derease
Jiangling Holding Co., Ltd.	(86,461,777.56)	281,552,504.60	Decrease in profit due to sales derease
Chongqing Xiyi Automobile Linkage Rod Co., Ltd.	(1,550,629.22)	45,017.65	Decrease in profit due to sales derease
Changan PSA Automobiles Co., Ltd.	(554,278,528.50)	(815,064,719.37)	Decrease in profit due to low sales
Chongqing Changan Kuayue Automobile Co.,Ltd.	17,993,428.27	7,187,078.33	Increase in profit due to sales expansion
Changan Automobile Financing Co.,Ltd	95,278,795.38	(91,344,758.49)	Increase in profit due to sales expansion
Zhenjiang Demao Hairun equity investment fund partnership (limited partnership)	(107.53)	-	
Total	6,854,896,911.97	9,563,723,801.40	

1. Schedule of non-recurring profit and loss

Item	2017
Gain and loss arising from disposal of non-current assets (including writing-off of accrued impairment loss on assets)	41,774,452.23
Government grants (excluding the grants closely related to enterprise business, which the Group enjoyed according to the allotment standards or quantitative criteria of the country)	1,613,343,216.59
Other non-operating income and expenses	29,262,070.84
Capital occupied income from non-financial entities	33,408,866.16
Effect on income tax	(188,136,520.19)
Effect on minority shareholders (after tax)	(108,532,010.50)
Total	1,421,120,075.13

Note: the non-recurring profit and loss were presented with amount before tax.

The Group disclosed non-recurring profit and loss items in accordance with the regulations issued by China Security Regulation Commission, No 1 Regulation of Information Disclosure of Public Companies-Non-recurring Profit and Loss <CSRC 2008(43)>

2. Return on equity and earnings per share

2017

Profit	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	15.65	1.49	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	12.53	1.19	N/A

2016

Profit	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	26.81	2.19	N/A
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	24.63	2.02	N/A

In accordance with the regulations issued by China Security Regulation Commission, Regulation of Information Disclosure of Public Companies—the Calculation and Disclosure of Return of Net Assets and Earning per Share (2010 Revision), the Group disclosed the return of net assets and earnings per share in the reporting period.

Chapter 11 Documents for Future Reference

1. Financial reports with signatures and stamps of the legal representative, the chief accountant and the chief of accounting organization.

2. The original copy of audit report with the stamp of the CPA firm and the signature and stamp of the Certified Public Accountant.

3. All the original documents and manuscripts of the Company which has been disclosed in the reporting period in the newspapers designated by China Securities Regulatory Commission.

Annual reports disclosed in other securities markets.

Chairman of the Board: Mr. Xu Liuping

General Manager: Mr. Zhu Huarong

Chongqing Changan Automobile Co., Ltd.

18 April, 2018