CHANGCHAI COMPANY, LIMITED
SEMI-Financial Report 2020

I Independent Auditor's Report

Are these interim financial statements audited by an independent auditor?

√ Yes □ No

Type of the audit opinion	Unmodified unqualified opinion
Date of signing the independent auditor's report	29 July 2020
Name of the audit firm	Gongzheng Tianye Certified Public Accountants (Special General Partnership)
Reference number of the independent auditor's report	SGW[2020]A1166
Name of the certified public accountants	Dai Weizhong and Xu Wenxiang

Is the independent auditor's report modified?

□ Yes √ No

Text of the Independent Auditor's Report

To the Shareholders of Changchai Company, Limited,

I Opinion

We have audited the accompanying financial statements of Changchai Company, Limited. (together with its consolidated subsidiaries included in the consolidated financial statements, the "Company"), which comprise the parent's and consolidated balance sheets as at 30 June 2020, the parent's and consolidated income statements, the parent's and consolidated cash flow statements, the parent's and consolidated statements of changes in owners' equity for the six months then ended, as well as the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of Changchai Company, Limited as at 30 June 2020 and the consolidated and parent business performance and cash flow for the six months then ended.

II Basis for Opinion

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

III Key Audit Matters

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

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these matters. And key audit matter identified in our audit is summarized as follows:

(I) Recognition of revenue

1. Description of the item

For details of accounting policies governing revenue recognition, please refer to the Note III-28 Revenue and the Note V-34 Operating Revenue and Cost of Sales. The operating revenue of the Company in the period from January to June 2020 is RMB1,167.4558 million.

Since the operating revenue is one of key performance indicators of the Company, and there is the inherent risk that the management may manipulate the timing of revenue recognition for the purpose of achieving certain goals or expectations, so we identify the revenue recognition as a key audit item.

2. Response for audit

(1) Know the key internal control related to revenue recognition, evaluate whether its design and execution are valid or not, and test the operation effectiveness of the related internal control.

(2) Analyze and assess the time-point of transferring major risks and rewards related to recognition of sales revenue through the sampling inspection of sales contract and interviews with management, and then evaluate the recognition policies of sales revenue of the Company.

(3) Check the supporting documents related to revenue recognition, such as sales contracts, order form, invoice for sales, shipping order, declaration for exportation, and etc.

(4) Check the operating revenue recognized before and after the balance sheet date to the supporting documents, such as shipping order, declaration for exportation, and etc by sampling method to assess whether the operating revenue is recognized within appropriate period.

(5) Implement the confirmation by drawing sample to recognize the balance of accounts receivable and the amount of sales revenue according to the features and natures of customer transaction.

(II) Bad debt provision for accounts receivable

1. Description of the item

Please refer to the accounting policies stipulated in the Note III-10 Impairment of Financial Assets and the Note V-4 Accounts Receivable. On 30 June 2020, as for accounts receivable of the Company, the carrying amount was RMB918.1510 million, the bad debt provision was RMB187.7513 million, and the carrying value was RMB730.3997 million, accounting for 20.64% of total assets at the period-end. The bad debt of accounts receivable due to failure of recovery at maturity or failure of recovery will generate significant impacts on financial statements, thus, we identify the impairment of accounts receivable as a key audit item.

2. Response for audit

(1) Access Changchai's internal control systems of sales and accounts receivable management to understand and evaluate the design of internal control, and carry out walk-through test to confirm the implementation of internal control systems.

(2) Analyze and confirm the reasonableness of Changchai's accounting estimates of bad debt provision for accounts receivable, including the basis for determining the combination of accounts receivable, the expected credit loss rate and the judgment of impairment test of accounts receivable evaluated individually.

(3) Access and check the account receivable details, aging schedule, statement of provisions for bad debts, and confirm the reasonableness of bad debt provision for accounts receivable by combining with the request of confirmation of balance and subsequent collection inspection;

(4) Understand the reasons for accounts receivable, check Changchai's reconciliation and collection during the reporting period and any other data related to payment recovery, verify and confirm its accounts receivable without transaction dispute at the end of the reporting period, as well as the adequacy of bad debt provision for accounts receivable.

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(5) Send request for confirmation of balance, and confirm the authenticity and accuracy of the amount of accounts receivable on the balance sheet date by combining with subsequent inspection and other procedures.

IV Other Information

The Company's management (hereinafter referred to as "management") is responsible for the other information. The other information comprises all of the information included in the Company's 2020 Interim Report other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

VI Auditor's Responsibilities for Audit of Financial Statements

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

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

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(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

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significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Gongzheng Tianye Certified Public Accountants
(Special General Partnership)

Chinese CPA Dai Weizhong
(Engagement Partner)
Chinese CPA Xu Wenxiang

Wuxi · China

29 July 2020

II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

30 June 2020

Unit: RMB

Item	30 June 2020	31 December 2019
Current assets:		
Monetary assets	600,274,769.45	638,589,260.09

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Settlement reserve		
Interbank loans granted		
Held-for-trading financial assets	14,600,000.00	13,050,000.00
Derivative financial assets		
Notes receivable	508,401,509.54	606,283,023.05
Accounts receivable	730,399,692.57	419,302,056.87
Accounts receivable financing		
Prepayments	10,208,446.08	12,968,746.16
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	10,280,692.50	9,703,390.94
Including: Interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	428,205,070.52	473,359,168.90
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	8,576,962.79	6,421,275.47
Total current assets	2,310,947,143.45	2,179,676,921.48
Non-current assets:		
Loans and advances to customers		
Investments in debt obligations		
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments		
Investments in other equity	462,160,000.00	532,886,000.00

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instruments		
Other non-current financial assets	77,952,101.63	77,952,101.63
Investment property	47,343,496.43	48,447,666.83
Fixed assets	437,411,354.41	457,722,667.32
Construction in progress	103,006,376.02	91,358,156.24
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	97,374,195.14	99,699,450.26
Development costs		
Goodwill		
Long-term prepaid expense	33,595.50	53,497.80
Deferred income tax assets	1,979,974.43	1,023,863.04
Other non-current assets	177,400.00	
Total non-current assets	1,227,438,493.56	1,309,143,403.12
Total assets	3,538,385,637.01	3,488,820,324.60
Current liabilities:		
Short-term borrowings	22,000,000.00	22,000,000.00
Borrowings from the central bank		
Interbank loans obtained		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	479,515,000.00	403,035,000.00
Accounts payable	580,840,786.08	525,625,016.89
Advances from customers		31,789,001.78
Contract liabilities	31,527,438.40	
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		

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Employee benefits payable	18,957,655.55	44,559,015.79
Taxes payable	8,253,042.15	9,094,382.58
Other payables	190,736,737.19	205,064,145.10
Including: Interest payable		
Dividends payable	3,891,433.83	3,891,433.83
Handling charges and commissions payable		
Reinsurance payables		
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities		
Other current liabilities	2,240,843.08	1,177,712.38
Total current liabilities	1,334,071,502.45	1,242,344,274.52
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	58,331,924.41	58,864,111.22
Deferred income tax liabilities	46,398,724.72	57,082,890.27
Other non-current liabilities		
Total non-current liabilities	104,730,649.13	115,947,001.49
Total liabilities	1,438,802,151.58	1,358,291,276.01
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		

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Capital reserves	164,328,665.43	164,328,665.43
Less: Treasury stock		
Other comprehensive income	257,019,600.00	317,059,775.00
Specific reserve	18,438,650.51	17,560,202.07
Surplus reserves	322,228,533.72	322,228,533.72
General reserve		
Retained earnings	756,379,945.09	728,341,265.36
Total equity attributable to owners of the Company as the parent	2,079,769,720.75	2,110,892,767.58
Non-controlling interests	19,813,764.68	19,636,281.01
Total owners' equity	2,099,583,485.43	2,130,529,048.59
Total liabilities and owners' equity	3,538,385,637.01	3,488,820,324.60

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2020	31 December 2019
Current assets:		
Monetary assets	537,280,656.10	584,957,678.96
Held-for-trading financial assets		
Derivative financial assets		
Notes receivable	472,217,227.54	576,948,023.05
Accounts receivable	644,643,117.23	337,447,538.04
Accounts receivable financing		
Prepayments	4,990,201.79	6,386,284.14
Other receivables	22,243,041.97	22,741,542.22
Including: Interest receivable		
Dividends receivable		

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Inventories	311,044,719.11	368,653,472.39
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	3,217,463.57	3,898,333.51
Total current assets	1,995,636,427.31	1,901,032,872.31
Non-current assets:		
Investments in debt obligations		
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments	287,752,730.03	252,752,730.03
Investments in other equity instruments	462,160,000.00	532,886,000.00
Other non-current financial assets	50,000,000.00	50,000,000.00
Investment property	47,343,496.43	48,447,666.83
Fixed assets	348,701,107.11	364,071,199.07
Construction in progress	73,761,874.14	89,330,161.60
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	68,543,680.83	70,169,770.91
Development costs		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	1,926,498.14	970,026.67
Other non-current assets		
Total non-current assets	1,340,189,386.68	1,408,627,555.11
Total assets	3,335,825,813.99	3,309,660,427.42
Current liabilities:		
Short-term borrowings	5,000,000.00	5,000,000.00
Held-for-trading financial liabilities		

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Derivative financial liabilities		
Notes payable	467,515,000.00	392,105,000.00
Accounts payable	523,091,443.14	481,854,210.18
Advances from customers		28,673,664.87
Contract liabilities	27,529,799.73	
Employee benefits payable	12,316,392.34	39,125,477.30
Taxes payable	4,913,254.33	5,952,664.10
Other payables	176,944,594.03	192,046,130.29
Including: Interest payable		
Dividends payable	3,243,179.97	3,243,179.97
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,217,310,483.57	1,144,757,146.74
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	58,331,924.41	58,864,111.22
Deferred income tax liabilities	45,356,400.00	55,951,725.00
Other non-current liabilities		
Total non-current liabilities	103,688,324.41	114,815,836.22
Total liabilities	1,320,998,807.98	1,259,572,982.96
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		

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Including: Preferred shares		
Perpetual bonds		
Capital reserves	183,071,147.70	183,071,147.70
Less: Treasury stock		
Other comprehensive income	257,019,600.00	317,059,775.00
Specific reserve	18,438,650.51	17,560,202.07
Surplus reserves	322,228,533.72	322,228,533.72
Retained earnings	672,694,748.08	648,793,459.97
Total owners' equity	2,014,827,006.01	2,050,087,444.46
Total liabilities and owners' equity	3,335,825,813.99	3,309,660,427.42

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

3. Consolidated Income Statement

Unit: RMB

Item	H1 2020	H1 2019
1. Revenue	1,167,455,782.30	1,118,871,125.00
Including: Operating revenue	1,167,455,782.30	1,118,871,125.00
Interest income		
Insurance premium income		
Handling charge and commission income		
2. Costs and expenses	1,123,014,304.27	1,099,092,785.90
Including: Cost of sales	985,842,718.68	972,984,773.54
Interest expense		
Handling charge and commission expense		
Surrenders		
Net insurance claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	6,551,605.53	5,009,692.95
Selling expense	63,392,358.52	58,258,398.98

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Administrative expense	35,609,030.74	34,560,062.30
R&D expense	32,338,250.78	30,064,283.46
Finance costs	-719,659.98	-1,784,425.33
Including: Interest expense	3,340,575.91	1,567,625.50
Interest income	2,792,152.75	1,647,206.24
Add: Other income	2,677,964.82	134,037.71
Return on investment (“-” for loss)	5,384,597.04	184,349.63
Including: Share of profit or loss of joint ventures and associates		
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Exchange gain (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)		
Credit impairment loss (“-” for loss)	-5,979,021.29	-5,252,610.74
Asset impairment loss (“-” for loss)	-16,343,805.00	-26,096.43
Asset disposal income (“-” for loss)	10,977.61	988,535.95
3. Operating profit (“-” for loss)	30,192,191.21	15,806,555.22
Add: Non-operating income	468,290.78	582,937.48
Less: Non-operating expense	395,375.68	217,837.98
4. Profit before tax (“-” for loss)	30,265,106.31	16,171,654.72
Less: Income tax expense	2,397,311.58	-2,994,995.32
5. Net profit (“-” for net loss)	27,867,794.73	19,166,650.04
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	27,867,794.73	19,166,650.04
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	27,690,311.06	19,117,635.69
5.2.1 Net profit attributable to non-controlling interests	177,483.67	49,014.35
6. Other comprehensive income, net of tax	-59,691,806.33	87,330,700.00
Attributable to owners of the Company as the parent	-59,691,806.33	87,330,700.00
6.1 Items that will not be reclassified to profit or loss	-59,691,806.33	87,330,700.00
6.1.1 Changes caused by remeasurements on defined		

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benefit schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments	-59,691,806.33	87,330,700.00
6.1.4 Changes in the fair value arising from changes in own credit risk		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss		
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Other comprehensive income arising from the reclassification of financial assets		
6.2.4 Credit impairment allowance for investments in other debt obligations		
6.2.5 Reserve for cash flow hedges		
6.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
6.2.7 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	-31,824,011.60	106,497,350.04
Attributable to owners of the Company as the parent	-32,001,495.27	106,448,335.69
Attributable to non-controlling interests	177,483.67	49,014.35
8. Earnings per share		
8.1 Basic earnings per share	0.0493	0.0341
8.2 Diluted earnings per share	0.0493	0.0341

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

4. Income Statement of the Company as the Parent

Unit: RMB

Item	H1 2020	H1 2019
1. Operating revenue	1,081,469,803.12	1,033,329,175.58
Less: Cost of sales	923,422,022.77	907,286,315.49
Taxes and surcharges	5,359,697.76	3,963,893.19

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Selling expense	57,376,397.80	53,346,830.95
Administrative expense	26,796,437.18	25,476,365.88
R&D expense	31,647,738.36	27,891,685.42
Finance costs	-1,390,764.55	-3,010,192.35
Including: Interest expense	2,303,571.52	1,314,360.50
Interest income	2,529,399.84	1,165,423.09
Add: Other income	1,931,604.92	129,300.00
Return on investment (“-” for loss)	4,983,988.73	
Including: Share of profit or loss of joint ventures and associates		
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)		
Credit impairment loss (“-” for loss)	-5,440,782.47	-5,260,420.00
Asset impairment loss (“-” for loss)	-15,816,298.12	-26,096.43
Asset disposal income (“-” for loss)	10,781.75	988,535.95
2. Operating profit (“-” for loss)	23,927,568.61	14,205,596.52
Add: Non-operating income	238,948.92	230,353.36
Less: Non-operating expense	4,025.58	166,954.64
3. Profit before tax (“-” for loss)	24,162,491.95	14,268,995.24
Less: Income tax expense	609,572.51	-4,118,680.40
4. Net profit (“-” for net loss)	23,552,919.44	18,387,675.64
4.1 Net profit from continuing operations (“-” for net loss)	23,552,919.44	18,387,675.64
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-59,691,806.33	87,330,700.00
5.1 Items that will not be reclassified to profit or loss	-59,691,806.33	87,330,700.00
5.1.1 Changes caused by remeasurements on defined benefit schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments	-59,691,806.33	87,330,700.00
5.1.4 Changes in the fair value arising from changes in own credit risk		
5.1.5 Other		

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5.2 Items that will be reclassified to profit or loss		
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Other comprehensive income arising from the reclassification of financial assets		
5.2.4 Credit impairment allowance for investments in other debt obligations		
5.2.5 Reserve for cash flow hedges		
5.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.7 Other		
6. Total comprehensive income	-36,138,886.89	105,718,375.64
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2020	H1 2019
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	860,915,528.67	925,855,455.10
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from the central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		

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Tax rebates	13,166,033.29	21,598,658.84
Cash generated from other operating activities	7,744,404.19	8,402,843.81
Subtotal of cash generated from operating activities	881,825,966.15	955,856,957.75
Payments for commodities and services	657,759,091.59	900,048,290.07
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	152,057,875.00	152,284,424.64
Taxes paid	19,245,929.17	18,008,386.04
Cash used in other operating activities	73,117,799.64	38,837,349.87
Subtotal of cash used in operating activities	902,180,695.40	1,109,178,450.62
Net cash generated from/used in operating activities	-20,354,729.25	-153,321,492.87
2. Cash flows from investing activities:		
Proceeds from disinvestment	3,550,487.00	7,900,000.00
Return on investment	5,384,597.04	184,349.63
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	108,370.88	988,535.95
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	97,150.00	
Subtotal of cash generated from investing activities	9,140,604.92	9,072,885.58
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	33,004,278.41	11,800,890.16
Payments for investments	4,600,000.00	16,538,441.76
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	930,300.00	
Subtotal of cash used in investing activities	38,534,578.41	28,339,331.92
Net cash generated from/used in investing activities	-29,393,973.49	-19,266,446.34
3. Cash flows from financing activities:		
Capital contributions received		

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Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings raised	10,000,000.00	12,000,000.00
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	10,000,000.00	12,000,000.00
Repayment of borrowings	10,000,000.00	19,000,000.00
Interest and dividends paid	2,212,485.64	15,977,861.20
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	12,212,485.64	34,977,861.20
Net cash generated from/used in financing activities	-2,212,485.64	-22,977,861.20
4. Effect of foreign exchange rates changes on cash and cash equivalents	-361,452.02	
5. Net increase in cash and cash equivalents	-52,322,640.40	-195,565,800.41
Add: Cash and cash equivalents, beginning of the period	545,959,998.20	691,266,373.34
6. Cash and cash equivalents, end of the period	493,637,357.80	495,700,572.93

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	H1 2020	H1 2019
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	731,880,356.33	825,164,929.97
Tax rebates	8,380,462.40	16,338,954.71
Cash generated from other operating activities	6,294,839.20	5,103,265.56
Subtotal of cash generated from operating activities	746,555,657.93	846,607,150.24
Payments for commodities and services	566,778,723.71	834,695,159.25
Cash paid to and for employees	130,215,884.89	127,977,021.88
Taxes paid	12,974,529.61	9,992,032.82
Cash used in other operating activities	65,655,389.30	30,159,658.65
Subtotal of cash used in operating activities	775,624,527.51	1,002,823,872.60
Net cash generated from/used in operating activities	-29,068,869.58	-156,216,722.36

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2. Cash flows from investing activities:		
Proceeds from disinvestment	500,487.00	
Return on investment	4,983,988.73	
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	107,470.88	988,535.95
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	5,591,946.61	988,535.95
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	2,365,851.07	9,220,626.97
Payments for investments	35,000,000.00	10,000,000.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	37,365,851.07	19,220,626.97
Net cash generated from/used in investing activities	-31,773,904.46	-18,232,091.02
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings raised	5,000,000.00	5,000,000.00
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	5,000,000.00	5,000,000.00
Repayment of borrowings	5,000,000.00	10,000,000.00
Interest and dividends paid	914,216.00	15,404,432.84
Cash used in other financing activities		
Subtotal of cash used in financing activities	5,914,216.00	25,404,432.84
Net cash generated from/used in financing activities	-914,216.00	-20,404,432.84
4. Effect of foreign exchange rates changes on cash and cash equivalents	-491,932.82	
5. Net increase in cash and cash equivalents	-62,248,922.86	-194,853,246.22
Add: Cash and cash equivalents, beginning of the period	497,777,104.81	651,854,206.79
6. Cash and cash equivalents, end of the period	435,528,181.95	457,000,960.57

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

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7. Consolidated Statements of Changes in Owners' Equity

H1 2020

Unit: RMB

Item	H1 2020														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
		Preferred shares	Perpetual bonds	Other											
1. Balance as at the end of the prior year	561,374,326.00				164,328,665.43		317,059,775.00	17,560,202.07	322,226,700.34		726,689,929.10		2,109,239,597.94	19,636,281.01	2,128,875,878.95
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error									1,833.38		1,651,336.26		1,653,169.64		1,653,169.64
Adjustment for business combination under common control															
Other															

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adjustments															
2. Balance as at the beginning of the year	561,374,326.00				164,328,665.43		317,059,775.00	17,560,202.07	322,228,533.72		728,341,265.36		2,110,892,767.58	19,636,281.01	2,130,529,048.59
3. Increase/ decrease in the period ("-" for decrease)							-60,040,175.00	878,448.44			28,038,679.73		-31,123,046.83	177,483.67	-30,945,563.16
3.1 Total comprehensive income							-59,691,806.33				27,690,311.06		-32,001,495.27	177,483.67	-31,824,011.60
3.2 Capital increased and reduced by owners															
3.2.1 Ordinary shares increased by owners															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other															

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3.3 Profit distribution															
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)															
3.3.4 Other															
3.4 Transfers within owners' equity							-348,368.67				348,368.67				
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes															

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in defined benefit schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other							-348,368.67				348,368.67				
3.5 Specific reserve								878,448.44					878,448.44		878,448.44
3.5.1 Increase in the period								1,883,145.87					1,883,145.87		1,883,145.87
3.5.2 Used in the period								1,004,697.43					1,004,697.43		1,004,697.43
3.6 Other															
4. Balance as at the end of the period	561,374,326.00				164,328,665.43		257,019,600.00	18,438,650.51	322,228,533.72		756,379,945.09		2,079,769,720.75	19,813,764.68	2,099,583,485.43

H1 2019

Unit: RMB

Item	H1 2019		
	Equity attributable to owners of the Company as the parent	Non-con	Total

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	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal	trolling interests	owners' equity
		Preferred shares	Perpetual bonds	Other											
1. Balance as at the end of the prior year	561,374,326.00				164,328,665.43		264,405,675.00	15,182,958.83	320,133,050.15		717,883,351.33		2,043,308,026.74	19,618,480.11	2,062,926,506.85
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error									1,364.08		1,619,864.82		1,621,228.90		1,621,228.90
Adjustment for business combination under common control															
Other adjustments															
2. Balance as at the beginning of the year	561,374,326.00				164,328,665.43		264,405,675.00	15,182,958.83	320,134,414.23		719,503,216.15		2,044,929,255.64	19,618,480.11	2,064,547,735.75
3. Increase/ decrease in the							87,330,700.00				5,083,277.54		92,413,977.5	49,014.35	92,462,991.89

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period ("-" for decrease)													4		
3.1 Total comprehensive income							87,330,700.00				19,117,635.69		106,448,335.69	49,014.35	106,497,350.04
3.2 Capital increased and reduced by owners															
3.2.1 Ordinary shares increased by owners															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other															
3.3 Profit distribution											-14,034,358.15		-14,034,358.15		-14,034,358.15
3.3.1															

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Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)											-14,034,358.15		-14,034,358.15		-14,034,358.15
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in															

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defined benefit schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															
4. Balance as at the end of the period	561,374,326.00				164,328,665.43		351,736,375.00	15,182,958.83	320,134,414.23		724,586,493.69		2,137,343,233.18	19,667,494.46	2,157,010,727.64

Legal representative: Shi Xinkun General Manager: Zhang Xin Head of the accounting department: Jiang He

8. Statements of Changes in Owners' Equity of the Company as the Parent

H1 2020

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Unit: RMB

Item	H1 2020										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior year	561,374,326.00				183,071,147.70		317,059,775.00	17,560,202.07	322,226,700.34	648,776,959.53		2,050,069,110.64
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error									1,833.38	16,500.44		18,333.82
Other adjustments												
2. Balance as at the beginning of the year	561,374,326.00				183,071,147.70		317,059,775.00	17,560,202.07	322,228,533.72	648,793,459.97		2,050,087,444.46
3. Increase/ decrease in the period ("-" for decrease)							-60,040,175.00	878,448.44		23,901,288.11		-35,260,438.45
3.1 Total comprehensive income							-59,691,806.33			23,552,919.44		-36,138,886.89
3.2 Capital												

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increased and reduced by owners												
3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution												
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)												
3.3.3 Other												
3.4 Transfers within owners' equity							-348,368.67			348,368.67		

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3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings							-348,368.67			348,368.67		
3.4.6 Other												
3.5 Specific reserve								878,448.44				878,448.44
3.5.1 Increase in the period								1,883,145.87				1,883,145.87
3.5.2 Used in the period								1,004,697.43				1,004,697.43
3.6 Other												

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4. Balance as at the end of the period	561,374,326.00				183,071,147.70		257,019,600.00	18,438,650.51	322,228,533.72	672,694,748.08		2,014,827,006.01

H1 2019

Unit: RMB

Item	H1 2019											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior year	561,374,326.00				183,071,147.70		264,405,675.00	15,182,958.83	320,133,050.15	643,980,742.64		1,988,147,900.32
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error									1,364.08			1,364.08
Other adjustments												
2. Balance as at the beginning of the year	561,374,326.00				183,071,147.70		264,405,675.00	15,182,958.83	320,134,414.23	643,980,742.64		1,988,149,264.40
3. Increase/ decrease in the period ("-" for							87,330,700.00			4,358,502.17		91,689,202.17

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decrease)												
3.1 Total comprehensive income							87,330,700.00			18,392,860.32		105,723,560.32
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-14,034,358.15		-14,034,358.15
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or										-14,034,358.15		-14,034,358.15

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shareholders)												
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												

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3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balance as at the end of the period	561,374,326.00				183,071,147.70		351,736,375.00	15,182,958.83	320,134,414.23	648,339,244.81		2,079,838,466.57

Legal representative: Shi Xinkun General Manager: Zhang Xin Head of the accounting department: Jiang He

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III. Company Profile

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

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

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

As examined and approved at the 2nd Extraordinary General Meeting of 2009 in September 2009, based on the total share capital of 374,249,551 shares as at 30 June 2009, the Company implemented the profit distribution plan, i.e. to distribute 5 bonus shares and cash of RMB0.80 for every 10 shares, with registered capital increased by RMB187,124,775.00, as well as registered capital of RMB561,374,326.00 after change. As at 31 December 2015, the total share capital of the Company is 561,374,326.00 shares, as well as registered capital of RMB561,374,326.00, which verified by Jiangsu Gongzheng Tianye Certified Public Accountants Company Limited with issuing Capital Verification Report SGC [2010] No. B002. And the unified social credit code of the enterprise business license of the Company is 91320400134792410W.

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

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

The Company established the Shareholders' General Meeting, the Board of Directors and the Supervisory Committee, Corporate office, Financial Department, Political Department, Investment and Development Department, Audit Department, Human Recourses Department, Production Department, Procurement Department, Sales Company, Chief Engineer Office, Technology Center, QA Department, Foundry Branch,

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Machine Processing Branch, Single-cylinder Engine branch, Multi-cylinder Engine Branch and Overseas Business Department in the Company.

The financial report has been approved to be issued by the Board of Directors on 29 July 2020.

The consolidated scope of the Company of the Reporting Period includes the Company as the parent and 7 subsidiaries. For the details of the consolidated scope of the Reporting Period and the changes situation, please refer to the changes of the consolidated scope of the notes to the financial report and the notes to the equities among other entities.

IV. Basis for Preparation of the Financial Report

1. Basis for Preparation

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

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

2. Continuation

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

V. Important Accounting Policies and Estimations

Notification of specific accounting policies and accounting estimations:

The Company and each subsidiary according to the actual production and operation characteristics and in accord with the regulations of the relevant ASBE, formulated certain specific accounting policies and accounting estimations, which mainly reflected in the financial instruments, withdrawal method of the bad debt provision of the accounts receivable, the measurement of the inventory and the depreciation of the fixed assets etc.

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

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

2. Fiscal Period

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

3. Operating Cycle

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

4. Currency Used in Bookkeeping

Renminbi is functional currency of the Company.

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

(1) Business combinations under the same control:
A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary.
For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.
If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.
All direct costs for the business combination, including expenses for audit, evaluating and legal services

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shall be recorded into the profits and losses at the current period. The expenses such as the handling charges and commission etc, premium income of deducting the equity securities, and as for the premium income was insufficient to dilute, the retained earnings shall be written down.

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

(2) Business combinations not under the same control

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

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

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

6. Methods for Preparing Consolidated Financial Statements

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

The consolidated financial statement of the Company is compiled according to the regulations of No. 33 of ASBE-Consolidated Financial Statement and the relevant regulations and as for the whole significant come-and-go balance, investment, transaction and the unrealized profits should be written off when compiling the consolidated financial statement. The portion of a subsidiary's shareholders' equity and the

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portion of a subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

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

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

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

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

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

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

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

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

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

(1) Recognizes the assets that it holds and bears in the joint operation and recognizes the jointly-held assets according to the Group's stake in the joint operation;

(2) Recognizes the liabilities that it holds and bears in the joint operation and recognizes the jointly-held liabilities according to the Group's stake in the joint operation;

(3) Recognizes the income from sale of the Group's share in the output of the joint operation

(4) Recognizes the income from sale of the joint operation's outputs according to the Group's stake in it

(5) Recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

8. Recognition Standard for Cash and Cash Equivalents

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

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

(1) Foreign currency business

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

On the balance sheet date, the foreign-currency monetary assets and the balance of the liability account shall be converted into the recoding currency according to the middle price of the market exchange rates disclosed by the People's Bank of China on the Balance Sheet Date. The difference between the recording-currency amount converted according to the exchange rate on the Balance Sheet Date and the original book recording-currency amount shall be recognized as gains/losses from foreign exchange. And the exchange gain/loss caused by the foreign-currency borrowings related to purchasing fixed assets shall

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be handled according to the principle of capitalizing borrowing expenses; the exchange gain/loss incurred in the establishment period shall be recorded into the establishment expense; others shall be recorded into the financial expenses for the current period.

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

(2) Translation of foreign currency

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

10. Financial Instruments

(1) Classification of Financial Instruments

The Company classifies the financial assets when initially recognized into the following three categories based on the business model for financial assets management and characteristics of contractual cash flow of financial assets: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income (debt instruments) and financial assets at fair value through profit or loss

Financial liabilities were classifies when initially recognized into financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost.

(2) Recognition Basis and Measurement Method for Financial Instruments

① Financial assets measured at amortized cost

Financial assets at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and investment in debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. For accounts receivable excluding significant financing and accounts receivable that the Company decides not to consider financing components less than one year, the initial measurement shall be made at the contract transaction price. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When recovered or disposed, the difference between the price obtained and the carrying value of the financial assets shall be recorded into the current profit or loss.

② Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income (debt instruments) include accounts receivable financing and investment in other debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement

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of the financial assets shall be at fair value and changes of fair value except for interest calculated with actual rates, impairment losses or gains and exchange gains or losses shall be recorded into other comprehensive income. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into the current profit or loss.

③ Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments) include investment in other equity instruments, etc. which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value shall be recorded into other comprehensive income. The dividends obtained shall be recorded into the current profit or loss. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into retained earnings.

④ Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading financial assets, derivative financial assets and other non-current financial assets which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial assets shall be at fair value and the changes of fair value shall be recorded into the current profit or loss.

⑤ Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and derivative financial liabilities which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial liabilities shall be at fair value and the changes of fair value shall be recorded into the current profit or loss. When derecognized, the difference between the carrying value and the paid consideration shall be recorded into the current profit or loss.

⑥ Financial liabilities at amortized cost

Financial liabilities at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables which are initially measured at fair value and the related transaction cost shall be recorded into the initial recognized amount. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When derecognized, the difference between the paid consideration and the carrying value of the financial liabilities shall be recorded into the current profit or loss.

(3) Recognition Basis and Measurement of Transfer of Financial Assets

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset and separately recognize the rights and obligations generated retained from the transfer as assets or liabilities. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall continue to recognize the transferred financial asset. Where the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to the circumstances as follows, respectively: (1) If it gives up its control over the financial asset, it shall stop recognizing the financial asset and separately recognize the rights and obligations generated retained from the transfer as assets or liabilities; (2) If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset

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and recognize the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period: (1) The carrying value of the transferred financial asset on the derecognition date; (2) The sum of consideration received from the transfer of financial assets, and derecognition amount among the accumulative amount of the changes of the fair value originally recorded in the other comprehensive income (the financial assets involve transfer are investments in debt instruments at fair value through other comprehensive income. If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire carrying value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value on the transfer date, and the difference between the amounts of the following two items shall be included into the profits and losses of the current period: (1)The carrying value of the portion whose recognition has been stopped; (2)The sum of consideration of the portion whose recognition has been stopped, and derecognition amount among the accumulative amount of the changes of the fair value originally recorded in the other comprehensive income (the financial assets involve transfer are investments in debt instruments at fair value through other comprehensive income.

(4) Derecognition Basis of Financial Liabilities

A financial liability or part of it can be derecognized after its current obligation has been relieved in full or in part.

(5) Recognition of Fair Value of Financial Assets and Financial Liabilities

The fair value of financial instruments with an active market is determined by the quoted price in the active market. For financial instruments without active market, the fair value is determined by valuation techniques. The Company adopts the valuation techniques applicable to the current conditions which are supported by sufficient data and other information for valuation, and selects the input values consistent with the characteristics of assets or liabilities considered by market participants in asset or liability transactions, with priority to observable input values. Unobservable input values are used only when relevant observable input values are not available or practical.

(6) Impairment of financial instrument

① Impairment measurement and accounting handling of financial instrument

Based on expected credit loss, the Company conducts impairment handling and confirms credit impairment loss for financial assets which is measured by amortized cost, debt instrument investment which is measured by fair value and whose change is calculated into other comprehensive profits, financial guarantee contract.

Expected credit loss refers to weighted average of credit loss of financial instrument which takes the risk of contract breach occurrence as the weight. Credit loss refers to the difference between all contract cash flow which is converted into cash according to actual interest rate and receivable according to contract and all cash flow which to be charged as expected, i.e. current value of all cash shortage. Among it, as for financial asset purchased or original which has had credit impairment, it should be converted into cash according actual interest rate of this financial asset after credit adjustment.

As for financial asset purchased or original which has had credit impairment, the Company only confirms cumulative change of expected credit loss within the whole duration after initial confirmation on the

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balance sheet date as loss reserve.

As for accounts receivable which don't include major financing contents or the Company does not consider financing contents in contract which is less than one year, the Company applies simplified measurement method, and measures loss reserve according to amount of expected credit loss within the whole duration.

As for account receivable of rental and accounts receivable including major financing contents, the Company applies simplified measurement method, and measure loss reserve according to amount of expected credit loss within the whole duration.

As for financial asset beyond above mentioned measurement methods, the Company evaluates whether its credit risk has increased obviously since the initial confirmation on each balance sheet date. In case credit risk has increased obviously, the Company measures the loss reserve according to amount of expected credit loss within the whole duration; in case the credit risk does not increase obviously, the Company measures loss reserve according to the amount of expected credit loss in next 12 months.

By utilizing obtainable rational and well grounded information, including forward-looking information, comparing the risk of contract breach on balance sheet date and risk of contract breach on initial confirmation date, the Company confirms whether the credit risk of financial instrument has increased obviously from initial confirmation.

On balance sheet date, in case the Company judges that the financial instrument just has relatively low credit risk, then it will be assumed that credit risk of the financial instrument has not increased obviously.

Based on single financial instrument or financial portfolio, the Company evaluates expected credit risk and measures expected credit loss. When based on financial instrument portfolio, the Company takes common risk characteristics as the basis, and divides financial instruments into different portfolios.

The Company measures expected credit loss again on each balance sheet date, the increase of loss reserve or amount which is transfer back generated by it is calculated into current profits and losses as impairment profits or losses. As for financial asset which is measured by amortized cost, loss reserve offsets the carrying value of the financial asset listed in the balance sheet; as for debt investment which is measured by fair value and whose change is calculated into other comprehensive profits, the Company confirms its loss reserve in other comprehensive profits and does not offset the carrying value of the financial asset.

② For notes receivable, accounts receivable, other receivables and long-term receivables with objective evidence indicating impairment and those suitable for individual evaluation, the Company carries out impairment test separately to confirm expected credit loss and prepare provision for impairment of single items. For notes receivable, accounts receivable and other receivables without objective evidence of impairment, or a single financial asset with expected credit loss impossible to be assessed at a reasonable cost, the Company divides the receivables into groups according to the characteristics of credit risk, and calculates the expected credit loss based on receivable groups.

Accounts receivable with expected credit losses measured by groups

Specific groups and method of measuring expected credit loss

Item	Recognition basis	Method of measuring expected credit losses
Bank's acceptance bills receivable	Bill type	Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected
Trade acceptance bills		

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receivable		credit loss rate over the entire life
Accounts receivable-credit risk characteristics group	Aging group	Prepare the comparative list between aging of accounts receivable and expected credit loss rate over the entire life and calculate the expected credit loss by consulting historical experience in credit losses, combining current situation and prediction for future economic situation
Accounts receivable-intercourse funds among related party group within the consolidation scope	Related party within the consolidation scope	Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected credit loss rate over the entire life

Accounts receivable-the comparative list between aging of credit risk characteristic group and expected credit loss rate over the entire life

Aging	Withdrawal proportion
Within 1 year	2.00%
1 to 2 years	5.00%
2 to 3 years	15.00%
3 to 4 years	30.00%
4 to 5 years	60.00%
Over 5 years	100.00%

Other receivables with expected credit losses measured by groups

Specific groups and method of measuring expected credit loss

Item	Recognition basis	Method of measuring expected credit losses
Other receivables-aging analysis group	Aging group	Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected credit loss rate within the next 12 months or over the entire life
Other receivables-intercourse funds among related party group within the consolidation scope	Related party within the consolidation scope	Consulting historical experience in credit losses, combining current situation and prediction for future economic situation, the expected credit loss shall be accounted through exposure at default and the expected credit loss rate over the entire life

For the measurement of impairment loss of other receivables, refer to the aforesaid measurement of

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impairment loss of accounts receivable.

11. Notes Receivable

See "10. Financial Instruments".

12. Accounts Receivable

See "10. Financial Instruments".

13. Inventory

(1) Category of Inventory
Inventory refers to the held-for-sale finished products or commodities, goods in process, materials consumed in the production process or the process providing the labor service etc. Inventory is mainly including the raw materials, low priced and easily worn articles, unfinished products, inventories and work in process–outsourced etc.
(2) Pricing method
Purchasing and storage of the various inventories should be valued according to the planed cost and the dispatch be calculated according to the weighted average method; carried forward the cost of the finished products according to the actual cost of the current period and the sales cost according to the weighted average method.
(3) Determination basis of the net realizable value of inventory and withdrawal method of the provision for falling price of inventory
At the balance sheet date, inventories are measured at the lower of the costs and net realizable value. When all the inventories are checked roundly, for those which were destroyed, outdated in all or in part, sold at a loss, etc, the Company shall estimate the irrecoverable part of its cost and withdrawal the inventory falling price reserve at the year-end. Where the cost of the single inventory item is higher than the net realizable value, the inventory falling price reserve shall be withdrawn and recorded into profits and losses of the current period. Of which: in the normal production and operating process, as for the commodities inventory directly for sales such as the finished products, commodities and the materials for sales, should recognize the net realizable value according to the amount of the estimated selling price of the inventory minuses the estimated selling expenses and the relevant taxes; as for the materials inventory needs to be processed in the normal production and operating process, should recognize its net realizable value according to the amount of the estimated selling price of the finished products minuses the cost predicts to be occur when the production completes and the estimated selling expenses as well as the relevant taxes; on the balance sheet date, for the same inventory with one part agreed by the contract price and other parts not by the contract price, should be respectively recognized the net realizable value. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis; for large quantity and low value items of inventories, provision for decline in value is made based on categories of

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inventories.

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

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

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

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14. Contract Assets

Contract Assets means that the Company is endowed with the right to charge the consideration through transferring any commodity or service to the client, and such right depends on other factors except the passing of time. The Company's unconditional right (only depending on the passing of time) of charging the consideration from the client shall be separately presented as receivables.

The recognition method and accounting treatment method of the estimated credit loss of contract assets are consistent with that specified in Notes V.12.

15. Contract Costs

(1) Costs from Acquiring Contract

If the incremental cost resulting from the Company's acquiring of contract (namely costs merely resulting from the acquiring of contract) is predicted to be retrieved, it shall be recognized as an assets, amortized by adopting the same basis with the recognition of commodities or service revenues related to the assets and included into the current profit and loss. If the assets' amortization period does not exceed one year, it shall be immediately included into the current profit and loss. Other expenses resulting from the Company's acquiring of contract shall also be included into the current profit and loss unless it is explicitly borne by the client.

(2) Costs from Executing Contract

The Company's costs from executing contract is not covered by other ASBE except for Revenue Standards, and when the following situations are met, such costs can be recognized as an assets: ① the costs are directly related to a current or predicted contract; ② the costs increase the Company's resources applied to fulfill performance obligations in the future; ③ the costs are predicted to be retrieved. The recognized assets shall be amortized by adopting the same basis with the recognition of commodities or service revenues related to the assets and included into the current profit and loss.

If the book value of contract costs is higher than the difference of the following two items, corresponding depreciation reserves shall be counted and withdrawn and it shall be recognized as the assets depreciation loss: ① the residual consideration predicted to be acquired by transferring commodities related to the assets; ② the costs predicted to occur due to the transfer of related commodities.

If the difference between ① and ② is higher than the book value of contract costs due to any change in various factors causing depreciation in previous periods, it shall be restituted to the withdrawn assets depreciation reserves and included in the current profit and loss. However, the book value of restituted contract costs shall not exceed the book value of the assets on the day of restitution based on the hypothesis that depreciation reserves are not counted and withdrawn.

16. Assets Held for Sale

The Company recognizes the components (or the non-current assets) which meet with the following conditions as assets held for sale:
(1) The components must be immediately sold only according to the usual terms of selling this kind of

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components under the current conditions;
(2) The Company had made solutions on disposing the components (or the non-current assets), for example, the Company should gain the approval from the shareholders according to the regulations and had acquired the approved from the Annual General Meeting or the relevant authority institutions;
(3) The Company had signed the irrevocable transformation agreement with the transferee;
(4) The transformation should be completed within 1 year.

17. Long-term Equity Investments

(1) Judgment standard of joint control and significant influences
Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Company which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.
(2) Recognition for initial investment cost
The initial investment cost of the long-term equity investment shall be recognized by adopting the following ways in accordance with different methods of acquisition:
1) As for those forms under the same control of the enterprise combine, if the combine party takes the cash payment, non-cash assets transformation, liabilities assumption or equity securities issuance as the combination consideration, should take the shares of the book value by the ultimate control party in the consolidate financial statement of the owners' equities of the combiners acquired on the merger date as the initial investment cost. The difference between the initial investment cost and the book value of the paid combination consideration or the total amount of the issued shares of the long-term equity investment should be adjusted the capital reserve; If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. To include each direct relevant expense occurred when executing the enterprise merger into the current gains and losses; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.
2) As for long-term equity investment acquired through the merger of enterprises not under the same control, its initial investment cost shall regard as the combination cost calculated by the fair value of the assets, equity instrument issued and liabilities incurred or undertaken on the purchase date adding the direct cost related with the acquisition. The identifiable assets of the combined party and the liabilities (including contingent liability) undertaken on the combining date shall be measured at the fair value without considering the amount of minority interest. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The acquirer shall record the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the consolidated income statement directly. The agent expense and other relevant management expenses such as the audit, legal service and evaluation consultation occurs from the enterprise merger, should be included in the current gains and losses when occur; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

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3) Long-term equity investment obtained by other means

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

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

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

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

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

(3) Subsequent measurement and recognition of profits and losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. Investment Real Estate

Measurement mode of investment real estate:

Measurement of cost method

Depreciation or amortization method

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

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

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19. Fixed Assets

(1) Recognition Conditions

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

(2) Depreciation Method

Category of fixed assets	Method	Useful life	Annual deprecation
Housing and building	Average method of useful life	20-40	2.50%-5%
Machinery equipment	Average method of useful life	6-15	6.67%-16.67%
Transportation equipment	Average method of useful life	5-10	10%-20%
Other equipment	Average method of useful life	5-10	10%-20%

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

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

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

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

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

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

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

The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its

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difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term.

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

20. Construction in Progress

(1) Valuation of the progress in construction

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

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

The construction in process, of which the fixed assets reach to the predicted condition for use, shall carry forward fixed assets on schedule. The one that has not audited the final accounting shall recognize the cost and make depreciation in line with valuation value. The construction in process shall adjust the original valuation value at its historical cost but not adjust the depreciation that has been made after auditing the final accounting.

21. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

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

(2) The period of capitalization of borrowing costs

The borrowing costs arising from acquisition and construction of fixed assets, investment real estates and inventories, if they meet the above-mentioned capitalization conditions, the capitalization of the borrowing costs shall be measured into asset cost before such assets reach to the intended use or sale, Where acquisition and construction of fixed assets, investment real estates and inventories is interrupted

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abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended, and recorded into the current expense, till the acquisition and construction of the assets restarts. When the qualified asset is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased, the borrowing costs occurred later shall be included into the financial expense directly at the current period.

(3) Measurement method of capitalization amount of borrowing costs

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

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

22. Intangible Assets

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

(1) Pricing method of intangible assets

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

For the intangible assets invested by the investors should be recognized the actual cost according to the value of the investment contracts or agreements, however, for the value of the contracts or agreements is not fair, the actual cost should be recognized according to the fair value.

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

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

(2) Amortization method and term of intangible assets

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

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

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

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(2) Accounting Polices of Internal R & D Costs

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

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

23. Impairment of Long-term Assets

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

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

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than

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book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.
After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

24. Long-term Deferred Expenses

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

25. Contract Liabilities

Contract liabilities refer to the Company's obligations in transferring commodities or services to the client for the received or predicted consideration. Contract assets and contract liabilities under the same contract shall be presented based on the net amount.

26. Employee Benefits

(1) Accounting Treatment of Short-term Compensation

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

(2) Accounting Treatment of the Welfare after Demission

The Company classifies the welfare plans after demission into defined contribution plans and defined benefit plans. Welfare plans after demission refers to the agreement on the welfare after demission reaches between the Company and the employees, or the regulations or methods formulated by the Company for providing the welfare after demission for the employees. Of which, defined contribution plans refers to the welfare plans after demission that the Company no more undertake the further payment obligations after the payment of the fixed expenses for the independent funds; defined benefit plans, refers to the welfare plans after demission except for the defined contribution plans.
Defined contribution plans
During the accounting period that the Company providing the service for the employees, the Company should recognize the liabilities according to the deposited amount calculated by defined contribution plans, and should be included in the current gains and losses or the relevant assets cost.

(3) Accounting Treatment of the Demission Welfare

The Company should recognize the payroll payment liabilities occur from the demission welfare according

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

27. Provisions

(1) Criteria of provisions
Only if the obligation pertinent to a contingencies shall be recognized as an estimated debts when the following conditions are satisfied simultaneously:
1) That obligation is a current obligation of the Company;
2) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation;
3) The amount of the obligation can be measured in a reliable way.
(2) Measurement of provisions
The Company shall measure the provisions in accordance with the best estimate of the necessary expenses for the performance of the current obligation.
The Company shall check the book value of the provisions on the Balance Sheet Date. If there is any conclusive evidence proving that the said book value can't truly reflect the current best estimate, the Company shall, subject to change, make adjustment to carrying value to reflect the current best estimate.

28. Revenue

Accounting policies for recognition and measurement of revenue:
When the Company fulfills its due performance obligations (namely when the client obtains the control over related commodities or services), revenues shall be recognized based on the obligation's amortized transaction price. Performance Obligation refers to the Company's promise of transferring commodities or services that can be clearly defined to the client. Transaction Price refers to the consideration amount duly charged by the Company for transferring commodities or services to the client, excluding any amount charged by the third party and any amount predicted to be returned to the client. Control Over Relevant Commodities means that the use of commodities can be controlled and almost all economic interests can be obtained.

On the contract commencement day, the Company shall evaluate the contract, recognize individual performance obligation and confirm that individual performance obligation is fulfilled in a certain period or at a certain time. When one of the following conditions is met, such performance obligation shall be deemed as fulfilled in a certain period, and the Company shall recognize it as revenue within a certain period according to the performance schedule: (1) the client obtains and consumes the economic interests resulting from the Company's performance of contract while performing the contract; (2) the client is able to control the commodities under construction during the performance; (3) commodities produced by the Company during the performance possess the irreplaceable purpose, and the Company has the right to charge all finished parts during the contract period; otherwise, the Company shall recognize the revenue when the client obtains the control over relevant commodities or services.

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The Company shall adopt the Input Method to determine the Performance Schedule. Namely, the Performance Schedule shall be determined according to the Company's input for fulfilling performance obligations. When the Performance Schedule cannot be reasonably determined and all resulting costs are predicted to be compensated, the Company shall recognize the revenue based on the resulting cost amount till the Performance Schedule can be reasonably determined.

When the contract involves two or more than two performance obligations, the transaction price shall be amortized to each single performance obligation on the contract commencement day according to the relative proportion of the independent selling price of commodities or services under each single performance obligation. If any solid evidence proves that the contract discount or variable consideration only relates to one or more than one (not all) performance obligation under the contract, the Company shall amortize the contract discount or variable consideration to one or more than one related performance obligations. Independent selling price refers to the price adopted by the Company to independently sell commodities or services to the client. However, independent selling price cannot be directly observed. The Company shall estimate the independent selling price by comprehensively considering all related information that can be reasonably obtained and maximally adopting the observable input value.

Variable Consideration

If any variable consideration exists in the contract, the Company shall determine the optimal estimation of the variable consideration based on the expected values or the most possible amount. The variable consideration's transaction price shall be included without exceeding the total revenue amount recognized without the risk of significant restitution when all uncertainties are eliminated. On each balance sheet day, the Company shall re-estimate the variable consideration amount to be included in the transaction price.

Consideration Payable to the Client

If any consideration payable to the client exists in the contract, the Company shall use such consideration to offset the transaction price unless such consideration is paid for acquiring other clearly-defined commodities or services from the client, and write down the current revenue at the later time between the time of recognizing relevant revenues and the time of paying (or promising the payment) the consideration to the client.

Sales with the Quality Assurance

For sales with the Quality Assurance, if the Quality Assurance involves another separate service except for the guarantee of all sold commodities or services meeting all established standards, the Quality Assurance shall constitute a single Performance Obligation; otherwise, the Company shall make corresponding accounting treatment to the Quality Assurance according to ASBE No.13--Contingency.

Main Responsibility Person/Agent

According to whether the control over commodities or services is obtained before they are transferred to the client, the Company can judge whether it is Main Responsibility Person or Agent based on its status during the transaction. If the Company can control commodities or services before they are transferred to the client, the Company shall be Main Responsibility Person, and revenues shall be recognized according to the total consideration amount received or to be received; otherwise, the Company shall be Agent, and revenues shall be recognized according to the commission or service fees predicted to be duly charged. However, such amount shall be determined based on the net amount after deducting other amounts payable to other related parties from the total consideration received or to be duly received or the fixed commission

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amount or proportion.

Interest Revenue

Interest Revenue shall be determined according to the time of the Company's use of monetary capital and the actual interest rate.

Rental Income

The rental income from operating lease shall be recognized during each lease period according to the straight-line method, and the contingent rent shall be included into the current profit and loss without delay.

29. Government Grants

(1) Type

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

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

(2) Recognition of Government Subsidies

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

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

(3) Accounting Treatment

The government grants pertinent to assets shall be recognized as deferred income, and included in the current gains and losses or offset the book value of related assets within the useful lives of the relevant assets with a reasonable and systematic method. Government grants pertinent to income used to compensate the relevant costs, expenses or losses of the Company in the subsequent period shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant costs, expenses or losses; those used to compensate the relevant costs, expenses or losses of the Company already happened shall be included in the current gains and losses or used to offset relevant costs directly.

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

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

The government grants recognized with relevant deferred income balance but need to return shall be used to offset the book balance of relevant deferred income, the excessive part shall be included in the current

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gains and losses or adjusting the book value of assets for the government grants assets-related that offset the book value of relevant assets when they are initially recognized; those belong to other cases shall be directly included in the current gains and losses.

30. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Basis of recognizing the deferred income tax assets
According to the difference between the book value of the assets and liabilities and their tax basis, a deferred tax asset shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.
The recognition of the deferred income tax assets is limited by the income tax payable that the Company probably gains for deducting the deductible temporary differences. At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.
The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.
(2) Basis of recognizing the deferred income tax liabilities
According to the difference between the book value of the assets and liabilities and their tax basis, A deferred tax liability shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

31. Lease

(1) Accounting Treatment of Operating Lease

Lessee in an operating lease shall treat the lease payment under an operating lease as a relevant asset cost or the current profit or loss on a straight-line basis over the lease term. The initial direct costs incurred shall be recognized as the current profit or loss; Contingent rents shall be charged as expenses in the periods in which they are incurred.

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

(2) Accounting Treatments of Financial Lease

When the Company as the lessee, On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease

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

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

32. Other Significant Accounting Policies and Estimates

(1) Operation termination

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

1) The compose part represents an individual main business or a main operation area;

2) The compose part is a part intends to dispose and plan an individual main business or a main operation area;

3) The compose part is a subsidiary which be acquired only for resold.

(2) Hedging accounting

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

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

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

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

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

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

3) For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall

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make the enterprise faced to the risk of changes in cash flow, which will ultimately affect the profits and losses.

4) The effectiveness of hedging can be reliably measured.

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

33. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

√ Applicable □ Not applicable

Changes to the accounting policies and why	Approval process	Remark
The Ministry of Finance issued the Notice on Revising and Printing the Accounting Standards for Business Enterprises No.14-Revenue (CK[2017]No.22) (hereinafter referred to as the "New Standards governing Revenue") in July 2017 and required all domestically listed companies to implement it since 1 January 2020.	On 28 April 2020, the Company held the 2nd Meeting of the 9th Board of Directors and the 2nd Meeting of the 9th Supervisory Committee and approved the *Proposal on Changes of Some Accounting Policies*	

(1) Influence of Implementing the New Standards Governing Revenue

Affected items in the consolidated balance sheet and amount thereof:

Item	31 December 2019	Affected by classification and measurement	1 January 2020
Advances from customers	31,789,001.78	-31,789,001.78	
Contract liabilities			31,789,001.78

Affected items in the balance sheet of the Company as the parent and amount thereof:

Item	31 December 2019	Affected by classification and measurement	1 January 2020
Advances from customers	28,673,664.87	-28,673,664.87	
Contract liabilities			28,673,664.87

(2) Changes in Accounting Estimates

□ Applicable √ Not applicable

(3) Adjustments to the Financial Statements at the Beginning of the First Execution Year of any New Standards Governing Revenue or Leases since 2020

Applicable

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Consolidated Balance Sheet

Unit: RMB

Item	31 December 2019	1 January 2020	Adjusted
Current assets:			
Monetary assets	638,589,260.09	638,589,260.09	
Settlement reserve			
Interbank loans granted			
Held-for-trading financial assets	13,050,000.00	13,050,000.00	
Derivative financial assets			
Notes receivable	606,283,023.05	606,283,023.05	
Accounts receivable	419,302,056.87	419,302,056.87	
Accounts receivable financing			
Prepayments	12,968,746.16	12,968,746.16	
Premiums receivable			
Reinsurance receivables			
Receivable reinsurance contract reserve			
Other receivables	9,703,390.94	9,703,390.94	
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	473,359,168.90	473,359,168.90	
Contract assets			
Assets held for sale			
Current portion of non-current assets			
Other current assets	6,421,275.47	6,421,275.47	
Total current assets	2,179,676,921.48	2,179,676,921.48	
Non-current assets:			

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Loans and advances to customers			
Investments in debt obligations			
Investments in other debt obligations			
Long-term receivables			
Long-term equity investments			
Investments in other equity instruments	532,886,000.00	532,886,000.00	
Other non-current financial assets	77,952,101.63	77,952,101.63	
Investment property	48,447,666.83	48,447,666.83	
Fixed assets	457,722,667.32	457,722,667.32	
Construction in progress	91,358,156.24	91,358,156.24	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	99,699,450.26	99,699,450.26	
Development costs			
Goodwill			
Long-term prepaid expense	53,497.80	53,497.80	
Deferred income tax assets	1,023,863.04	1,023,863.04	
Other non-current assets			
Total non-current assets	1,309,143,403.12	1,309,143,403.12	
Total assets	3,488,820,324.60	3,488,820,324.60	
Current liabilities:			
Short-term borrowings	22,000,000.00	22,000,000.00	
Borrowings from the central bank			
Interbank loans obtained			
Held-for-trading financial			

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liabilities			
Derivative financial liabilities			
Notes payable	403,035,000.00	403,035,000.00	
Accounts payable	525,625,016.89	525,625,016.89	
Advances from customers	31,789,001.78		-31,789,001.78
Contract liabilities		31,789,001.78	31,789,001.78
Financial assets sold under repurchase agreements			
Customer deposits and interbank deposits			
Payables for acting trading of securities			
Payables for underwriting of securities			
Employee benefits payable	44,559,015.79	44,559,015.79	
Taxes payable	9,094,382.58	9,094,382.58	
Other payables	205,064,145.10	205,064,145.10	
Including: Interest payable			
Dividends payable	3,891,433.83	3,891,433.83	
Handling charges and commissions payable			
Reinsurance payables			
Liabilities directly associated with assets held for sale			
Current portion of non-current liabilities			
Other current liabilities	1,177,712.38	1,177,712.38	
Total current liabilities	1,242,344,274.52	1,242,344,274.52	
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings			

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Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	58,864,111.22	58,864,111.22	
Deferred income tax liabilities	57,082,890.27	57,082,890.27	
Other non-current liabilities			
Total non-current liabilities	115,947,001.49	115,947,001.49	
Total liabilities	1,358,291,276.01	1,358,291,276.01	
Owners' equity:			
Share capital	561,374,326.00	561,374,326.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	164,328,665.43	164,328,665.43	
Less: Treasury stock			
Other comprehensive income	317,059,775.00	317,059,775.00	
Specific reserve	17,560,202.07	17,560,202.07	
Surplus reserves	322,228,533.72	322,228,533.72	
General reserve			
Retained earnings	728,341,265.36	728,341,265.36	
Total equity attributable to owners of the Company as the parent	2,110,892,767.58	2,110,892,767.58	

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Non-controlling interests	19,636,281.01	19,636,281.01	
Total owners' equity	2,130,529,048.59	2,130,529,048.59	
Total liabilities and owners' equity	3,488,820,324.60	3,488,820,324.60	

Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2019	1 January 2020	Adjusted
Current assets:			
Monetary assets	584,957,678.96	584,957,678.96	
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	576,948,023.05	576,948,023.05	
Accounts receivable	337,447,538.04	337,447,538.04	
Accounts receivable financing			
Prepayments	6,386,284.14	6,386,284.14	
Other receivables	22,741,542.22	22,741,542.22	
Including: Interest receivable			
Dividends receivable			
Inventories	368,653,472.39	368,653,472.39	
Contract assets			
Assets held for sale			
Current portion of non-current assets			
Other current assets	3,898,333.51	3,898,333.51	
Total current assets	1,901,032,872.31	1,901,032,872.31	
Non-current assets:			
Investments in debt obligations			
Investments in other debt obligations			

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Long-term receivables			
Long-term equity investments	252,752,730.03	252,752,730.03	
Investments in other equity instruments	532,886,000.00	532,886,000.00	
Other non-current financial assets	50,000,000.00	50,000,000.00	
Investment property	48,447,666.83	48,447,666.83	
Fixed assets	364,071,199.07	364,071,199.07	
Construction in progress	89,330,161.60	89,330,161.60	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	70,169,770.91	70,169,770.91	
Development costs			
Goodwill			
Long-term prepaid expense			
Deferred income tax assets	970,026.67	970,026.67	
Other non-current assets			
Total non-current assets	1,408,627,555.11	1,408,627,555.11	
Total assets	3,309,660,427.42	3,309,660,427.42	
Current liabilities:			
Short-term borrowings	5,000,000.00	5,000,000.00	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	392,105,000.00	392,105,000.00	
Accounts payable	481,854,210.18	481,854,210.18	
Advances from customers	28,673,664.87		-28,673,664.87
Contract liabilities		28,673,664.87	28,673,664.87

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Employee benefits payable	39,125,477.30	39,125,477.30	
Taxes payable	5,952,664.10	5,952,664.10	
Other payables	192,046,130.29	192,046,130.29	
Including: Interest payable			
Dividends payable	3,243,179.97	3,243,179.97	
Liabilities directly associated with assets held for sale			
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities	1,144,757,146.74	1,144,757,146.74	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	58,864,111.22	58,864,111.22	
Deferred income tax liabilities	55,951,725.00	55,951,725.00	
Other non-current liabilities			
Total non-current liabilities	114,815,836.22	114,815,836.22	
Total liabilities	1,259,572,982.96	1,259,572,982.96	
Owners' equity:			
Share capital	561,374,326.00	561,374,326.00	

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Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	183,071,147.70	183,071,147.70	
Less: Treasury stock			
Other comprehensive income	317,059,775.00	317,059,775.00	
Specific reserve	17,560,202.07	17,560,202.07	
Surplus reserves	322,228,533.72	322,228,533.72	
Retained earnings	648,793,459.97	648,793,459.97	
Total owners' equity	2,050,087,444.46	2,050,087,444.46	
Total liabilities and owners' equity	3,309,660,427.42	3,309,660,427.42	

(4) Retroactive Adjustments to Comparative Data of Prior Years when First Execution of any New Standards Governing Revenue or Leases since 2020

□ Applicable √ Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Payable to sales revenue	13%, 9%, 6%
Urban maintenance and construction tax	Taxable turnover amount	Tax paid in accordance with the tax regulations of tax units location
Enterprise income tax	Taxable income	25% or 15%
Education surcharge	Taxable turnover amount	5%

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

Name	Income tax rate
Changchai Company, Limited	15%
Changchai Wanzhou Diesel Engine Co., Ltd.	15%
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	25%

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Changzhou Housheng Investment Co., Ltd.	5%
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	25%
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	25%
Jiangsu Changchai Machinery Co., Ltd.	25%
Changzhou Xingsheng Real Estate Management Co., Ltd.	25%
Changzhou Xingsheng Real Estate Management Co., Ltd.	5%

2. Tax Preference

On 24 October 2018, the Company obtained the Certificates for High-tech Enterprises again, and it still enjoys 15-percent preferential rate for corporate income tax during the Reporting Period; the Company's controlling subsidiary-Changchai Wanzhou Diesel Engine Co., Ltd., the controlling subsidiary company, shall pay the corporate income tax at tax rate 15% from 1 January 2011 to 31 December 2020 in accordance with the Notice of the Ministry of Finance, the General Administration of Customs of PRC and the National Administration of Taxation about the Preferential Tax Policies for the Western Development. The wholly-owned subsidiaries Changzhou Housheng Investment Co., Ltd. and Changzhou Xingsheng Real Estate Management Co., Ltd. are eligible small enterprises with low profits and shall pay the corporate income tax at the tax rate from 5% to 10% for small enterprises with low profits during the Reporting Period.

VII. Notes to Major Items in the Consolidated Financial Statements of the Company

1. Monetary Assets

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	348,885.71	181,115.21
Bank deposits	489,583,551.02	545,271,159.50
Other monetary assets	110,342,332.72	93,136,985.38
Total	600,274,769.45	638,589,260.09
Of which: Total amount deposited overseas		
Total amount of restriction in use by guaranteed, pledged or frozen		

At the period-end, the restricted monetary assets of the Company was RMB106,637,411.65, of which RMB105,752,474.15 was the cash deposit for bank acceptance bills, and RMB884,937.50 was cash deposit for environment.

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2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	14,600,000.00	13,050,000.00
Of which: Financial products	14,600,000.00	13,050,000.00
Total	14,600,000.00	13,050,000.00

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	508,401,509.54	606,283,023.05
Total	508,401,509.54	606,283,023.05

(2) There Were No Notes Receivable Pledged by the Company at the Period-end

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

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	372,860,750.83	
Total	372,860,750.83	

(4) There Were No Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement at the Period-end

4. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance	Beginning balance

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	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable for which bad debt provision separately accrued	35,354,686.26	3.85	33,459,099.42	94.64	1,895,586.84	35,534,574.55	5.31	33,449,794.41	94.13	2,084,780.14
Of which:										
Accounts receivable with significant amount for which bad debt provision separately accrued	30,515,544.63	3.32	28,619,957.79	93.79	1,895,586.84	30,642,717.62	4.58	28,557,937.48	93.20	2,084,780.14
Accounts receivable with insignificant amount for which bad debt provision separately accrued	4,839,141.63	0.53	4,839,141.63	100.00	0.00	4,891,856.93	0.73	4,891,856.93	100.00	0.00
Accounts receivable for which bad debt provision accrued by group	882,796,356.12	96.15	154,292,250.39	17.48	728,504,105.73	633,062,365.04	94.69	215,845,088.31	34.10	417,217,276.73
Of which:										
Accounts receivable for which bad debt	882,796,356.12	96.15	154,292,250.39	17.48	728,504,105.73	633,062,365.04	94.69	215,845,088.31	34.10	417,217,276.73

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provision accrued by credit risk features group										
Total	918,151,042.38	100.00	187,751,349.81	20.45	730,399,692.57	668,596,939.59	100.00	249,294,882.72	37.29	419,302,056.87

Account receivables withdrawn bad debt provision separately with significant amount at the period end:

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason of withdrawal
Customer 1	1,470,110.64	1,470,110.64	100.00%	Expected to difficultly recover
Customer 2	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 3	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 4	2,254,860.60	2,175,814.37	96.49%	Expected to difficultly recover
Customer 5	3,633,081.23	1,816,540.62	50.00%	Expected to difficultly recover
Customer 6	3,279,100.00	3,279,100.00	100.00%	Expected to difficultly recover
Customer 7	2,068,377.01	2,068,377.01	100.00%	Expected to difficultly recover
Customer 8	5,359,381.00	5,359,381.00	100.00%	Difficult to recover
Customer 9	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 10	1,747,839.10	1,747,839.10	100.00%	Difficult to recover
Total	30,515,544.63	28,619,957.79	--	--

Accounts receivable for which bad debt provision accrued by credit risk features group:

Unit: RMB

Aging	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Within 1 year	723,172,550.57	14,463,451.49	2.00
1 to 2 years	11,827,502.09	591,375.09	5.00
2 to 3 years	7,877,220.88	1,181,583.14	15.00

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3 to 4 years	1,938,785.27	581,635.58	30.00
4 to 5 years	1,265,230.57	759,138.34	60.00
Over 5 years	136,715,066.75	136,715,066.75	100.00
Total	882,796,356.12	154,292,250.39	--

Notes of the basis of determining the group:

The accounts receivable was adopted the aging analysis based on the months when the accounts incurred actually, among which the accounts incurred earlier will be priority to be settled in terms of the capital turnover.

Explanation of the input value and assumption adopted to determine the withdrawal amount of bad debt provision on the Current Period: With reference to the experience of the historical credit loss, combining with the prediction of the present status and future financial situation, the comparison table was prepared between the aging of the accounts receivable and estimated credit loss rate in the duration and to calculate the estimated credit loss.

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	723,172,550.56
1 to 2 years	12,928,501.44
2 to 3 years	11,061,670.64
Over 3 years	170,988,319.74
3 to 4 years	5,336,135.78
4 to 5 years	2,864,816.64
Over 5 years	162,787,367.32
Total	918,151,042.38

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

Information of bad debt provision withdrawn:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	

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Bad debt provision withdrawn separately	33,449,794.41	65,231.52	55,926.51		33,459,099.42
Bad debt provision withdrawn by group	215,845,088.31	6,592,063.00		68,144,900.92	154,292,250.39
Total	249,294,882.72	6,657,294.52	55,926.51	68,144,900.92	187,751,349.81

Of which bad debt provision reversed or recovered with significant amount in the Reporting Period: No.

(3) Accounts Receivable with Actual Verification during the Reporting Period

Unit: RMB

Item	Verified amount
Accounts receivable with actual verification	68,144,900.92

Of which the verification of significant accounts receivable:

Unit: RMB

Name of the entity	Nature of the accounts receivable	Verified amount	Reason for verification	Verification procedures performed	Arising from related-party transactions or not
Wuwei Jinwa Vehicle Manufacturing Co., Ltd.	Bad debt losses	10,000,000.00	The aging of canceled receivables shall exceed 5 years and result from fruitless collection, and if any single client's large amount is involved without any business transaction with the Company for over ten	The Company held the 3rd Meeting of the 9th Board of Directors and the 3rd Meeting of the 9th Supervisory Committee on 28 June 2020 and approved the Proposal on Verification of Some Accounts Receivable.	Not
Xuzhou Zhengda Agricultural Machinery Company		7,583,232.65			
Shandong Agricultural Machinery Group Heze Agricultural Machinery Company		4,581,880.41			

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Sichuan Tiantai Electromechanical Agricultural Machinery Co., Ltd.	3,600,000.00	years, the client's qualification for business operation shall be canceled or the insolvency liquidation is finished without any production and operation activities.			
Puyang Shifeng Agricultural Machinery Company	2,752,840.00				
Jining Water Conservancy Drilling Machinery Factory	2,450,966.67				
Zhanjiang Agricultural Machinery Company	2,180,243.72				
Kaifeng Tractor Manufacturing Factory	1,976,282.47				
Linyi Agricultural Machinery Group Corporation	1,860,830.82				
Henan Zhongcu Industrial Corporation	1,758,686.48				
Shanxi Jiaocheng Xinyuan Iron Factory	1,662,052.98				
Ganyu Agricultural Machinery Co., Ltd.	1,285,160.60				
Nanning Changshunrong	1,236,225.30				

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Agricultural Machinery Co., Ltd.	
Longma Agricultural Vehicle Co., Ltd.	1,235,170.95
Xinjiang Korla Feihong Agricultural Machinery Co., Ltd.	1,200,000.00
Gaotang Raoyang County Agricultural Machinery City	1,149,217.70
Haining Bus General Factory	848,158.92
Yunnan Nanping Agricultural Machinery Management	841,642.86
Tongshan Dongfang Agricultural Machinery Sales Department	830,000.00
Juning Huaihai Agricultural Machinery Trading Company	800,000.00
Jiangxi Lida Agricultural Machinery Sales Co., Ltd.	797,786.72

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Shenyang Fusang Agricultural Machinery Corporation		796,226.73			
Anhui Guoyang Agricultural Machinery Corporation		760,197.20			
Tai'an Guotai Tractor Factory		728,666.36			
Lijin Yongxing Agricultural Machinery Sales Co., Ltd.		677,250.00			
Hefei Xinfa Materials Co., Ltd.		551,305.36			
Changqing County Agricultural Machinery Company		549,800.00			
Henan Boai Agricultural Machinery Company		537,698.10			
Shandong Shuangli Group Co., Ltd.		12,343,782.28			
Shandong Dongchang Group Labor Service Corporation		520,892.51			
Total	--	68,096,197.79	--	--	--

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

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
Customer 1	376,475,098.82	41.00%	7,529,501.98
Customer 2	54,293,467.67	5.91%	1,085,869.35
Customer 3	32,287,845.17	3.52%	763,817.03
Customer 4	21,395,243.36	2.33%	427,904.87
Customer 5	18,593,170.87	2.03%	371,863.42
Total	503,044,825.89	54.79%	

At the end of the period, the sum of the top five accounts receivable collected according to the arrears amounted to RMB 503,044,825.89, accounting for54.79% of the total balance at the end of the period. The corresponding ending balance of bad debt provision is RMB10,178,956.65 .

5. Prepayments

(1) List by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	8,202,915.10	80.36%	10,857,776.65	83.72%
1 to 2 years	769,139.60	7.53%	993,030.99	7.66%
2 to 3 years	233,809.27	2.29%	115,335.90	0.89%
Over 3 years	1,002,582.11	9.82%	1,002,602.62	7.73%
Total	10,208,446.08	--	12,968,746.16	--

There was no prepayment with significant amount aging over one year as of the period-end.

(2) Top 5 of the Ending Balance of the Prepayments Collected according to the Prepayment Target

At the period-end, the total top 5 of the ending balance of the prepayments collected according to the prepayment target was RMB5,352,129.27 accounting for 52.43% of the total ending balance of prepayments.

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6. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable	0.00	0.00
Dividend receivable	0.00	0.00
Other receivables	10,280,692.50	9,703,390.94
Total	10,280,692.50	9,703,390.94

(1) Other Receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

Nature	Ending carrying value	Beginning carrying value
Margin and cash pledge	4,200.00	7,758.60
Intercourse funds	27,822,768.62	24,536,151.71
Petty cash and borrowings by employees	1,600,421.35	3,208,541.67
Other	13,654,933.26	15,374,916.41
Total	43,082,323.23	43,127,368.39

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2020	33,423,977.45			33,423,977.45
Balance of 1 January 2020 in the Current Period	——			——
--Transfer to Second stage				

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-- Transfer to Third stage				
-- Reverse to Second stage				
-- Reverse to First stage				
Withdrawal of the Current Period	26,813.06			26,813.06
Reversal of the Current Period	649,159.78			649,159.78
Write-offs of the Current Period				
Verification of the Current Period				
Other changes				
Balance of 30 June 2020	32,801,630.73			32,801,630.73

Changes of carrying amount with significant amount changed of loss provision in the current period

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	5,923,228.62
1 to 2 years	3,274,854.15
2 to 3 years	605,754.36
Over 3 years	33,278,486.10
3 to 4 years	1,014,471.63
4 to 5 years	190,365.24
Over 5 years	32,073,649.23
Total	43,082,323.23

3) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

Information of withdrawal of bad debt provision:

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Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision for which accrued separately	5,042,448.58	25,814.56				5,068,263.14
Bad debt provision for which accrued by group	28,381,528.87	998.50	649,159.78			27,733,367.59
Total	33,423,977.45	26,813.06	649,159.78			32,801,630.73

4) There Was No Particulars of the Actual Verification of Other Receivables during the Reporting Period

5) Top 5 of the Ending Balance of the Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of other receivables	Ending balance of bad debt provision
Changzhou Changjiang Casting Materials Co., Ltd.	Intercourse funds	5,000,000.00	Within 1 year	11.61%	100,000.00
Changzhou Compressors Factory	Intercourse funds	2,940,000.00	Over 5 years	6.82%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	6.62%	2,853,188.02
Changzhou New District Accounting Centre	Intercourse funds	1,626,483.25	Over 5 years	3.78%	1,626,483.25
Changchai Group Settlement Centre	Intercourse funds	1,140,722.16	Over 5 years	2.65%	1,140,722.16
Total	--	13,560,393.43	--	31.48%	8,660,393.43

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7. Inventory

Whether the Company needs to comply with the requirements of real estate industry
No

(1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	126,396,694.75	7,158,592.68	119,238,102.07	125,757,856.89	6,539,831.39	119,218,025.50
Materials processed on commission	12,579,124.50	183,111.28	12,396,013.22	12,444,566.41	183,111.28	12,261,455.13
Goods in process	120,787,978.56	25,872,020.66	94,915,957.90	142,399,981.66	26,985,350.14	115,414,631.52
Finished goods	215,181,247.70	15,698,168.05	199,483,079.65	239,701,513.09	15,404,153.29	224,297,359.80
Low priced and easily worn articles	3,377,456.53	1,205,538.85	2,171,917.68	3,373,235.80	1,205,538.85	2,167,696.95
Total	478,322,502.04	50,117,431.52	428,205,070.52	523,677,153.85	50,317,984.95	473,359,168.90

(2) Falling Price Reserves

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Other	Reversal or write-off	Other	
Raw materials	6,539,831.39	661,773.68		43,012.40		7,158,592.67
Materials processed on commission	183,111.28					183,111.28
Goods in process	26,985,350.14	9,115,845.06		10,229,174.54		25,872,020.66

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Finished goods	15,404,153.29	6,566,186.26		6,272,171.49		15,698,168.06
Low priced and easily worn articles	1,205,538.85					1,205,538.85
Total	50,317,984.95	16,343,805.00		16,544,358.43		50,117,431.52

(3) There Was No Capitalized Borrowing Expense in the Ending Balance of Inventories

8. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
The VAT tax credits	7,748,855.06	6,043,473.29
Prepaid expense	802,628.31	98,856.26
Other	25,479.42	278,945.92
Total	8,576,962.79	6,421,275.47

9. Long-term Equity Investment

Unit: RMB

Investees	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserves
		Additional investment	Reduced investment	Gain or loss recognized under the equity method	Adjustment of other comprehensive income	Changes in other equity	Cash bonus or profit announced to issue	Withdrawal of depreciation reserves	Other		
II. Associated enterprises											

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Beijing Tsinghua Industrial Investment Management Co., Ltd.	0									0	44,182.50
Subtotal	0									0	44,182.50
Total	0									0	44,182.50

10. Other Equity Instrument Investment

Unit: RMB

Item	Ending balance	Beginning balance
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	100,000,000.00	100,000,000.00
Other equity instrument investment measured by fair value	362,160,000.00	432,886,000.00
Total	462,160,000.00	532,886,000.00

Non-trading equity instrument investment disclosed by category

Unit: RMB

Item	Dividend income recognized	Accumulative gains	Accumulative losses	Amount of other comprehensive transferred to retained earnings	Reason for assigning to measure by fair value of which changes be included to other comprehensive income	Reason for other comprehensive income transferred to retained earnings
Foton Motor Co., Ltd.		39,015,000.00			Non-trading equity investment	

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Bank of Jiangsu	4,865,000.00	27,725,000.00			Non-trading equity investment	
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)					Non-trading equity investment	
Total	4,865,000.00	66,740,000.00				

Other notes:

(1) The stocks of listed companies such as Foton Motor Co., Ltd. held by the Company belong to non-trading equity investment. Therefore, the investment was divided into the financial assets assigned measured by fair value and the changes be included in the other comprehensive income.

(2) The corporate securities of accommodation business still on lending at the period-end: 7,183,900 shares of Foton Motor Co., Ltd. and 1,900,000 of Bank of Jiangsu.

12. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Jiangsu Liance Electromechanical Technology Co., Ltd.	7,200,000.00	7,200,000.00
Kailong High Technology Co., Ltd.	20,001,268.00	20,001,268.00
Guizhou Warmen Pharmaceutical Co, Ltd.	200,104.80	200,104.80
Guizhou Anda Energy Technology Co., Ltd.	195,297.49	195,297.49
Henan Lantian Gas Co., Ltd.	160,744.76	160,744.76
Hebei Songhe Recycling Resources Co., Ltd.	104,699.44	104,699.44
Anhui Hofo Electromechanical Co., Ltd.	89,987.14	89,987.14
Jiangsu Housheng New Energy Technology Co., Ltd.	50,000,000.00	50,000,000.00
Total	77,952,101.63	77,952,101.63

12. Investment Property

(1) Investment Property Adopting the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

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Item	Houses and buildings	Total
I. Original carrying value		
1.Beginning balance	87,632,571.14	87,632,571.14
2.Increased amount of the period		
(1) Outsourcing		
(2) Transfer from inventories/fixed assets/construction in progress		
(3) Enterprise combination increase		
3.Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance	87,632,571.14	87,632,571.14
II. Accumulative depreciation and accumulative amortization		
1.Beginning balance	39,184,904.31	39,184,904.31
2.Increased amount of the period	1,104,170.40	1,104,170.40
(1) Withdrawal or amortization	1,104,170.40	1,104,170.40
3.Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance	40,289,074.71	40,289,074.71
III. Depreciation reserves		
1.Beginning balance		
2.Increased amount of the period		
(1) Withdrawal		
3.Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance		
IV. Carrying value		
1.Ending carrying value	47,343,496.43	47,343,496.43
2.Beginning carrying value	48,447,666.83	48,447,666.83

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13. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	437,411,354.41	457,722,667.32
Disposal of fixed assets		
Total	437,411,354.41	457,722,667.32

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Other equipment	Total
I. Original carrying value					
1. Beginning balance	448,688,661.22	956,138,240.18	17,283,169.54	42,791,587.37	1,464,901,658.31
2. Increased amount of the period	16,099,288.86	1,086,367.26	1,088,767.65	307,824.30	18,582,248.07
(1) Purchase	418,626.65	77,522.12	243,538.31	196,178.30	935,865.38
(2) Transfer from construction in progress	15,680,662.21	1,008,845.14	845,229.34	111,646.00	17,646,382.69
(3) Enterprise combination increase					
3. Decreased amount of the period	-	10,459,143.75	1,595,757.66	327,228.60	12,382,130.01
(1) Disposal or scrap	-	10,459,143.75	1,595,757.66	327,228.60	12,382,130.01
4. Ending balance	464,787,950.08	946,765,463.69	16,776,179.53	42,772,183.07	1,471,101,776.37
II.Accumulative depreciation					

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1. Beginning balance	281,666,582.26	674,545,182.51	13,892,318.80	35,580,792.42	1,005,684,875.99
2. Increased amount of the period	8,083,059.02	30,085,167.12	558,563.27	90,156.56	38,816,945.97
(1) Withdrawal	8,083,059.02	30,085,167.12	558,563.27	90,156.56	38,816,945.97
3. Decreased amount of the period	1,235.25	10,459,143.75	1,520,233.58	324,902.42	12,305,515.00
(1) Disposal or scrap	1,235.25	10,459,143.75	1,520,233.58	324,902.42	12,305,515.00
4. Ending balance	289,748,406.03	694,171,205.88	12,930,648.49	35,346,046.56	1,032,196,306.96
III.Depreciation reserves					
1. Beginning balance		1,494,115.00			1,494,115.00
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal or scrap					
4. Ending balance		1,494,115.00			1,494,115.00
IV. Carrying value					
1. Ending carrying value	175,039,544.05	251,100,142.81	3,845,531.04	7,426,136.51	437,411,354.41
2. Beginning carrying value	167,022,078.96	280,098,942.67	3,390,850.74	7,210,794.95	457,722,667.32

14. Construction in Progress

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Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	71,668,151.01	63,216,445.03
Engineering materials	31,338,225.01	28,141,711.21
Total	103,006,376.02	91,358,156.24

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Expansion capacity of multi-cylinder (The 2nd Period)	1,097,435.90		1,097,435.90	11,375,531.74		11,375,531.74
Diesel Engine Cylinder Body Flexible Manufacturing Line	38,444,213.42		38,444,213.42	38,266,788.31		38,266,788.31
35KV Substation				1,321,959.41		1,321,959.41
Oily water separating equipment	340,800.00		340,800.00	340,800.00		340,800.00
Relocation project of light engine and casting	28,903,701.88		28,903,701.88	1,687,194.64		1,687,194.64

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Equipment to be installed and payment for projects	2,881,999.81		2,881,999.81	10,224,170.93		10,224,170.93
Total	71,668,151.01		71,668,151.01	63,216,445.03		63,216,445.03

(2) Changes in Significant Construction in Progress during the Reporting Period

Unit: RMB

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: Amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Expansion capacity of multi-cylinder (The 2nd Period)	79,000,000.00	11,375,531.74		10,278,095.84		1,097,435.90		Uncompleted				Self-funded

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Diesel Engine Cylinder Body Flexible Manufacturing Line	116,040,000.00	38,266,788.31	217,769.94	40,344.83		38,444,213.42		Uncompleted				Self-funded
35KV Substation	73,290,000.00	1,321,959.41	390,676.04	1,712,635.45		0.00						Self-funded
Relocation project of light engine and casting	452,863,800.00	1,687,194.64	27,216,507.24			28,903,701.88	6.38%	Uncompleted				Self-funded
Total	721,193,800.00	52,651,474.10	27,824,953.22	12,031,076.12		68,445,351.20	--	--				--

(3) Engineering Materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Engineering materials	31,338,225.01		31,338,225.01	28,141,711.21		28,141,711.21
Total	31,338,225.01		31,338,225.01	28,141,711.21		28,141,711.21

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15. Intangible Assets

(1) List of Intangible Assets

Unit: RMB

Item	Land use right	Patent right	License fee	Total
I. Original carrying value				
1. Beginning balance	144,770,507.85	12,866,992.58	5,488,000.00	163,125,500.43
2. Increased amount of the period				
(1) Purchase				
(2) Internal R&D				
(3) Business combination increase				
3. Decreased amount of the period				
(1) Disposal				
4. Ending balance	144,770,507.85	12,866,992.58	5,488,000.00	163,125,500.43
II. Accumulated amortization				
1. Beginning balance	51,100,000.82	10,771,116.13	1,554,933.22	63,426,050.17
2. Increased amount of the period	1,485,989.14	564,866.00	274,399.98	2,325,255.12
(1) Withdrawal	1,485,989.14	564,866.00	274,399.98	2,325,255.12
3. Decreased amount of the period				
(1) Disposal				
4. Ending balance	52,585,989.96	11,335,982.13	1,829,333.20	65,751,305.29
III. Depreciation reserves				
1. Beginning balance				
2. Increased amount of the period				
(1) Withdrawal				

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3. Decreased amount of the period				
(1) Disposal				
4. Ending balance				
IV. Carrying value				
1. Ending carrying value	92,184,517.89	1,531,010.45	3,658,666.80	97,374,195.14
2. Beginning carrying value	93,670,507.03	2,095,876.45	3,933,066.78	99,699,450.26

16. Long-term Prepaid Expenses

Item	Beginning balance	Increase	Amortized amount	Decrease	Ending balance
Furniture of employee dormitory, etc.	53,497.80			19,902.30	33,595.50
Total	53,497.80			19,902.30	33,595.50

17. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	13,050,698.84	1,979,974.43	6,682,294.34	1,023,863.04
Total	13,050,698.84	1,979,974.43	6,682,294.34	1,023,863.04

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities

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Changes in fair value of other equity instrument investment	302,376,000.00	45,356,400.00	373,011,500.00	55,951,725.00
Assets evaluation appreciation for business combination not under the same control	4,169,298.89	1,042,324.72	4,524,661.07	1,131,165.27
Total	306,545,298.89	46,398,724.72	377,536,161.07	57,082,890.27

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Bad debt provision	207,502,281.70	276,036,565.83
Falling price reserves of inventories	50,117,431.52	50,317,984.95
Total	257,619,713.22	326,354,550.78

18. Other Non-current Assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Advances payment of equipments	177,400.00		177,400.00			
Total	177,400.00		177,400.00			

19. Short-term Borrowings

(1) Category of Short-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Guaranteed loans	10,000,000.00	10,000,000.00

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Mortgage loans	7,000,000.00	7,000,000.00
Credit loans	5,000,000.00	5,000,000.00
Total	22,000,000.00	22,000,000.00

(2) There Was No Short-term Borrowings Overdue but Unpaid.

20. Notes Payable

Unit: RMB

Category	Ending balance	Beginning balance
Bank acceptance bill	479,515,000.00	403,035,000.00
Total	479,515,000.00	403,035,000.00

21. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Loans	580,840,786.08	525,625,016.89
Total	580,840,786.08	525,625,016.89

(2) There Was No Significant Accounts Payable Aging over One Year

22. Contract Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Contract liabilities	31,527,438.40	31,789,001.78
Total	31,527,438.40	31,789,001.78

Refer to "V Significant Accounting Policies, Estimates-33(1) Changes to Significant Accounting Policies" for the difference between the beginning balance and ending balance of prior period (31 December 2019).

23. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

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Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	44,559,015.79	117,786,801.08	143,388,161.32	18,957,655.55
II.Post-employment benefit-defined contribution plans		8,626,798.61	8,626,798.61	
III. Termination benefits		306,693.00	306,693.00	
Total	44,559,015.79	126,720,292.69	152,321,652.93	18,957,655.55

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	36,894,953.71	98,842,788.54	124,423,164.48	11,314,577.77
2.Employee welfare	1,592.74	1,451,667.16	1,451,667.16	1,592.74
3. Social insurance		5,601,857.94	5,601,857.94	
Of which: Medical insurance premiums		4,466,934.01	4,466,934.01	
Work-related injury insurance		388,321.79	388,321.79	
Maternity insurance		746,602.14	746,602.14	
4. Housing fund		9,419,253.40	9,419,253.40	
5.Labor union budget and employee education budget	7,662,469.34	2,471,234.04	2,492,218.34	7,641,485.04
6. Short-term absence with salary				
7. Short-term profit sharing scheme				
Total	44,559,015.79	117,786,801.08	143,388,161.32	18,957,655.55

(3) List of Defined Contribution Plans

Unit: RMB

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Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits		8,207,802.43	8,207,802.43	
2. Unemployment insurance		257,200.18	257,200.18	
3. Enterprise annuities		161,796.00	161,796.00	
Total		8,626,798.61	8,626,798.61	

24. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	532,081.43	1,290,060.47
Corporate income tax	5,430,266.89	5,090,781.18
Personal income tax	88,470.51	367,624.40
Urban maintenance and construction tax	886,662.32	970,067.92
Property tax	94,257.18	94,257.20
Land use tax	100,135.19	100,135.19
Stamp duty	5,554.00	6,282.95
Education Surcharge	160,541.11	99,824.96
Comprehensive fees	954,843.18	1,075,134.76
Environmental protection tax	230.34	213.55
Total	8,253,042.15	9,094,382.58

25. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable		
Dividends payable	3,891,433.83	3,891,433.83
Other payables	186,845,303.36	201,172,711.27
Total	190,736,737.19	205,064,145.10

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(1) Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Ordinary share dividends	3,243,179.97	3,243,179.97
Interest of preferred shares/ perpetual bond classified as equity instrument		
Dividends for non-controlling shareholders	648,253.86	648,253.86
Other		
Total	3,891,433.83	3,891,433.83

The reason for non-payment for over one year: Not gotten by shareholders yet.

(2) Other Payables

1) Other Payables Listed by Nature of Account

Unit: RMB

Item	Ending balance	Beginning balance
Margin & cash pledged	3,574,326.23	3,271,541.83
Intercourse funds among units	10,501,265.91	11,321,462.95
Intercourse funds among individuals	423,702.83	430,612.05
Sales discount and three guarantees	133,978,988.49	143,497,522.22
Other	38,367,019.90	42,651,572.22
Total	186,845,303.36	201,172,711.27

2) Significant Other Payables Aging over One Year

The significant other payables aging over one year at the period-end mainly referred to the unsettled temporary credits and charges owned.

26. Other Current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance

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Sale service fee		229,387.96
Transportation storage fee		132,551.86
Electric charge	2,147,922.70	815,772.56
Rental expense	92,920.38	
Total	2,240,843.08	1,177,712.38

27. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government grants	58,864,111.22		532,186.81	58,331,924.41	Government appropriation
Total	58,864,111.22		532,186.81	58,331,924.41	--

Item involving government grants:

Unit: RMB

Item	Beginning balance	Amount of new subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Amount offset cost in the Reporting Period	Other changes	Ending balance	Related to assets/related income

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Electric control of diesel engine research and development and industrialization allocations	248,400.00			199,200.00			49,200.00	Related to assets
National major project special allocations	28,770,000.00						28,770,000.00	Related to assets
Remove compensation	19,845,711.22			332,986.81			19,512,724.41	Related to assets

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Research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use	10,000,000.00						10,000,000.00	Related to assets
Total	58,864,111.22			532,186.81			58,331,924.41	

28. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Bonus issue from profit	Other	Subtotal	
The sum of shares	561,374,326.00						561,374,326.00

29. Capital Reserves

Unit: RMB

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Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	143,990,690.24			143,990,690.24
Other capital reserves	20,337,975.19			20,337,975.19
Total	164,328,665.43			164,328,665.43

30. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period						Ending balance
		Income before taxation in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in retained earnings in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
I. Other comprehensive income that will not be reclassified to profit or loss	317,059,775.00	-70,225,654.50		348,368.67	-10,533,848.17	-60,040,175.00		257,019,600.00
Of which: Changes caused by re-measurements on defined benefit pension schemes								

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Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method								
Changes in fair value of other equity instrument investment	317,059,775.00	-70,225,654.50		348,368.67	-10,533,848.17	-60,040,175.00		257,019,600.00
Changes in fair value of corporate credit risk								
II. Other comprehensive income that may subsequently be reclassified to profit or loss								
Of which: Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method								
Changes in fair value of investment in other debt obligations								
Amount of financial assets reclassified to other comprehensive income								
Credit depreciation reserves of investment in other debt obligations								
Reserves for cash flow hedges								
Differences arising from translation of foreign currency-denominated financial statements								
Total of other comprehensive income	317,059,775.00	-70,225,654.50		348,368.67	-10,533,848.17	-60,040,175.00		257,019,600.00

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31. Specific Reserve

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production cost	17,560,202.07	1,883,145.87	1,004,697.43	18,438,650.51
Total	17,560,202.07	1,883,145.87	1,004,697.43	18,438,650.51

32. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	309,071,675.82			309,071,675.82
Discretional surplus reserves	13,156,857.90			13,156,857.90
Total	322,228,533.72			322,228,533.72

33. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	726,689,929.10	717,883,351.33
Total retained earnings at the beginning of the adjustment period ("+" means up, "-" means down)	1,651,336.26	1,619,864.82
Beginning balance of retained earnings after adjustments	728,341,265.36	719,503,216.15
Add: Net profit attributable to owners of the Company as the parent	27,690,311.06	24,966,526.85
Less: Withdrawal of statutory surplus reserves		2,094,119.49
Withdrawal of discretional surplus reserves		
Withdrawal of general reserve		
Dividend of ordinary shares payable		14,034,358.15

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Dividends of ordinary shares transferred as share capital		
Recorded in other comprehensive income in prior period and transferred in retained profits in the Current Period	348,368.67	
Ending retained earnings	756,379,945.09	728,341,265.36

The retained earnings at the beginning of the adjustment period due to the accounting errors correction in previous period: RMB1,651,336.26 at the period-beginning of 2020, and RMB1,619,864.82 at the period-beginning of 2019.

34. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,149,231,063.13	974,846,243.01	1,099,044,681.77	958,911,511.17
Other operations	18,224,719.17	10,996,475.67	19,826,443.23	14,073,262.37
Total	1,167,455,782.30	985,842,718.68	1,118,871,125.00	972,984,773.54

Information related to performance obligations: performing according to the contract offer

Information related to transaction value assigned to residual performance obligations:

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB0 at the period-end.

35. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	1,188,616.29	581,717.24
Education surcharge	849,011.61	271,520.11
Property tax	2,212,278.84	1,986,524.35
Land use tax	1,804,439.63	1,713,504.95
Vehicle and vessel use tax	300.00	
Stamp duty	394,779.95	456,518.80
Environment tax	60,179.21	
Other	42,000.00	-92.50
Total	6,551,605.53	5,009,692.95

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36. Selling Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Office expenses	4,629,025.89	2,915,326.32
Employee benefits	13,886,073.89	12,563,212.25
Sales promotional expense	5,545,750.00	3,165,350.00
Three guarantees	27,893,180.55	31,616,012.47
Transport charge	3,641,245.55	1,767,281.30
Other	7,797,082.64	6,231,216.64
Total	63,392,358.52	58,258,398.98

37. Administrative Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Office expenses	6,035,491.45	6,839,822.78
Employee benefits	17,294,526.56	11,909,173.93
Depreciation and amortization	5,263,681.34	7,665,203.65
Transport fees	1,073,680.39	1,205,423.26
Repair charge	138,950.52	992,564.62
Safety expenses	1,883,145.87	1,005,623.68
Other	3,919,554.61	4,942,250.38
Total	35,609,030.74	34,560,062.30

38. Development Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Direct input expense	19,721,929.05	19,912,601.44
Employee benefits	9,551,798.98	8,459,434.34
Depreciation and amortization	2,063,723.78	1,367,141.44
Entrusted development charges	32,231.13	
Other	968,567.84	325,106.24

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Total	32,338,250.78	30,064,283.46

39. Finance Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expense	3,340,575.91	1,567,625.50
Interest income	2,792,152.75	1,647,206.24
Net foreign exchange gains or losses	-1,097,813.30	-1,047,246.55
Other	-170,269.84	-657,598.04
Total	-719,659.98	-1,784,425.33

40. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Government grants	2,657,218.07	134,037.71
Other (Additional deduction of input tax)	20,746.75	

41. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method		
Investment income from disposal of long-term equity investment		
Investment income from holding of trading financial assets		
Investment income from disposal of trading financial assets		
Dividend income from holding of other equity instrument investment	4,983,988.73	
Investment income from holding of held-to –maturity investment		

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Investment income from holding of available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		
Investment income from disposal of held-to –maturity investment		
Income from re-measurement of residual stock rights at fair value after losing control power		
Interest income from holding of investment in debt obligations		
Interest income from holding of investment in other debt obligations		
Investment income from disposal of investment in other debt obligations		
Investment income from holding of other non-current financial assets	149,121.58	
Investment income from disposal of financial products of securities company	251,486.73	184,349.63
Total	5,384,597.04	184,349.63

42. Credit Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Bad debt loss of other receivables	622,346.72	4,859.68
Bad debt loss of accounts receivable	-6,601,368.01	-9,257,470.42
Impairment loss of entrusted loan		4,000,000.00
Total	-5,979,021.29	-5,252,610.74

43. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss		

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II. Loss on inventory valuation and contract performance cost	-16,343,805.00	-26,096.43
III. Impairment loss on long-term equity investment		
IV. Impairment loss on investment property		
V. Impairment loss on fixed assets		
VI. Impairment loss on engineering materials		
VII. Impairment loss on construction in progress		
VIII. Impairment loss on productive living assets		
IX. Impairment loss on oil and gas assets		
X. Impairment loss on intangible assets		
XI. Impairment loss on goodwill		
XII. Other		
Total	-16,343,805.00	-26,096.43

44. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Disposal income of fixed assets	10,977.61	988,535.95

45. Non-operating Income

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Income from penalty	181,076.00		181,076.00
Income generated from disposal of current assets		324,516.28	
Other	287,214.78	258,421.20	287,214.78
Total	468,290.78	582,937.48	468,290.78

46. Non-operating Expense

Unit: RMB

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Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Retirement loss of non-current assets	1,725.58	215,077.98	1,725.58
Other	393,650.10	2,760.00	393,650.10
Total	395,375.68	217,837.98	395,375.68

47. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	3,442,263.52	-2,995,296.80
Deferred income tax expense	-1,044,951.94	301.48
Total	2,397,311.58	-2,994,995.32

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

Unit: RMB

Item	Reporting Period
Profit before taxation	30,265,106.31
Current income tax expense accounted at statutory/applicable tax rate	4,539,765.95
Influence of applying different tax rates by subsidiaries	708,102.34
Influence of income tax before adjustment	-717,080.73
Influence of non-taxable income	
Influence of non-deductable costs, expenses and losses	-1,249,574.37
Influence of deductable losses of unrecognized deferred income tax at the beginning of the Reporting Period	-27,842.32
Influence of deductable temporary difference or deductable losses of unrecognized deferred income tax assets in the Reporting Period	-729,438.12
Tax preference generated from eligible expense	-126,621.17
Income tax expense	2,397,311.58

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48. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Subsidy and appropriation	2,125,031.26	129,300.00
Other intercourses in cash	2,450,124.78	6,626,337.57
Interest income	2,792,152.75	1,647,206.24
Other	377,095.40	
Total	7,744,404.19	8,402,843.81

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Selling expense paid in cash	42,790,201.08	22,265,032.54
Administrative expense paid in cash	28,635,717.97	15,932,156.09
Handling charges	850,745.30	276,917.44
Other	841,135.29	363,243.80
Total	73,117,799.64	38,837,349.87

(3) Cash Generated from Other Investing Activities

Item	Reporting Period	Same period of last year
Performance bond	97,150.00	
Total	97,150.00	

(4) Cash Used in Other Investing Activities

Item	Reporting Period	Same period of last year
Product margin	930,300.00	
Total	930,300.00	

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49. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	27,867,794.73	19,166,650.04
Add: Provision for impairment of assets	22,322,826.29	5,278,707.17
Depreciation of fixed assets, of oil and gas assets, of productive living assets	39,921,116.37	45,097,580.24
Depreciation of right-of-use assets		
Amortization of intangible assets	2,325,255.12	2,667,349.89
Amortization of long-term deferred expenses	19,902.30	19,902.30
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by "-")	-10,977.61	-988,535.95
Losses on the scrapping of fixed assets (gains by "-")	1,725.58	
Losses on the changes in fair value (gains by "-")		
Financial expenses (gains by "-")	3,702,027.93	-1,780,811.62
Investment losses (gains by "-")	-5,384,597.04	-5,275.78
Decrease in deferred income tax assets (increase by "-")	-956,111.39	301.48
Increase in deferred income tax liabilities (decrease by "-")	-88,840.55	
Decrease in inventory (increase by "-")	28,810,293.38	77,790,426.75
Decrease in accounts receivable from operating activities (increase by "-")	-219,167,832.28	-399,676,635.32
Increase in payables from operating activities (decrease by "-")	93,944,576.05	102,084,867.92
Other	-13,661,888.13	-2,976,019.99
Net cash flows generated from operating activities	-20,354,729.25	-153,321,492.87
2. Investing and financing activities that do not involving cash receipts and payment:	--	--
Debt transferred as capital		
Convertible corporate bond due within one year		

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Fixed assets from financing lease		
3. Net increase in cash and cash equivalents	--	--
Ending balance of cash	493,637,357.80	495,700,572.93
Less: Beginning balance of cash	545,959,998.20	691,266,373.34
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-52,322,640.40	-195,565,800.41

(2) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	493,637,357.80	545,959,998.20
Including: Cash on hand	348,885.71	181,115.21
Bank deposit on demand	489,583,551.02	545,271,159.5
Other monetary assets on demand	3,704,921.07	507,723.49
Accounts deposited in the central bank available for payment		
Deposits in other banks		
Accounts of interbank		
II. Cash equivalents		
Of which: Bond investment expired within three months		
III. Ending balance of cash and cash equivalents	493,637,357.80	545,959,998.20
Of which: Cash and cash equivalents with restriction in use for the Company as the parent or subsidiaries of the Group		

50. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary assets	106,637,411.65	As cash deposit for bank acceptance bill and environment
Houses and buildings	9,933,008.28	Mortgaged for borrowings from banks
Land use right	989,620.82	Mortgaged for borrowings from banks
Machinery equipment	38,139,602.80	Mortgaged for borrowings from banks
Total	155,699,643.55	--

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51. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary assets	--	--	88,036,406.31
Of which: USD	12,318,549.63	7.0795	87,209,172.11
EUR			
HKD	285,400.46	0.9134	260,684.78
SGD	54,427.95	5.0813	276,564.74
JPY	4,407,062.00	0.0658	289,984.68
Accounts receivable	--	--	56,189,918.16
Of which: USD	7,936,989.64	7.0795	56,189,918.16
Accounts payable			2,142.26
Of which: USD	302.60	7.0795	2,142.26

(2) Notes to Overseas Entities Including: for Significant Oversea Entities, Main Operating Place, Recording Currency and Selection Basis Shall Be Disclosed; if there Are Changes in Recording Currency, Relevant Reasons Shall Be Disclosed.

□ Applicable √ Not applicable

52. Government Grants

(1) Basic Information on Government Grants

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Subsidy for stabilizing posts	1,462,592.43	Other income	1,462,592.43
Patent rewards	100,000.00	Other income	100,000.00
The first-year fund for district-level demonstration base for training high-level skilled personnel in 2019	20,000.00	Other income	20,000.00
High-skilled personnel training award	15,000.00	Other income	15,000.00

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Tax award	50,000.00	Other income	50,000.00
Individual income tax commission	8,587.83	Other income	8,587.83
Special fund for business development	10,600.00	Other income	10,600.00
Innovation-driven rewards	6,000.00	Other income	6,000.00
Funds of development of international market project	14,200.00	Other income	14,200.00
Subsidy fund of New District Finance Bureau award	7,882.00	Other income	7,882.00
Provincial-level special fund for industrial and information industry transformation and upgrading	150,000.00	Other income	150,000.00
Special award and subsidy funds used to stabilize employment	230,169.00	Other income	230,169.00
Relocation compensation	332,986.81	Other income	332,986.81
R & D and industrialization of off-road diesel engine controlled by electricity	199,200.00	Other income	199,200.00
Talent special fund	50,000.00	Other income	50,000.00
Additional deduction of input tax	20,746.75	Other income	20,746.75
Appropriation of off-road diesel engine controlled by electricity	49,200.00	Deferred income	
National major special appropriation	28,770,000.00	Deferred income	
Relocation compensation	19,512,724.41	Deferred income	
Appropriation or research and development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use	10,000,000.00	Deferred income	

Return of Government Grants

□ Applicable √ Not applicable

VIII. Changes of Consolidation Scope

None

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IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

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

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
Changchai Wanzhou Diesel Engine Co., Ltd.	40.00%	187,651.15		19,801,599.87

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Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	5.00%	-10,167.48		12,164.81

Holding proportion of non-controlling interests in subsidiary different from voting proportion: Not applicable

(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Changchai Wanzhou Diesel Engine Co., Ltd.	50,396,468.90	25,368,758.87	75,765,227.77	26,261,228.09		26,261,228.09	43,807,991.71	25,821,314.00	69,629,305.71	20,594,433.90		20,594,433.90
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	28,971,588.41	464,382.91	29,435,971.32	29,192,675.01		29,192,675.01	28,573,892.12	514,669.94	29,088,562.06	28,641,916.23		28,641,916.23

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Unit: RMB

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Changchai Wanzhou Diesel Engine Co., Ltd.	24,477,850.44	469,127.87	469,127.87	1,744,069.06	23,600,857.49	257,014.16	257,014.16	-862,600.33
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	9,272,539.79	-203,349.52	-203,349.52	-784,927.87	6,815,423.91	-570,014.57	-570,014.57	-1,101,489.23

2. Equity in the Structured Entity Excluded in the Scope of Consolidated Financial Statements

Notes to the structured entity excluded in the scope of consolidated financial statements:
In 2017, the Company set up Changzhou Xietong Private Equity Fund (Limited Partnership) together with Synergetic Innovation Fund Management Co., Ltd. through joint investment. On 18 October 2018, new partners were added. In line with the revised Partnership Agreement, the general partner is Synergetic Innovation Fund Management Co., Ltd., and the limited partners are Changchai Company, Limited, Changzhou Zhongyou Petroleum Sales Co., Ltd., Changzhou Fuel Co., Ltd., Tong Yinzhu and Tong Yinxin. In accordance with the *Partnership Agreement*, the limited partner does not execute the partnership affairs. Thus, the Company does not control Changzhou Xietong Private Equity Fund (Limited Partnership) and did not include it into the scope of consolidated financial statements.

X. The Risk Related to Financial Instruments

The goal of the Company's risk management was gaining the balance between the risk and income, and

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

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

(I) Credit Risk

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

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

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

(II) Liquidity Risk

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

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

(III) Market Risk

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

1. Interest Rate Risk

Interest rate risk is refers to fluctuation risk of the fair value or future cash flow of financial instrument change due to the change of market price.

2. Foreign Exchange Risk

Foreign exchange rate risk is referred to the risk incurred form the change of exchange rate. As for the Company's export business, customers will be given a certain credit term, if the RMB appreciates against the dollar, the company's accounts receivable will incur foreign currency exchange loss.

XI. The Disclosure of Fair Value

1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

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Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(I) Financial assets at fair value through profit or loss	362,160,000.00		192,552,101.63	554,712,101.63
1. Trading financial assets			92,552,101.63	92,552,101.63
(1) Debt instrument investment			14,600,000.00	14,600,000.00
(2) Equity instrument investment			77,952,101.63	77,952,101.63
(3) Derivative financial assets				
2. Financial assets designated to be measured at fair value and the changes included into the current profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(II) Other bond investment				
(III)Other equity instrument investment	362,160,000.00		100,000,000.00	462,160,000.00
(2) Equity instrument investment				
(IV) Investment property				
1. Land use right for lease				
2. Buildings leased out				
3. Land use right held and planned to be transferred once appreciating				
(V) Living assets				
1. Consumptive living assets				
2. Productive living assets				
Total assets consistently measured by fair value	362,160,000.00		192,552,101.63	554,712,101.63
(VI) Trading financial liabilities				

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Of which: Issued trading bonds				
Derivative financial liabilities				
Other				
(VII) Financial liabilities designated to be measured at fair value and the changes recorded into the current profit or loss				
Total liabilities consistently measured by fair value				
II. Inconsistent fair value measurement	--	--	--	--
(1) Assets held for sale				
Total assets inconsistently measured by fair value				
Total liabilities inconsistently measured by fair value				

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

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

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

(1) In terms of trading financial assets held by the Company, as the underlying assets through financial products investment include cash, bond repurchase, bank deposit, interbank loan, national bank and central bank bill, etc., the assets portfolio invested were executed dynamic management, while the fair value of financial products is difficult to measure, so the fair value shall be recognized by adopting cost amount.

(2) In terms of non-trading financial assets, with regard to the equity instrument investment without active market transactions, including the capital investment to Jiangsu Housheng New Energy Technology Co., Ltd., Jiangsu Liance Electromechanical Technology Co., Ltd. and Kailong High Technology Co., Ltd., and no significant impact due to the low equity of the invested companies held by the Company, so the appraisement to the invested companies by income or market approach was unfeasible. Therefore, the investment cost shall be treated as reasonable estimation of fair value to measure at the period-end.

In terms of shares of NEEQ unlisted public companies held by the Company, as for the equity instrument investment with inactive market transactions, due to the market value of shares cannot be reflected by the

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market transaction price with the low volume of holding, so the appraisement to the invested companies by income or market approach was unfeasible. Therefore, the investment cost shall be treated as reasonable estimation of fair value to measure at the period-end.

(3) In terms of other equity instrument investment, there was no significant changes in business environment and circumstance and financial condition of Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership), and thus the investment cost shall be treated as reasonable estimation of fair value to measure at the period-end. As for other equity instrument, the investment in Chengdu Changwan Diesel Engine Distribution Co., Ltd., Chongqing Changwan Diesel Engine Accessories Co., Ltd., Changzhou Economic and Technological Development Co., Ltd., Changzhou Tractor Co., Ltd., Changzhou Economic and Industrial Fund Mutual-aid Association, Beijing Engineering Machinery Agricultural Machinery Co., Ltd. totals RMB1,210,000.00, and because the investment is difficult to recover, the fair value is RMB0.00.

XII. Related Party and Related-party Transactions

1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company	Proportion of voting rights owned by the Company as the parent against the Company
Changzhou Investment Group Co., Ltd.	Changzhou	Investment and operations of state-owned assets, assets management (excluding financial business), investment consulting (excluding consulting on investment in securities and options), etc.	RMB1.2 billion	30.43%	30.43%

Notes: Information on the Company as the parent

On 22 November 2018, Changzhou Government State-owned Assets Supervision and Administration Commission transferred all 170,845,236 shares of the Company (accounting for 30.43% of the total share

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capital of the Company) to Changzhou Investment Group Co., Ltd. for free. In accordance with Changzhou People's Government Document (CZF [2006] No. 62), both the Company and Changzhou Investment Group Co., Ltd. are enterprises which Changzhou People's Government authorizes Changzhou Government State-owned Assets Supervision and Administration Commission to perform duties of investors. Thus, after the sharer transfer, Changzhou Investment Group Co., Ltd. is the controlling shareholder of the Company and Changzhou Government State-owned Assets Supervision and Administration Commission is still the actual controller of the Company. The final controller of the Company is Changzhou Government State-owned Assets Supervision and Administration Commission.

2. Subsidiaries of the Company

Refer to Note IX for details.

3. Information on Other Related Parties

Name	Relationship with the Company
Synergetic Innovation Fund Management Co., Ltd.	The director of the Company serves as the senior management of the company
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	Participated in establishing the industrial investment fund
Jiangsu Housheng New Energy Technology Co., Ltd.	Shareholding enterprise of the Company
Donghai Securities Co., Ltd.	Controlled by the same Company as the parent

4. Related-party Transactions

(1) Other Related-party Transaction

On 28 June 2020, the 3rd Meeting of the 9th Board of Directors approved the Proposal on Signature of Joint Sponsorship Underwriting Agreement of the Private Placement of A shares and Related-party Transaction, which allowed the Company signing the joint sponsorship underwriting agreement with Industrial Securities Co., Ltd. (hereinafter referred to as "Industrial Securities") and Donghai Securities Co., Ltd. (hereinafter referred to as "Donghai Securities"), and appointing Industrial Securities and Donghai Securities as the co-sponsor underwriters for the private placement of A shares of the Company with sponsor fee of RMB3 million to Industrial Securities and Donghai Securities and the underwriting fee of no more than RMB11 million (inclusive of RMB11 million).

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XIII. Commitments and Contingency

1. Significant Commitments

Significant commitments on balance sheet date

As of 30 June 2020, there was no significant commitment for the Company to disclose.

2. Contingency

(1) Significant Contingency on Balance Sheet Date

Previous litigations continuing to the Reporting Period the Company involved:

Name of defendant	Date of accepted	Name of the litigation or arbitration institutions	Amount involved (RMB'0,000)	Remark
Shandong Hongli Group Co., Ltd.	27 June 2001	Changzhou Intermediate People's Court	1,436.00	Under the bankruptcy and liquidation

Notes:

About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April 2002. Currently, the defendant has started the bankruptcy procedure. The aforesaid payment has arranged for the full provision for bad debts.

XIV. Events after Balance Sheet Date

1. Profit Distribution

Unit: RMB

Profits or dividends to be distributed	0

2. Notes to Other Events after Balance Sheet Date

As of the approval issue date of financial statements, there was no significant event after balance sheet date that shall be disclosed.

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XV. Other Significant Events

1. Correction of Previous Accounting Error

(1) Retrospective Restatement

Unit: RMB

Content	Processing procedure	Affected financial statement line items of the comparative periods	Cumulative effects
Changzhou Xingsheng Property Management Co., Ltd. that was not included in the scope of consolidated statements before has been conducted accounting treatment according to the provisions of the accounting standards during the Reporting Period.	The 4th Meeting of the 9th Board of Directors held on 29 July 2020 reviewed and approved the Proposal on Accounting Errors Correction in Previous Period.	Consolidated Balance Sheet in 2019-Mnetary assets	1,375,254.03
		Consolidated Balance Sheet in 2019-Trading financial assets	3,050,000.00
		Consolidated Balance Sheet in 2019-Accounts receivable	6,391.36
		Consolidated Balance Sheet in 2019-Prepayment	38,200.00
		Consolidated Balance Sheet in 2019-Other receivables	-893,682.24
		Consolidated Balance Sheet in 2019-Inventories	7,158.32
		Consolidated Balance Sheet in 2019-Other current assets	67,355.14
		Consolidated Balance Sheet in 2019-Total of current assets	4,632,342.79
		Consolidated Balance Sheet in 2019-Fixed assets	140,153.19
		Consolidated Balance Sheet in 2019-Long-term prepaid expenses	53,497.80
		Consolidated Balance Sheet in 2019-Deferred income tax assets	6.52
		Consolidated Balance Sheet in 2019-Total of non-current assets	193,657.51
		Consolidated Balance Sheet in 2019- Total assets	4,826,000.30
		Consolidated Balance Sheet in 2019-Accounts payable	14,760.00
		Consolidated Balance Sheet in 2019-Advances from customers	952,386.57
		Consolidated Balance Sheet in 2019-Other payables	1,224,017.91
		Consolidated Balance Sheet in 2019-Total of current liabilities	2,191,164.48

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Consolidated Balance Sheet in 2019-Total liabilities	2,191,164.48
Consolidated Balance Sheet in 2019-Surplus reserves	163,483.58
Consolidated Balance Sheet in 2019- Retained earnings	1,471,352.24
Consolidated Balance Sheet in 2019- Total equity attributable to owners of the Company as the parent	2,634,835.82
Consolidated Balance Sheet in 2019- Total owners' equity	2,634,835.82
Consolidated Balance Sheet in 2019- Total liabilities and owners' equity	4,826,000.30
Consolidated Income Statement in 2019- Revenue	5,687,083.80
Consolidated Income Statement in 2019- Operating revenue	5,687,083.80
Consolidated Income Statement in 2019-Operating costs	5,726,254.73
Consolidated Income Statement in 2019- Cost of sales	4,884,089.75
Consolidated Income Statement in 2019- Taxes and surtaxes	21,043.17
Consolidated Income Statement in 2019-Administrative expense	832,824.01
Consolidated Income Statement in 2019- Finance costs	-11,702.20
Consolidated Income Statement in 2019-Interest income	13,193.10
Consolidated Income Statement in 2019- Other income	12,063.29
Consolidated Income Statement in 2019- Investment income	58,549.24
Consolidated Income Statement in 2019-Credit impairment loss	7,317.61
Consolidated Income Statement in 2019-Operating profit	38,759.21
Consolidated Income Statement in 2019-Non-operating income	16,006.10

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		Consolidated Income Statement in 2019-Non-operating expense	12,597.35
		Consolidated Income Statement in 2019- Profit before taxation	42,167.96
		Consolidated Income Statement in 2019- Income tax	10,227.22
		Consolidated Income Statement in 2019-Net profit	31,940.74
		Consolidated Income Statement in 2019- Net profit from continuing operations	31,940.74
		Consolidated Income Statement in 2019- Net profit attributable to owners of the Company as the parent	31,940.74
		Consolidated Income Statement in 2019-Total comprehensive income	31,940.74
		Consolidated Income Statement in 2019-Attributable to owners of the Company as the parent	31,940.74
		Consolidated Income Statement in 2019-Earnings per share	0.00005
		Consolidated Income Statement in 2019- Diluted earnings per share	0.00005
		Consolidated Cash Flow Statement in 2019-Proceeds from sale of commodities and rendering of services	6,150,306.39
		Consolidated Cash Flow Statement in 2019- Cash generated from other operating activities	110,627.50
		Consolidated Cash Flow Statement in 2019-Subtotal of cash used in operating activities	6,260,933.89
		Consolidated Cash Flow Statement in 2019-Payments for commodities and services	4,051,587.11
		Consolidated Cash Flow Statement in 2019- Cash paid to and for employees	1,415,158.29
		Consolidated Cash Flow Statement in 2019- Taxes paid	223,381.96
		Consolidated Cash Flow Statement in 2019- Cash used in other operating activities	353,138.57
		Consolidated Cash Flow Statement in 2019- Subtotal of cash used in operating activities	6,043,265.93
		Consolidated Cash Flow Statement in 2019- Net	217,667.96

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		cash generated from/used in operating activities	
		Consolidated Cash Flow Statement in 2019-Proceeds from disinvestments	3,900,000.00
		Consolidated Cash Flow Statement in 2019-Investment income	58,549.24
		Consolidated Cash Flow Statement in 2019- Subtotal of cash generated from investing activities	3,958,549.24
		Consolidated Cash Flow Statement in 2019-Payments for acquisition of fixed assets, intangible assets and other long-lived assets	37,696.92
		Consolidated Cash Flow Statement in 2019-Payments for investments	6,950,000.00
		Consolidated Cash Flow Statement in 2019- Subtotal of cash used in investing activities	6,987,696.92
		Consolidated Cash Flow Statement in 2019- Net cash generated from/used in investing activities	-3,029,147.68
		Consolidated Cash Flow Statement in 2019- Cash and cash equivalents, end of the period	-2,811,479.72

2. Segment Information

(1) Determination Basis and Accounting Policies of Reportable Segment

Due to the operation scope of the Company and subsidiaries were similar, the Company conducts common management, and did not divide business unit, so the Company only made single branch report.

3. Other Significant Transactions and Events with Influence on Investors' Decision-making

None

XVI. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Accounts Receivable

(1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance	Beginning balance

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	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable for which bad debt provision separately accrued	35,354,686.26	4.37%	33,459,099.43	94.64%	1,895,586.83	37,510,056.90	6.66%	33,788,291.86	90.08%	3,721,765.04
Of which:										
Accounts receivable with significant single amount for which bad debt provision separately accrued	30,515,544.63	3.77%	28,619,957.80	93.79%	1,895,586.83	32,618,199.97	5.79%	28,896,434.93	88.59%	3,721,765.04
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	4,839,141.63	0.60%	4,839,141.63	100.00%		4,891,856.93	0.87%	4,891,856.93	100.00%	
Accounts receivable for which bad debt provision accrued by group	773,193,382.27	95.63%	130,445,851.87	16.87%	642,747,530.40	525,874,423.56	93.34%	192,148,650.56	36.54%	333,725,773.00
Of which:										

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Accounts receivable for which bad debt provision accrued by credit risk features group	773,193,382.27	95.63%	130,445,851.87	16.87%	642,747,530.40	525,874,423.56	93.34%	192,148,650.56	36.54%	333,725,773.00
Total	808,548,068.53	100.00%	163,904,951.30	20.27%	644,643,117.23	563,384,480.46	100.00%	225,936,942.42	40.10%	337,447,538.04

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

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer 1	1,470,110.64	1,470,110.64	100.00%	Expected to difficultly recover
Customer 2	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 3	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 4	2,254,860.60	2,175,814.38	96.49%	Expected to difficultly recover
Customer 5	3,633,081.23	1,816,540.62	50.00%	Expected to difficultly recover
Customer 6	3,279,100.00	3,279,100.00	100.00%	Expected to difficultly recover
Customer 7	2,068,377.01	2,068,377.01	100.00%	Expected to difficultly recover
Customer 8	5,359,381.00	5,359,381.00	100.00%	Difficult to recover
Customer 9	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 10	1,747,839.10	1,747,839.10	100.00%	Difficult to recover
Total	30,515,544.63	28,619,957.80	--	--

Accounts receivable for which bad debt provision accrued by credit risk features group

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion

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Within 1 year	642,166,048.04	12,843,320.94	2.00%
1 to 2 years	8,755,103.78	437,755.18	5.00%
2 to 3 years	4,792,557.78	718,883.67	15.00%
3 to 4 years	1,052,669.09	315,800.73	30.00%
4 to 5 years	742,280.57	445,368.34	60.00%
Over 5 years	115,684,723.01	115,684,723.01	100.00%
Total	773,193,382.27	130,445,851.87	-

Notes to the basis for the determination of the groups:

The accounts receivable was adopted the aging analysis based on the months when the accounts occurred actually, among which the accounts occurred earlier will be priority to be settled in terms of the capital turnover. Explanation of the input value and assumption adopted to determine the withdrawal amount of bad debt provision on the Current Period: With reference to the experience of the historical credit loss, combining with the prediction of the present status and future financial situation, the comparison table was prepared between the aging of the accounts receivable and estimated credit loss rate in the duration and to calculate the estimated credit loss.

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	642,166,048.04
1 to 2 years	9,856,103.13
2 to 3 years	7,977,007.54
Over 3 years	148,548,909.82
3 to 4 years	4,450,019.60
4 to 5 years	2,341,866.64
Over 5 years	141,757,023.58
Total	808,548,068.53

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

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	

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Bad debt provision withdrawn separately	33,788,291.86	65,231.52	272,117.93			33,581,405.45
Bad debt provision withdrawn by group	192,148,650.56	6,319,796.20		68,144,900.92		130,323,545.84
Total	225,936,942.42	6,385,027.72	272,117.93	68,144,900.92		163,904,951.29

Of which bad debt provision reversed or recovered with significant amount in the Reporting Period: No.

(3) There Was No Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
Actual verification of accounts receivable	68,144,900.92

Of which the verification of significant accounts receivable:

Unit: RMB

Name of the entity	Nature	Amount verified	Reason	Performance of verification procedures	Whether generated from related-party transaction
Wuwei Golden Frog Vehicle Manufacturing Co., Ltd.	Bad debt loss	10,000,000.00	The aging of canceled receivables shall exceed 5 years and result from fruitless collection, and if any single client's large amount is involved without any business transaction	The 3rd Meeting of the 9th Board of Directors and the 3rd Meeting of the 9th Supervisory Committee held on 26 June 2020 reviewed	No
Xuzhou Zhengda Agricultural Machinery Co., Ltd.		7,583,232.65			
Shandong Agricultural Machinery Group Heze Area Agricultural Machinery Co., Ltd.		4,581,880.41			
Sichuan Tiantai Electromechanical Agricultural Machinery Co., Ltd.		3,600,000.00			

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Puyang Shifeng Agricultural Machinery Co., Ltd.	2,752,840.00	with the Company for over ten years, the client's qualification for business operation shall be canceled or the insolvency liquidation is finished without any production and operation activities.	and approved the Proposal on Verification of Partial Accounts Receivable.		
Jining Hydraulic Drilling Plant	2,450,966.67				
Zhanjiang Agricultural Machinery Co., Ltd.	2,180,243.72				
Kaifeng Tractor Factory	1,976,282.47				
Linyi Agricultural Machinery Group Corporation	1,860,830.82				
Henan Zhongjian Industrial Co., Ltd.	1,758,686.48				
Shanxi Jiaocheng Xinyuan Iron Factory	1,662,052.98				
Ganyu Agricultural Machinery Co., Ltd.	1,285,160.60				
Nanning Changshunrong Agricultural Machinery Co., Ltd.	1,236,225.30				
Longma Agricultural Vehicle Co., Ltd.	1,235,170.95				
Xinjiang Korla Feihong Agricultural Machinery Co., Ltd.	1,200,000.00				
Gaotang Raoyang County Agricultural Machinery City	1,149,217.70				
Haining Bus General Factory	848,158.92				
Yunnan Nanping Agricultural Machinery Management	841,642.86				
Tongshan Dongfang Agricultural Machinery Sales Department	830,000.00				

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Juning Huaihai Agricultural Machinery Trading Co., Ltd.		800,000.00			
Jiangxi Lida Agricultural Machinery Sales Co., Ltd.		797,786.72			
Shenyang Fusang Agricultural Machinery Co., Ltd.		796,226.73			
Anhui Woyang Agricultural Machinery Co., Ltd.		760,197.20			
Tai 'an Guotai Tractor Factory		728,666.36			
Lijin Yongxing Agricultural Machinery Sales Co., Ltd.		677,250.00			
Hefei Xinfa Materials Co., Ltd.		551,305.36			
Changqing County Agricultural Machinery Company		549,800.00			
Henan Boai Agricultural Machinery Co., Ltd.		537,698.10			
Shandong Shuangli Group Co., Ltd.		12,343,782.28			
Shandong Dongchang Group Labor Service Co., Ltd.		520,892.51			
Total	--	68,096,197.79	--	--	--

(4) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision

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Customer 1	376,475,098.82	46.56%	7,529,501.98
Customer 2	54,293,467.67	6.71%	1,085,869.35
Customer 3	32,287,845.17	3.99%	763,817.03
Customer 4	21,395,243.36	2.65%	427,904.87
Customer 5	18,593,170.87	2.30%	371,863.42
Total	503,044,825.89	62.22%	

At the end of the period, the sum of the top five accounts receivable collected according to the arrears amounted to RMB 503,044,825.89, accounting for 62.22% of the total balance at the end of the period. The corresponding ending balance of bad debt provision is RMB10,178,956.65.

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	22,243,041.97	22,741,542.22
Total	22,243,041.97	22,741,542.22

(1) Other Receivable

1) Other Receivables Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Cash deposit and Margin	4,200.00	4,200.00
Intercourse funds among units	38,118,999.36	37,618,642.29
Petty cash and borrowings by employees	671,871.57	624,083.07
Other	13,654,433.26	15,373,206.41
Total	52,449,504.19	53,620,131.77

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total

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	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2020	30,878,589.55			30,878,589.55
Balance of 1 January 2020 in the Current Period	——	——	——	——
--Transfer to Second stage				
-- Transfer to Third stage				
-- Reverse to Second stage				
-- Reverse to First stage				
Withdrawal of the Current Period	25,814.56			25,814.56
Reversal of the Current Period	697,941.89			697,941.89
Write-offs of the Current Period				
Verification of the Current Period				
Other changes				
Balance of 30 June 2020	30,206,462.22			30,206,462.22

Changes of carrying amount with significant amount changed of loss provision in the Current Period

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	19,721,955.40
1 to 2 years	1,720,886.24

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2 to 3 years	592,647.80
Over 3 years	30,414,014.75
3 to 4 years	1,007,667.17
4 to 5 years	178,915.24
Over 5 years	29,227,432.34
Total	52,449,504.19

3) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

Information of bad debt provision withdrawn:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision withdrawn separately	5,042,448.58	25,814.56				5,068,263.14
Bad debt provision withdrawn by group	25,836,140.97		697,941.89			25,138,199.08
Total	30,878,589.55	25,814.56	697,941.89			30,206,462.22

4) Particulars of the Actual Verification of Other Receivables during the Reporting Period: No.

5) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other receivables	Ending balance of bad debt provision
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	Intercourse funds	10,000,000.00	Within 1 year	19.07%	200,000.00

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Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	Intercourse funds	9,415,165.78	Within 1 year with RMB8,125,173.79, 1 to 2 years with RMB1,206,967.28, 2 to 3 years with RMB83,024.71.	17.95%	235,305.55
Changzhou Compressors Factory	Intercourse funds	2,940,000.00	Over 5 years	5.61%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	5.44%	2,853,188.02
Changzhou New District Accounting Centre	Intercourse funds	1,626,483.25	Over 5 years	3.10%	1,626,483.25
Total	--	26,834,837.05	--	51.16%	7,854,976.82

3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Investment to subsidiaries	287,752,730.03		287,752,730.03	252,752,730.03		252,752,730.03
Investment to joint ventures and associated enterprises	44,182.50	44,182.50		44,182.50	44,182.50	
Total	287,796,912.53	44,182.50	287,752,730.03	252,796,912.53	44,182.50	252,752,730.03

(1) Investment to Subsidiaries

Unit: RMB

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Investee	Beginning balance (carrying value)	Increase/decrease				Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Withdrawal of depreciation reserve	Other		
Changchai Wanzhou Diesel Engine Co., Ltd.	51,000,000.00					51,000,000.00	
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	96,466,500.00					96,466,500.00	
Changzhou Housheng Investment Co., Ltd.	40,000,000.00					40,000,000.00	
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	7,000,000.00					7,000,000.00	
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	47,286,230.03					47,286,230.03	
Jiangsu Changchai Machinery Co., Ltd.	10,000,000.00	35，000,000.00				45,000,000.00	

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Changzhou Xingsheng Property Management Co., Ltd.	1,000,000.00					1,000,000.00	
Total	252,752,730.03	35,000,000.00				287,752,730.03	0.00

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
II. Associated enterprises											
Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd.	0.00									0.00	44,182.50
Subtotal	0.00									0.00	44,182.50

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Total	0.00									0.00	44,182.50

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,066,808,215.93	914,519,611.82	1,016,544,011.76	895,758,979.30
Other operations	14,661,587.19	8,902,410.95	16,785,163.82	11,527,336.19
Total	1,081,469,803.12	923,422,022.77	1,033,329,175.58	907,286,315.49

Information related to performance obligations: performing according to the contract offer

Information related to transaction value assigned to residual performance obligations:

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB0 at the period-end.

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Dividend income from holding of other equity instrument investment	4,865,000.00	
Investment income from holding of available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		
Income from transferring to accommodation business	118,988.73	
Total	4,983,988.73	

XVII. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Note

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Gain or loss on disposal of non-current assets	9,252.03	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	2,657,218.07	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses	257,714.14	
Gain/loss from change of fair value of trading financial assets and liabilities, and derivative financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities, and derivative financial assets and liabilities, and investment in other debt obligations, other than valid hedging related to the Company's common businesses	5,384,597.04	
Other non-operating income and expenses other than the above	95,387.43	
Less: Income tax effects	1,205,579.18	
Non-controlling interests effects	180,418.43	
Total	7,018,171.10	--

Explain the reasons if the Company classifies an item as an non-recurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item.

□ Applicable √ Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	1.32	0.0493	0.0493
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	0.99	0.0368	0.0368

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Changchai Company, Limited

29 July 2020

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