

ZHEJIANG YINLUN MACHINERY CO.,LTD.

Annual Report 2019 (Abstract)

I. Important Notes

This Abstract is extracted from 2019 Annual Report of Zhejiang Yinlun Machinery Co., Ltd. (“the Company”). In order to have a full understanding of the operating results, financial status and future development plan of the Company, investors are suggested to read the full report carefully on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Indicate by check mark if independent auditor issues Non-standard Audit Opinions

Applicable Not applicable

Indicate by check mark if there is a pre-arranged plan of profit distribution or transferring capital reserve into common stock for the report period which has been reviewed and approved by the Board of Directors

Applicable Not applicable

Indicate by check mark if transferring capital reserve into common stock

Applicable Not applicable

Pre-arranged profit distribution plan reviewed and approved by the Board of Directors: with 785,304,065 shares as the base (the actual dividends shall be deducted from the number of shares that have been repurchased by the date of stock registration), distribute 0.8 Yuan cash dividends per 10 common stocks (tax inclusive), send bonus of 0 shares (tax inclusive), do not transfer to increase capital stock with accumulation fund.

Indicate by check mark if preplan for preferred stocks profit distribution to shareholders for the report period which has been reviewed and approved by the Board of Directors

Applicable Not applicable

II. Company Profile

1. Stock profile

Stock abbr.	YINLUN	Stock code	002126
Stock exchange	Shenzhen Stock Exchange		
Contact Information	Board Secretary	Securities Representative	
Name	Min Chen	Lifen Xu	
Office add.	No.8,East Shifeng Road, Fuxi District, Tiantai, Zhejiang, China	No.8,East Shifeng Road, Fuxi District, Tiantai, Zhejiang, China	
Tel.	0576-83938250	0576-83938250	

E-mail	002126@yinlun.cn	002126@yinlun.cn
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2. Brief introduction to main business or products in the report period

(1) Main business

Aiming at the goals of "energy saving, emission reduction, intelligence and safety", the Company has been focusing on the development, production and sales of the products of heat exchange and exhaust gas after-treatment system with the media of oil, water, gas and electricity. The Company is a national high-tech enterprise and a leading member of Standardization Technical Committee of Internal Combustion Engine in Heat Exchanger Standard in China. It has a national technology research center, a national test and inspection center, a provincial key enterprise research institute, a provincial engineering laboratory and a national postdoctoral research workstation. The Company has been continuously executing the strategies for global footprint and layout in recent years with production bases as well as development centers located not only in Zhejiang, Shanghai, Hubei and Shandong, but also in North America and Europe.

The main products include:

New energy vehicles: high and low temperature radiators, battery chillers, battery cooling plates, motor coolers, electric controller coolers, front-end cooling modules, PTC heaters, electronic fans, electronic water pumps, electronic valves heat pump air conditioning systems, etc.;

Passenger vehicles: engine oil cooler & assembly, oil filter & assembly, EGR (exhaust gas recirculation) cooler & assembly, valves, inter-coolers, radiators, aluminum castings front-end cooling modules, etc.;

Commercial vehicles: engine oil cooler & assembly, oil filter & assembly, front-end cooling modules, aluminum castings, EGR cooler & assembly air conditioning systems, etc.;

Construction Equipment: front-end cooling modules, aluminum castings air conditioning systems, etc.

Industrial and marine thermal management: ORC (waste heat recovery), industrial heat exchangers aluminum castings, etc.;

Agricultural machinery and other industry: cooling modules, etc.;

SCR, DPF and DOC systems (exhaust gas after-treatment).

The products of heat exchange and exhaust gas after-treatment are widely applied to the industries of automobile, construction equipment, agricultural machinery, compressor, wind

power generation, train locomotive, marine and air conditioning.

(2) Key Customers

The key customers of new energy vehicles include GM, Ford, CATL, GEELY, GAC, BYD, Yutong, WM and JMC.

The key customers of passenger vehicles include Ford, GM, Renault, MANN+HUMMEL, JLR, NISSAN, GEELY, GAC, Great Wall, CCAG, BYD and SAIC.

The key customers of supercars include Ferrari, Audi, Benz, Lamborghini, Bentley, BMW, McLaren and Ford.

The key customers of commercial vehicles mainly include Daimler, CMI, Navistar, SCANIA, FAW, DFM, CNHTC, Foton, Yuchai, FAWDE and Weichai.

The key customers of construction equipment include Caterpillar, John Deere, Sumitomo, XCMG, Lonking, SANY and KUBOTA.

The key customer of civil air conditioners is Gree.

(3) Business model

The Company is a national high-tech enterprise with capabilities of R&D, production and sales.

It has the ability to actively provide the services of synchronous development and advanced planning, and optimized solutions of the efficient heat exchange and exhaust gas system for the customers. It could also develop the customized products based on the requirements of the technical specification, quality, development lead time and cost, and could also make the purchase and production plans according to the ordered quantity.

With the agility, lean, informationization, automation, Intelligent IoT (Internet of Things) and error proofing technology as well as utilization of world advanced manufacturing technology and management method, the Company continuously improved product quality, reduced costs and shortened the delivery time constantly to achieve the world-class manufacturing level. It also set up a rapid response system including design, production and service to further develop the global market, technology and after-sales service constantly.

In order to provide end-to-end services to customers, the Company has set up a “golden triangle” structure with the customer manager, project manager and technical manager to form a three-dimension sales network and service system. Up to now, the Company has more than two hundred domestic and foreign well-known customers, with the relatively high-quality customer resource.

(4) Industrial updates and Company's role

The main businesses of the Company are in manufacturing products of thermal management and exhaust gas treatment. Any development of the automotive industry would directly effect on the business development of the Company. During this report period, The Chinese automotive industry was in the process of transformation and under great pressure due to the economic and trade conflicts between the United States and China, upgrade of the environmental protection standard, reduction of new energy subsidization and other factors.

According to the published data of 2019 by China Association of Automobile Manufactures (CAAM), the output and sales qualities of automobiles were 25.721 million and 25.769 million units, both dropped by 7.5% and 8.2% respectively comparing to the previous year. The dropping rates increased by 3.3% and 5.4% respectively comparing to the previous year.

As recovery of infrastructure investment, phase-out of vehicles with China III Emission Standard, rapid development of new energy logistics vehicles and the strict excessive measures in emission control, the output and sales of commercial vehicles are better than passage cars and finished 4.36 million and 4.324 million units respectively, with 1.9% increase in output and 1.1% decrease in sales comparing to the previous year.

The output and sales of passenger vehicles were 21.36 million and 21.444 million units respectively, 9.2% and 9.6% drops respectively comparing to the previous year. The output and sales of new energy vehicles were 1,242,000 and 1,206,000 units respectively, 2.3% and 4.0% drops respectively comparing to the previous year.

In the medium and long terms, the automobile industry will lead the development of the auto-parts industry. Automotive industry is the strategic and foundational industry of the national economy and it is one of the key industries to support the high-quality development of the trade. It is also an important indicator of the industrialization level, comprehensive economic strength and technological innovation ability of a country. It is one of the industries with the highest degree of globalization.

The auto parts industry is the key to building an advanced country of automobiles. Both central and local government have issued a series of policy systems to support the development of the enterprises in auto parts industry at multiple levels in finance, taxation, development support and key technology guidance for their upgrades and transformation.

The Company constantly emphasizes three strategic directions of "globalization, technology leading and comprehensive competitiveness", and is committed to provide solutions to automobile heat exchange and to build a world-class excellent enterprise for

providing high efficient heat exchange and exhaust system solutions. After sixty years of growth, the Company has a number of high-quality client resources at both home and abroad, and became the suppliers to many global well-known engine makers and vehicle producers with their great recognitions in its products.

3. Selected Financial Data

(1) Key accounting data and financial ratios for the past three years

Indicate by check mark if there is any retrospectively restated accounting data of previous years.

Yes No

Unit: Yuan

	2019	2018	Increase/decrease of current year over prior year	2017
Revenue	5,520,743,642.53	5,019,241,538.44	9.99%	4,323,263,145.10
Net profit attributable to shareholders	317,677,156.02	349,122,610.13	-9.01%	310,981,695.04
Net profit attributable to shareholders excluding non-recurring gains and losses	172,855,258.34	304,010,155.58	-43.14%	292,930,675.17
Net cash flows from operating activities	688,584,828.23	304,839,058.43	125.88%	277,730,471.27
Basic EPS (RMB Yuan / share)	0.40	0.44	-9.09%	0.41
Diluted EPS (RMB Yuan / share)	0.40	0.44	-9.09%	0.41
Weighted average ROE (%)	8.60%	10.01%	-1.41%	11.02%
	As of Dec.31, 2019	As of Dec.31, 2018	Increase/decrease of current year over prior year	As of Dec.31, 2017
Total assets	8,424,106,635.59	7,858,823,185.48	7.19%	6,678,107,088.20
Net assets attributable to shareholders	3,729,627,295.93	3,605,604,813.61	3.44%	3,367,060,150.80

(2) Key accounting data by quarter

Unit: Yuan

	Q1	Q2	Q3	Q4
Revenue	1,388,604,575.34	1,306,776,280.32	1,161,922,615.19	1,663,440,171.68
Net profit attributable to shareholders	108,914,529.07	92,810,995.34	54,078,857.42	61,872,774.19
Net profit attributable to shareholders excluding non-recurring gains and losses	76,835,017.15	62,898,575.65	23,086,489.08	10,035,176.46

Net cash flows from operating activities	-5,475,532.39	243,142,437.58	104,696,183.58	346,221,739.46
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Indicate by check mark if any material difference between the above financial indicators or their summations and those which have been disclosed in the Company's Quarterly or Interim report.

Yes No

4. Capital and Shareholders

(1) Top 10 shareholders of common stock and preferred stock with resumed voting rights

Unit: Share

Total number of shareholders of common stocks at the end of the reporting period	30,556	Total number of shareholders of common stocks at previous month-end of this report's disclosure	34,726	Total number of shareholders of preferred stock with resumed voting right at the end of the reporting period	0	Total number of shareholders of preferred stock with resumed voting rights at previous month-end of this report's disclosure	0
Top 10 shareholders							
Name	Nature	Ownership	Quantity of stocks	Quantity of restricted stocks held	Pledged or frozen stocks		
					Status	Quantity	
Tiantai Yinlun Industrial Development Co., Ltd.	Domestic non-state-owned corporate	10.16%	80,444,000		Pledged	30,000,000	
Hong Kong Securities Clearing Company Ltd.(HKSC)	Foreign corporate	5.80%	45,919,146				
1003 Portfolio of Basic Endowment Insurance Fund	Other	4.90%	38,801,674				
Xiaomin Xu	Domestic natural person	4.10%	32,470,808	24,353,106			
Ningbo Zhengqi Investment Management Center (Limited Partnership)	Domestic non-state-owned corporate	4.04%	32,000,000		Pledged	17,000,000	
113 Portfolio of National Social Security Fund	Other	2.78%	22,000,094				
China Construction Bank Co., Ltd.-Boshi Theme Industry Hybrid Securities Investment Fund (LOF)	Other	2.27%	18,000,000				
Zhejiang Yinlun Machinery Co., Ltd.-Phase I ESOP	Other	1.83%	14,515,014				
Bank of China-Dacheng	Other	1.62%	12,796,482				

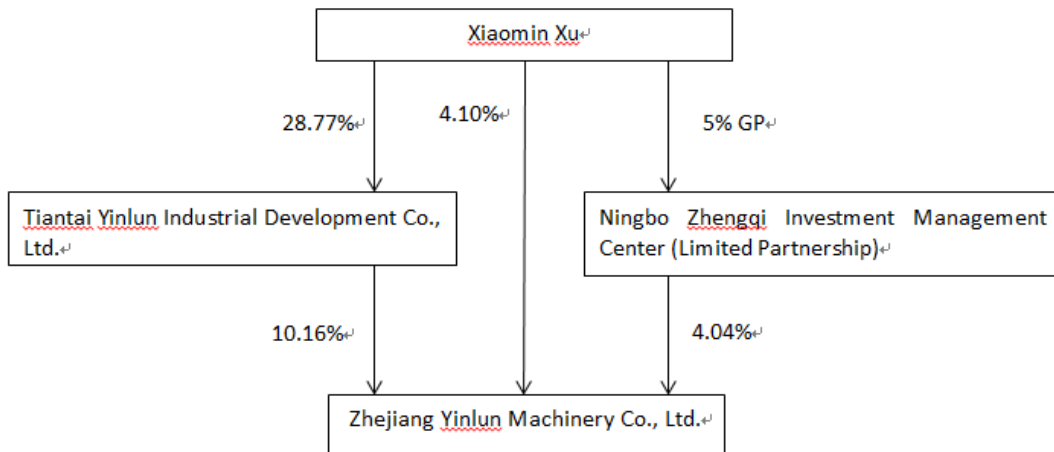
Lanchou Steady Securities Investment Fund						
Tianjin Zhilian Chuanghe Enterprise Management Service Center (Limited Partnership)	Domestic non-state-owned corporate	1.49%	11,764,705			
Explanation on the above-mentioned shareholders' affiliated relationship or concerted action	Xiaomin Xu is an executive director of Tiantai Yinlun Industrial Development Co., Ltd. and an executive partner of Ningbo Zhengqi Investment Management Center (Limited Partnership). The Company is not aware of any affiliation relationship between other shareholders.					
Explanation on the above-mentioned shareholders that are engaged in margin trading business	Not applicable					

(2) Total number of and top 10 shareholders of preferred stocks

Applicable Not applicable

No shareholders holding preferred stocks noted in the reporting period

(3) The ownership and controlling relationship between the Company and its actual controller is in form of diagram



5. Bonds

Does the Company have any corporate bond that is publicly issued and listed on the stock exchange and that is immature or not fully redeemed as of the approved issuance date of the Annual Report?

None

III. Management Discussion and Analysis

1. Business review for the reporting period

In 2019, under the strong leadership of the Party Central Committee lead by Xi Jinping, entire Party and country had carried out the decision of the Central Committee, for stable development, the reformation on the supply structure as principle direction, and the high-quality economic. Chinese economy is still within a reasonable range, with stable development pace and the basic economic trend of long-term prosperity.

However, the Chinese automobile industry has been under great pressure during the transformation and upgrading due to the economic and trade conflicts between the United States and China, upgrade of the environmental protection standards and reduction of new energy subsidization. Some initiative adjustments and active measures were taken in the manufacturing enterprises last year, which demonstrated the ability of self-recovery and maintained the industry as a whole in a reasonable range in the second half of last year.

The Company, as an auto parts manufacturer, was helped by the development of the auto industry on one hand, while the market competition in the industry became more intensive on the other hand. During the reporting period, the Company held the annual strategic seminar in Shanghai and discussed the direction given by the Chairman for "recognizing the situation, carrying out reforms and innovation, consolidating the foundation and growing steadily" and the Company strategic objectives. After reviewed and summarized the development status of the Company, the development direction was defined with actions of catching opportunities, meeting challenges, promoting reforms, encouraging innovation, assigning responsibility and ensuring the healthy development of the Company.

By focusing medium and long term goals and rapidly carrying out three strategic objectives of "globalization, technology leading and comprehensive competitiveness", the Company achieved the key strategic objectives of profits, efficiency, product reliability and personnel training, thus ensured annual sales and profit targets , with 5.521 billion Yuan of gross revenue, 9.99% increase from the previous year; 3.99 million Yuan of total profits 13.42% decrease from the previous year; 3.18 million Yuan of net profit attributable to the shareholders 9.01% decrease from the previous year.

In terms of the technological development, the Company implemented the strategy of technology leading, made the strategies of product and technology planning and the road map of the implementation. It built a global development structure and the system of process, also improved the research, development and test verification systems. Also, the Company improved the development abilities on the fundamental research and infrastructure construction, established the database of development technology, and developed the rapid

design system to shorten the design time by 30-70% and reduced the design error rate by 85%.

The Company has been continuously planning and setting up on the prototyping facilities, added a number of test benches and rigs to meet European and Japanese test standards; Besides the Company introduced a number of industrial senior technical experts and established some key project research groups such as “Skyhawk Group”, Air Conditioning Group, Water To Air Group and Fox Group, in aiming to continuously improve the granted rate of projects.

In terms of the market development of projects, the Company identified the potential projects and made the business plans for key customers as well as the action plans; The Company also conducted sales and marketing strategy and proposed the plan of increasing the market shares and building teams for the key customers

The Company established and improved three communication channels, including the key account communication mechanism, the links between the customers, design and project management and the links between Asia Pacific, North America and Europe markets for the opportunities and arrangement of resources at all divisions and headquarters. The Company accelerated the expansion to European market through the platform of Yinlun Europe, also made more breakthroughs in benchmarking customer of the new energy through the platform of Yinlun North American.

During the reporting period, the Company has been granted for about 274 new projects successfully, such as the cooling modules of Volvo, the heat pump air conditioner of JMC, the battery cooling plate of CATL, the water to air cooler of MANN+HUMMEL, the water to air cooler of SAIC, the oil cooler of NISSAN, the heat pump air conditioner of GEELY/ Daimler on SMART platform for new energy vehicles, the cooling module of Caterpillar, the plate-and-bar cooler of John Deere, the retarder oil cooler of ZF, the cooling module of CNHTC, the cooling module of FAW, the cooling module of BYD, the oil cooler and EGR of GAC, the oil cooler of NISSAN and the electronic water valve of FAW.

According to the prediction of the customers, these mentioned new projects will have nearly 3.5 billion yuan of new annual sales revenue. By 2019, the Company has granted many new energy projects from customers such as SAIC, Ford, Volvo, GEELY, GAC, CATL, BYD, WM and JMC. It is estimated that the total sales in the life cycle will exceed 6 billion yuan.

On the globalization, the Company has implemented the global control for group corporation to raise management level to the global Company. The Company defined

functions, market positioning and business plan of all the global divisions to lay out the global platforms of the product lines. The Company also enhanced the ability of obtaining new projects, developing new products and the prototyping and localizing the service for rapid response to further improve the level of global service.

The Company also further improved the global layout by acquiring Setrab AB in Sweden, a Company with great advantages in supplying cooling modules of high-end and low volume supercar. Its relevant technology could be used to provide the design service for domestic high-end electric supercars and consequently to gain the high-end customers in China. It also could provide the technical service platform to develop business in the European passenger vehicle market. Its Polish factory could provide the product manufacturing service for European business and become the production base for the European business development.

In terms of the operation management, the Company set up three product platforms, including passenger vehicle and new energy platform, commercial vehicle and construction equipment platform and engine after-treatment product platform, and the new organizational structures to meet the needs for secondary taking off. Based on the three platforms, the Company will use end-to-end approach and optimize the allocation and management of the resources with defined rights, responsibilities and benefits to improve the overall performance of entire Company by developing the three platforms.

The Company established the product lines for strategic business development and implemented the information platform and system, and through the product lines linked all the elements, such as business development objectives, competitive strategies, markets, clients, technology, manufacturing bases, process quality equipment, supply chains, partners, university cooperation, A&M (acquisition and merger) and global resource integration. By implementing the product lines, the Company has carried out the three strategic directions of "globalization, technology leading and comprehensive competitiveness" around the product lines for the second takeoff, and made overall improvement in the comprehensive competitiveness of each product line with business development of the product lines, the market guidance, technology driving and operational excellence.

To improve the comprehensive management ability, the Company has established a leading group for further reformation in charge of the top-level design, overall layout, resource coordination, overall implementation and supervision of the major structural adjustments and the tasks associated. The group would discuss and study all the challenges and issues in different periods and is fully authorized to set up the special working teams,

assign high-quality resource to overcome the weakness of the Company more rapidly.

In terms of human resource planning and personnel training, the Company has set up Yinlun Business School of Taizhou Institute and Yinlun Class in a polytechnic school. The Company had the seminars for general managers and the classes of sales engineers, operational management, quality supervisors and managers, training for operational excellence and special training for black belt to continuously improve the quality and ability of the employees. Through the class of general managers, a learning and sharing platform, with good atmosphere has been created for mutual learning, resource sharing and teamwork.

The Company will continue focusing on "The 4-3-3 Talent Project" to further promote talent reservation, talent echelon structures and the human resource management system. In order to build a global human resource management system, the Company will also further enhance the performance rating and incentive programs, start up the major career paths and resume the assessment of professional titles.

2. Significant changes in main business in the reporting period

Applicable Not applicable

3. Products contributing to over 10% of the Company's main business revenue or profit

Applicable Not applicable

Unit: Yuan

Product	Revenue	Profit	Gross profit margin (%)	Revenue: +/-% over last year	Profit: +/-% over last year	Gross profit margin +/-% over last year
Heat Exchanger	3,894,550,054.99	221,025,248.85	23.61%	6.76%	-37.99%	-2.73%
Exhaust Treatment	621,278,237.37	-3,280,584.30	17.41%	15.14%	-90.89%	7.51%
Vehicle Air-condition	660,289,937.72	81,321,395.40	30.25%	36.64%	90.60%	4.85%

4. Seasonal or periodic characteristics in operating performance that needs special attention

Applicable Not applicable

5. Significant changes in revenues, costs and net profit attributable to shareholders with common shares or their composition comparing to prior reporting period

Applicable Not applicable

6. Listing suspension or termination

Applicable Not applicable

7. Matters related to financial statements

(1) Explanation on changes in accounting policy, accounting estimations and accounting methods comparing to prior year financial statement

√ Applicable □ Not applicable

(1) Execute the notice of the ministry of finance on the revision and issuance of the format of general enterprise financial statements for 2019 and the notice on the revision and issuance of the format of consolidated financial statements (version 2019)

On April 30, the Ministry of Finance in 2019 and September 19, 2019, issued on the revised printed and distributed to 2019 annual general corporate financial statements format notice (financial accounting (2019) no. 6) and format on the revised printed and distributed to the consolidated financial statements (2019 edition) notice (financial accounting (2019) no. 16), the general corporate financial statements format was revised. The main effects of the Company's implementation of the above provisions are as follows:

Contents and reasons for changes in accounting policies	Name and amount of affected report items	
	mergence	parent Company
(1) The "notes receivable and accounts receivable" in the balance sheet is divided into "notes receivable" and "accounts receivable". Notes payable and accounts payable are divided into notes payable and accounts payable; The comparison data were adjusted accordingly.	"Notes receivable" and "accounts receivable" split into "notes receivable" and "accounts receivable", "notes receivable" balance at the end of last year 640,584,571.98 yuan, "accounts receivable" balance at the end of last year 1,650,836,734.53 yuan; Notes payable and accounts payable were split into notes payable and accounts payable, with a balance of 420,032,934.28 yuan at the end of last year for notes payable and 1,486,254,523.12 yuan at the end of last year for accounts payable.	"Notes receivable and accounts receivable" were divided into "notes receivable" and "accounts receivable". The balance of "notes receivable" at the end of last year was 285,025,458.06 yuan, and the balance of "accounts receivable" at the end of last year was 1,130,626,763.65 yuan. Notes payable and accounts payable were split into notes payable and accounts payable. The balance of notes payable at the end of last year was 148,163,000.00 yuan, and the balance of accounts payable at the end of last year was 930,027,626.20 yuan.

(2) Implement accounting standard for business enterprises no. 22 -- recognition and measurement of financial instruments, accounting standard for business enterprises no. 23 -- transfer of financial assets, accounting standard for business enterprises no. 24 -- hedge accounting and accounting standard for business enterprises no. 37 -- presentation of financial instruments (revised in 2017)

In 2017, the ministry of finance revised the accounting standards for business enterprises no. 22 -- recognition and measurement of financial instruments, accounting standards for business enterprises no. 23 -- transfer of financial assets, accounting standards for business enterprises no. 24 -- hedge accounting and accounting standards for business enterprises no. 37 -- presentation of

financial instruments. The revised guidelines stipulate that for financial instruments that have not been confirmed on the first execution date, if the previous recognition and measurement are inconsistent with the requirements of the revised guidelines, they should be adjusted retroactively. If the comparison of financial statement data in the earlier period is inconsistent with the revised standards, no adjustment is required. The Company will adjust the cumulative impact of retroactive adjustments to retained earnings and other consolidated earnings at the beginning of the year.

On the basis of the adjusted balance at the end of the previous year in accordance with finance and accounting [2019] no. 6 and finance and accounting [2019] no. 16, the main implications of the implementation of the new financial instrument guidelines are as follows:

Contents and reasons for changes in accounting policies	Name and amount of affected report items	
	mergence	parent company
(1) Investments that can be sold as equity instruments are reclassified as "financial assets measured at fair value and whose changes are booked into current profits and losses".	Financial assets available for sale: decrease by 91,025,077.69 yuan; Transaction financial assets: increase by 65,151,789.24 yuan; Other non-current financial assets: increase by 68,878,060.10 yuan; Deferred income tax liability: increase by 6,450,715.75 yuan; Other comprehensive income: decrease by 26,980,690.85 yuan; Retained earnings: increase by 63,534,746.75 yuan.	Financial assets available for sale: decrease by 91,025,077.69 yuan; Transaction financial assets: increase by 65,151,789.24 yuan; Other non-current financial assets: increase by 68,878,060.10 yuan; Deferred income tax liability: increase by 6,450,715.75 yuan; Other comprehensive income: decrease by 26,980,690.85 yuan; Retained earnings: increase by 63,534,746.75 yuan.
(2) Non-tradable investments in equity instruments available for sale are designated as "financial assets measured at fair value and whose changes are included in other comprehensive income".	Available for sale financial assets: decrease by 167,155,079.71 yuan; Other equity instrument investment: increase by 171,436,761.11 yuan; Deferred income tax liability: increase by 642,252.21 yuan; Other comprehensive income: an increase by 3,639,429.19 yuan.	Available for sale financial assets: decrease by 96,275,000.00 yuan; Investment in other equity instruments: increase by 100,556,681.40 yuan; Deferred income tax liability: increase by 642,252.21 yuan; Other comprehensive income: increase by 3,639,429.19.
(3) Reclassify wealth management products in "other current assets" into "transactional financial assets".	Other current assets: decrease by 495,186,175.00 yuan; Transaction financial assets: increase by 495,186,175.00 yuan.	Other current assets: decrease by 251,000,000.00 yuan; Transaction financial assets: increase by 251,000,000.00 yuan.
(4) Reclassify "notes receivable" into "financial assets (debt instruments) that	Notes receivable: decrease by 640,584,571.98 yuan; Receivables financing: increase by	Notes receivable: decrease by 285,025,458.06 yuan; Receivables financing: increase

are measured at fair value and whose changes are included in other comprehensive income".	640,584,571.98 yuan.	by 285,025,458.06 yuan.
(5) The "interest payable" only reflects the interest due on the relevant financial instrument but not yet paid on the balance sheet date. The "interest payable" is adjusted into the book balance of the corresponding financial instrument.	Other payables: decrease by 2,352,875.61 yuan; Short-term borrowing: an increase by 1,948,590.89 yuan; Non-current liabilities due within one year: increase by 79,826.39 yuan; Long-term borrowing: increase by 324,458.33 yuan.	Other payables: decrease by 1,684,162.64 yuan; Short-term borrowing: an increase by 1,456,294.58 yuan; Non-current liabilities due within one year: increase by 79,826.39 yuan; Long-term borrowing: increase by 148,041.67 yuan.

On the basis of the adjusted balance at the end of the previous year in accordance with the provisions of no. 6 and no. 16 [2019] of finance and accounting [2019], financial assets and financial liabilities are classified and the measurement results are compared as follows in accordance with the provisions of the standards for the recognition and measurement of financial instruments before and after the revision:

Mergence:

Original financial instrument criteria			New financial instruments criteria		
List items	Measurement category	Book value	List items	Measurement category	Book value
Bank and Cash	amortized cost	507,792,840.50	Bank and Cash	amortized cost	507,792,840.50
Notes receivable	amortized cost	640,584,571.98	Notes receivable	amortized cost	
			Accounts Receivable Financing	Measured at fair value and its changes are included in other comprehensive income	640,584,571.98
Accounts Receivable	amortized cost	1,650,836,734.53	Accounts Receivable	amortized cost	1,650,836,734.53
			Accounts Receivable Financing	Measured at fair value and its changes are included in other comprehensive income	
Other receivable	amortized cost	72,071,820.02	Other receivable	amortized cost	72,071,820.02
Available for sale financial assets (include Other current assets)	Measured at fair value and its changes are included in other comprehensive		Bond investment (include Other current assets)	amortized cost	
			Other Bond investment	Measured at fair value and its changes are	

	income (debt instrument)		(include Other current assets)	included in other comprehensive income	
	Measured at fair value and its changes are included in other comprehensive income (equity instrument)	65,151,789.24	Financial assets held for trading	Measured at fair value and its changes are included in the current profit and loss	65,151,789.24
Other non-current financial assets					
Investment in other equity instruments			Measured at fair value and its changes are included in other comprehensive income		
	Measured by cost (equity instrument)	193,028,368.16	Financial assets held for trading	Measured at fair value and its changes are included in the current profit and loss	
Other non-current financial assets			68,878,060.10		
Investment in other equity instruments			Measured at fair value and its changes are included in other comprehensive income	171,436,761.11	
Other Comprehensive Income				3,639,429.19	
Deferred Tax Liability				7,092,967.96	
include Other current assets - Financial products	amortized cost	495,186,175.00	Financial assets held for trading	Measured at fair value and its changes are included in the current profit and loss	495,186,175.00
			Other current assets		

Parent Company:

Original financial instrument criteria			New financial instruments criteria		
List items	Measurement category	Book value	List items	Measurement category	Book value
Bank and Cash	amortized cost	162,457,416.51	Bank and Cash	amortized cost	162,457,416.51
Notes receivable	amortized cost	285,025,458.06	Notes receivable	amortized cost	
			Accounts	Measured at fair value	285,025,458.06

			Receivable Financing	and its changes are included in other comprehensive income	
Accounts Receivable	amortized cost	1,130,626,763.65	Accounts Receivable	amortized cost	1,130,626,763.65
			Accounts Receivable Financing	Measured at fair value and its changes are included in other comprehensive income	
Other receivable	amortized cost	265,506,023.78	Other receivable	amortized cost	265,506,023.78
Available for sale financial assets (include Other current assets)	Measured at fair value and its changes are included in other comprehensive income (debt instrument)		Bond investment (include Other current assets)	amortized cost	
			Other Bond investment (include Other current assets)	Measured at fair value and its changes are included in other comprehensive income	
	Measured at fair value and its changes are included in other comprehensive income (equity instrument)	65,151,789.24	Financial assets held for trading	Measured at fair value and its changes are included in the current profit and loss	65,151,789.24
			Other non-current financial assets		
			Investment in other equity instruments	Measured at fair value and its changes are included in other comprehensive income	
			Other Comprehensive Income		
Measured by cost (equity instrument)	122,148,288.45		Financial assets held for trading	Measured at fair value and its changes are included in the current profit and loss	
			Other non-current financial assets		68,878,060.10
			Investment in other equity instruments	Measured at fair value and its changes are included in other comprehensive income	100,556,681.40
			Deferred Tax Liability		3,639,429.19
Other	amortized cost	251,000,000.00	Financial assets held for trading	Measured at fair value and its changes are	251,000,000.00

current assets - Financial products				included in the current profit and loss	
			include Other current assets	amortized cost	

(3) Implementation of the accounting standards for business enterprises no. 7 - exchange of non-monetary assets (revised in 2019)

The ministry of finance issued on May 9, 2019 by the accounting standards for enterprises no. 7 - exchange of non-monetary assets (2019 revision) (finance and accounting) [2019] no. 8, the revised rules shall enter into force as of June 10, 2019, on January 1, 2019 solstice occur between the date of the present standard non-monetary assets exchange, adjustments should be based on these criteria. There is no need to retroactively adjust the non-monetary asset exchange before January 1, 2019 in accordance with the provisions of this code. The Company's implementation of the above criteria has no material impact during the reporting period.

(4) implement the accounting standards for business enterprises no. 12 - debt restructuring (revised in 2019)

The ministry of finance issued the accounting standard for business enterprises no. 12 - debt restructuring (2019 amendment) (accounting [2019] no. 9) on May 16, 2019. The revised standard will take effect from June 17, 2019. Debt restructuring prior to January 1, 2019 does not require retroactive adjustment in accordance with the provisions of this code. The Company's implementation of the above criteria has no material impact during the reporting period.

(2) Explanation on retrospective restatement due to significant accounting error correction in the reporting period

Applicable Not applicable

(3) Explanation on changes of consolidation scope comparing to prior year's financial statement

Applicable Not applicable

1. The Company acquired 100% equity of Setrab AB in May 2019 through equity acquisition. Setrab AB has wholly-owned subsidiaries Scanrad, Setrab UK, Setrab GmbH and Setrab USA. In May 2019, Setrab AB is included in the merger scope along with the merger of enterprises not under the same control of Setrab AB. Setrab AB's wholly owned subsidiary, Setrab USA, was written off in August 2019 and will no longer be included in the consolidated statements as of August 2019.
2. Tiantai Dacheng Technology Innovation Service Co., Ltd. was established in 2017 with registered capital of 500,000 yuan and paid-in capital of 100,000 yuan. In July 2019, the Company added capital to Tiantai Dacheng Technology Innovation Service Co., Ltd. The Company plans to invest 7.5 million yuan to subscribe for Tiantai Dacheng Technology Innovation Service Co., Ltd with an additional registered capital of 7.5 million yuan, accounting for 75% of the registered capital. Tiantai County Mechanical and Electrical Industry Association, the original shareholder, intends to increase its investment by 2 million yuan, and subscribe for an additional registered capital of 2 million yuan by party a, accounting for 25% of the registered capital. The above transfer registration procedures have been completed on July 31, 2019.

3. The Company established a holding subsidiary Guangxi Yinlun Environmental Protection Technology Co., Ltd. in December 2019, with a registered capital of 56,000,000.00 yuan, of which the Company shall contribute 42,000,000.00 yuan, accounting for 75% of the registered capital. As of December 31, 2019, the Japanese Company has not contributed any capital, which shall be included in the consolidated statements from December 2019.
4. Tiantai Jiahe, a wholly-owned subsidiary, was written off in November 2019 and will no longer be included in the consolidated statements from November 2019.