

Chongqing Jianshe Vehicle System Co.,Ltd.

(second-class)

Auditors' Report

Z.X.C.G.H.S.K.Zi [2021]No.302053

Zhongxingcai Guanghua Certified Public

Accountants LLP

(Special General Partnership)



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Auditors' Report

Z.X.C.G.H.S.K.Zi [2021]No.302053

To all Shareholders of Chongqing Jianshe Vehicle System Co., Ltd.:

I. Audit opinion

We have audited the accompanying financial statements of Chongqing Jianshe Vehicle System Co., Ltd. (hereinafter referred to as "Chongqing Jianshe"), which comprises the consolidated balance sheet and the company's balance sheet as on December 31, 2020, the consolidated Income Statement and the Company's Income Statement, the consolidated statement of cash flows and the Company's statement of cash flows, the consolidated statement of changes in owners' equity and the company's statement of changes in owners' equity for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements of Chongqing Jianshe present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2020, and the company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. In accordance with professional ethics for certified public accountants, we are independent with Chongqing Jianshe and we have fulfilled our other ethical responsibilities. 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 matters that we consider to be the most important in the audit of the current financial statements based on our professional judgement. These matters should be addressed against the background of an audit of the financial statements as a whole and the formation of an audit opinion, and we do not express an opinion on these matters separately. We have identified the following as key audit matters that need to be communicated in the audit report.

1. Key Audit Matters: Income Confirmation

(1) Item Description

Please refer to Note 2.32 of Annotation 2、Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 4.31 of Annotation 4、Operating Income and Operating Costs for related information disclosed.

The operating income of Chongqing Jianshe in 2020 was 741 million Yuan, fell by 6.40%, compared with one year earlier was 791 million Yuan, which is an important component of the consolidated income statement. Among them, the sales revenue of Chongqing Jianshe Automobile A/C accounts for 96.98% of the operating income in 2020 and decreased slightly compared with 98.70% of the operating income in 2019, which is divided into three categories according to customer groups:

Big customer. The mode of cooperation is mainly according to the customer's production needs; the company will ship the goods to the designated or cooperative tripartite logistics company, which is responsible for the warehousing and distribution services. Each month, the customer would issue a hang account notice according to the actual consumption of the production plan, sales clerk issued a letter of notice for invoices according to the customer's bill hang notice combined with customer consumption, contract unit price and hang account notice, etc., The finance department shall issue invoices to confirm the sales income.

Customers - Delivery after payment. Sales personnel confirm upon receipt of payment by the customer, in accordance with customer requirements and related information of bill, the contract of sale price and customer demand quantity shipment, and issue a letter of notice, then the finance department completes the transaction.

Customers - After-sales market. Sales personnel deliver the goods to the customer according to the contract and customer demand. After arrival time node of the contract, sales personnel issues a letter of notice according to the contract unit price and shipment quantity, and the finance department issues invoices to confirm the sales revenue.

Operating income is one of the key performance indicators of Chongqing Jianshe. The revenue recognition type is various and complicated. Therefore, we identified the operating income to key audit matters for the company.

(2) Countermeasures of Audit

Our main countermeasures of audit for the income of the above key audit are as follows:

- 1) We selected big sales contracts, reviewing the relevant terms of the contract, and interviewed the management; in the meantime, we analyzed the contract by using "five-step" of new revenue standard, judged the composition of performance obligations and the time point of control transfer, and then evaluated whether the sales revenue recognition policy meet the requirements of the new revenue criteria
- 2) We conducted interviews with management and governance to assess the risk of integrity and fraud.
- 3) We understudied and tested the internal controls associated with income, and determined it's reliable.
- 4) Perform analytical procedures on revenue and cost, including: the analysis of monthly income, cost and fluctuation of gross profit in current period, comparison analysis of the main product's current income, cost and gross profit with previous period, to judge the rationality of sales revenue and gross profit rate changes.
- 5) Execution of detail test, we have sampled the inventory receipt and sending records, sales contracts, sales orders, sales invoices, shipping documents, bills of current account and receipt document and other supporting documents, checked receipt records, done external confirmation for final accounts receivable, and confirmed the authenticity of sales revenue.

6) For confirmed sales revenue of products as balance sheet date, we have checked the delivered note of inventories, transport document, receiving reports of customer and other documents, and audit integrity of sales revenue and so on.

7) We checked the information of operating income presented in the financial statements and notes.

2 . Key Audit Matters: Acquisition of 50% equity of Chongqing Pingshan TK Carburetor Co., Ltd.

(1) Item Description

Details of the disclosure of the relevant information can be found in the annotation 2、Important Accounting Policies and Accounting Estimation of the Financial Statement the financial statements, "4, consolidated financial statement items" 4.8-Long-term Equity Investment.

Chongqing Pingshan TK Carburetor Co., Ltd. was a joint venture of Chongqing Jianshe, holding 50% of the shares. On April 24, 2020, Chongqing Jianshe planned to acquire 50% of the equity held by the foreign shareholders. After the acquisition, Chongqing Jianshe holds 100% of the equity of Chongqing Pingshan TK Carburetor Co., Ltd. and realized the control, which becomes a wholly-owned subsidiary of Chongqing Jianshe, and included it in the scope of consolidated statements. The method of long-term equity investment in Chongqing Pingshan TK Carburetor Co., Ltd. is changed to cost method instead of equity method.

On April 24, 2020, the 22nd Meeting of the 8th board of directors of Chongqing Jianshe approved the acquisition of 50% equity of Chongqing Pingshan TK Carburetor Co., Ltd. It was proposed to sign the equity transfer contract with Yamaha Motor Co., Ltd., Aisan Industry Co., Ltd. and TK Carburetor Co., Ltd. to purchase 20%, 25% and 5% equity of Chongqing Pingshan TK Carburetor Co., Ltd. with 1 US dollar respectively.

On May 22, 2020, Chongqing Jianshe's 2019 annual general meeting of shareholders approved the proposal to acquire 50% equity of Chongqing Pingshan TK Carburetor Co., Ltd.

On June 5, 2020, Chongqing Jianshe signed the "equity transfer contract" with Yamaha Motor Co., Ltd., Aisan Industry Co., Ltd. and TK Carburetor Co., Ltd. to purchase 20%, 25% and 5% equity of Chongqing Pingshan TK Carburetor Co., Ltd. On the same day, the 51st board of directors of Chongqing Pingshan TK Carburetor Co., Ltd. agreed that Yamaha Motor Co., Ltd., Aisan Industry Co., Ltd. and TK Carburetor Co., Ltd. respectively transferred their shares to Chongqing Jianshe Automobile System Co., Ltd. According to the conditions of the equity transfer contract, the contract has come into effect on June 5, 2020 on the date of signing by all parties and the date of approval of the board of directors of Chongqing Pingshan TK Carburetor Co., Ltd.

On August 13, 2020, after being examined by Chongqing Banan district market supervision and Administration Bureau, Pingshan TK was approved to register the change of shareholders, legal representative, enterprise type, business term and business scope, and issued the notice of approval of change of registration (Banan municipal supervision) Registration No. 122452 [2020] No.), and renewed the business license.

On September 8, 2020, Chongqing Jianshe paid the equity transfer price of 1 US dollar to Yamaha Motor Co., Ltd., Aisan Industry Co., Ltd. and TK Carburetor Co., Ltd. respectively by international remittance. So far, the acquisition of 50% equity of Pingshan TK has been completed.

The acquisition of 50% equity of Pingshan TK is regarded as a business combination not under the same control, which involves the determination of the enterprise control right, the judgment of the merger purchase date, the determination of the fair value on the purchase day, the distribution of the merger cost among the identifiable assets and liabilities, and the difference between the merger cost and the fair value of

the identifiable net assets of the acquiree. These involve management's estimation and judgment. Chongqing Jianshe has hired a qualified asset appraisal agency to evaluate the fair value of the identifiable assets and liabilities of the acquiree on the acquisition base date, which involves many appraisal assumptions and estimates. Moreover, the equity acquisition is important in this year, so we regard it as a key audit matter.

(2) Countermeasures of Audit

Our main countermeasures of audit for the income of the above key audit are as follows:

- 1) Obtained the board resolution, shareholders' meeting resolution, equity transfer agreement, purchase price payment document, equity industrial and commercial registration and other documents related to the transaction, and checked whether the relevant legal procedures were completed and authorized
- 2) Reviewed the principles and basis of transaction pricing, obtained and checked the financial statements of Pingshan TK on the acquisition date and the appraisal report issued by the asset appraisal institution with December 31, 2019, and reviewed the main assumptions, parameters, appraisal methods, calculation process, etc. in the appraisal report, at the same time evaluated the appraisal experts from professional competence, fairness, independence to objectivity. And judged that the transaction pricing is fair.
- 3) We carried out audit procedures, such as inspection, inquiry, and so on, to examine the actual performance of the transaction and to determine the reasonableness of the management's determination of the date of disposal, and carry out the analysis procedure, recalculate and other audit procedures to review the accuracy of Chongqing Construction car to calculate the profit and loss on the sale of equity and the related accounting treatment;

4) We obtained the financial statements and examined the presentation and disclosure of the disposal transaction in the financial statements.

IV. Other information

The Company's management of Chongqing Jianche (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 Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

V. Responsibility of Management and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises to make them a fair presentation and designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. CPA's Responsibility for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatement resulting from fraud or error and to issue an audit report containing an audit opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that audits performed in accordance with audit standards can always be found when a material misstatement exists. Misstatements may be the result of fraud or error, and misstatements are generally considered material if they are reasonably expected to be misstated individually or collectively that may affect the economic decisions made by the user of the financial statements on the basis of the financial statements.

As part of an audit in accordance with auditing standards, 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.
- (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 use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

(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 and bear all liability for the opinion.

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

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

Zhongxingcai Guanghua Certified Public Accountants

(Special General Partnership)



CPA:

(Engagement Partner)

CPA:



Beijing, China

April 28, 2021

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Balance Sheet and The Company's Balance Sheet
December 31, 2020 (Expressed in CNY unless otherwise stated)

Assets	Note	Balance as at December 31, 2020		Balance as at December 31, 2019	
		Consolidation	Parent	Consolidation	Parent
Current asset:					
Cash and cash equivalents	4.1	159,343,241.47	1,039,038.26	154,613,734.94	4,448,232.99
Financial assets measured at fair value					
Derivative financial assets					
Notes receivable	4.2	66,548,530.50	11,600,000.00	23,412,900.18	16,320,000.00
Accounts receivable	4.3	221,386,452.90	2,189,335.14	231,648,218.97	1,184,945.81
Accounts receivable financing					
Advances to suppliers	4.4	8,539,316.15	5,477,412.18	10,076,917.93	5,428,338.82
Other receivables	4.5	1,253,612.91	934,239.22	3,439,028.39	2,376,451.69
Inventories	4.6	169,145,986.78	1,645,305.96	146,318,458.60	1,446,434.47
Available for sale assets					
Non-current assets maturing within one year					
Other current asset	4.7	3,396,186.56	3,179.92	3,047,932.61	3,047,932.61
Total of current assets		629,613,327.27	22,888,510.68	572,557,191.62	34,252,336.39
Non-current assets:					
Available for sale of financial assets					
Held-to-maturity investments					
Long-term receivables					
Long-term equity investment	4.8	186,213,719.02	385,259,162.97	230,649,585.63	390,649,585.63
Other equity instrument investment					
Other non-current financial assets	4.9				
Property investment	4.10	23,043,398.52	23,043,398.52	71,928,994.28	71,928,994.28
Fixed assets	4.11	310,131,438.69	110,261,716.77	278,885,442.43	77,199,380.23
Construction in progress	4.12	1,871,241.59	66,037.74	3,858,269.05	166,386.41
Production physical assets					
Oil & gas assets					
Intangible assets	4.13	27,384,056.97	14,171,538.97	22,823,384.71	14,589,584.29
Development expenses					
Goodwill					
Long-term deferred expenses	4.14	24,750.00			
Deferred income tax asset	4.15	6,274,078.12		6,060,931.98	
Other non-current asset	4.16	2,141,443.59		3,383,556.88	
Total of non-current assets		557,084,126.50	532,801,854.97	617,590,164.96	554,533,930.84
Total of assets		1,186,697,453.77	555,690,365.65	1,190,147,356.58	588,786,267.23

中兴财光华会计师事务所(特殊普通合伙)
报告审核专用章

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Balance Sheet and The Company's Balance Sheet (Continued)
December 31, 2020 (Expressed in CNY unless otherwise stated)

Assets	Note	Balance as at December 31, 2020		Balance as at December 31, 2019	
		Consolidation	Parent	Consolidation	Parent
Current liabilities					
Short-term loans	4.17	553,910,000.00		422,280,000.00	
Financial liabilities measured at fair value through current profit and loss					
Derivative financial liabilities					
Notes payable	4.18	110,020,000.00		330,644,075.95	-
Accounts payable	4.19	288,803,247.07	265,278,880.90	225,193,165.80	191,919,884.09
Advances for customers	4.20			1,117,423.35	200,823.38
Contract liabilities	4.21	1,479,711.62	248,849.01		
Payroll Payables	4.22	28,427,402.84	10,058,993.74	14,879,129.15	12,275,806.23
Taxes payable	4.23	18,106,616.93	15,199,300.72	17,773,372.17	15,169,059.96
Other account payable	4.24	10,260,888.23	231,990,706.48	6,087,459.55	293,722,742.58
Held for sales liabilities					
Non-current liabilities maturing within one year					
Other current liability	4.25	192,362.51	32,350.37		
Total of current liability		1,011,200,229.20	522,809,081.22	1,017,974,625.97	513,288,316.24
Non-current liabilities:					
Long-term loan					
Bond payable					
Including: preferred stock					
perpetual bond					
Long-term payable					
Long-term Payroll Payable					
Estimated liabilities					
Deferred income					
Deferred income tax liabilities	4.15	1,908,551.51			
Other non-current liabilities					
Total non-current liabilities		1,908,551.51	0.00	0.00	0.00
Total of liabilities		1,013,108,780.71	522,809,081.22	1,017,974,625.97	513,288,316.24
Owners' equity					
Share capital	4.26	119,375,000.00	119,375,000.00	119,375,000.00	119,375,000.00
Other equity instruments					
Including: Preferred shares					
Perpetual bond					
Capital reserves	4.27	958,565,294.29	958,565,294.29	958,565,294.29	958,565,294.29
Less: treasury stock					
Other comprehensive income	4.28	9,800.00	9,800.00	9,800.00	9,800.00
Special reserve					
Surplus reserves	4.29	125,686,000.00	125,686,000.00	125,686,000.00	125,686,000.00
Retained Earnings	4.30	-1,030,047,421.23	-1,170,754,809.86	-1,031,463,363.68	-1,128,138,143.30
Total equity attributable to owners of the parent company		173,588,673.06	32,881,284.43	172,172,730.61	75,497,950.99
Minority equity					
Total of owners' equity		173,588,673.06	32,881,284.43	172,172,730.61	75,497,950.99
Total of liabilities and owners' equity		1,186,697,453.77	555,690,365.65	1,190,147,356.58	588,786,267.23

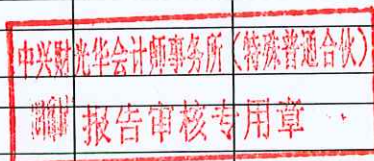
Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Income Statement and The Company's Income Statement
(Expressed in CNY unless otherwise stated)

Item	Note	Year 2020		Year 2019	
		Consolidation	Parent	Consolidation	Parent
I. Total operating income	4.31	740,851,845.25	582,119,961.20	791,487,434.18	601,057,530.18
Less: total operating costs	4.31	638,523,642.92	565,869,149.78	709,388,160.14	616,528,393.54
Taxes and surcharges	4.32	5,442,591.54	1,784,164.65	7,485,496.13	2,123,593.91
Selling expenses	4.33	16,631,963.90	2,379,049.19	24,647,316.08	1,839,252.86
General and administrative expenses	4.34	69,410,916.79	38,644,444.31	92,590,185.22	56,391,496.29
R&D expense	4.35	15,283,965.69	1,377,914.06	14,231,114.36	1,509,873.08
Financial expenses	4.36	22,486,373.84	545,319.21	21,295,046.18	9,126,407.12
Including: interest expense		23,719,626.23	632,663.12	23,726,455.73	9,400,282.65
Interest income		1,572,349.92	63,831.60	3,068,137.48	32,020.12
add: Other income	4.37	4,449,659.88	3,548,959.00	1,057,774.93	
Investment income ("-" for losses)	4.38	-3,451,062.12	-5,390,443.20	-27,108,151.12	-27,108,151.12
Including: income from investment in associates and joint ventures		-5,390,443.20	-5,390,443.20	-27,108,151.12	-27,108,151.12
Financial asset derecognition which measured in amortized cost method					
Net exposure hedge income ("-" for losses)					
Gain on changes in fair value ("-" for loss)					
Losses of credit impairment ("-" for losses)	4.39	-1,258,873.53	-1,478,870.07	-3,483,826.72	-20,066.52
Losses of assets impairment ("-" for losses)	4.40	-9,953,007.03	-9,140,781.65	-10,421,450.74	-5,639,143.73
Asset disposal income ("-" for losses)	4.41	-448,967.59	-158,358.75	-3,068,753.15	-3,068,753.15
II. Operating profits ("-" for losses)		-37,589,859.82	-41,099,574.67	-121,174,290.73	-122,297,601.14
Plus: Non-operating income	4.42	41,077,989.97	55,100.00	278,243.52	71,291.91
Minus: Non-operating expenses	4.43	1,572,672.69	1,572,191.89		
III. Total profits ("-" for total losses)		1,915,457.46	-42,616,666.56	-120,896,047.21	-122,226,309.23
Minus: income tax expenses	4.44	499,515.01		232,672.72	
IV. Net profit ("-" for net loss)		1,415,942.45	-42,616,666.56	-121,128,719.93	-122,226,309.23
1. Classification according to net profit of going concern		1,415,942.45	-42,616,666.56	-121,128,719.93	-122,226,309.23
(1) Continuous operating net profit ("-" for losses)		1,415,942.45	-42,616,666.56	-121,128,719.93	-122,226,309.23
(2) net profit of Termination ("-" for losses)					
2. Classification according to ownership		1,415,942.45		-121,128,719.93	
(1) Net profit attributable to owners of the parent company		1,415,942.45		-121,128,719.93	
(2) Net of profit attributable to owners of Minority shareholders' equity					
V. Net of tax of other comprehensive income					
Net profit attributable to owners of the parent company					
1. Other comprehensive income that cannot be reclassified into gains and losses subsequently					
(1) Changes in net liabilities or net assets arising from re-measurement of defined benefit plan					
(2) Share in other comprehensive income of the investee cannot be reclassified into gains and losses under the equity method					
2. Other comprehensive income to be reclassified into gains and losses subsequently					
(1) Share in other comprehensive income of the investee to be reclassified into gains and losses under the equity method					
(2) Gains and losses on changes in fair value of financial assets available for sale					
(3) Gains and losses arising from reclassification of held-to-maturity investments as financial assets available for sale					
(4) Effective portion of cash flow hedging gains and losses					
(5) Translation differences of financial statements denominated in foreign currency					
Net of tax of other comprehensive income attributable to non-controlling shareholders					
VI. Total comprehensive incomes		1,415,942.45	-42,616,666.56	-121,128,719.93	-122,226,309.23
Total comprehensive income attributable to owners of the parent company		1,415,942.45		-121,128,719.93	
Total comprehensive income attributable to owner's minority shareholders					
VII. Earnings per share:					
1. Basic earnings per share (RMB/Share)		0.0119		-1.0147	
2. Diluted earnings per share (RMB/Share)		0.0119		-1.0147	



Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Statement Cash Flow and the Company's Statement of Cash Flows
(Expressed in CNY unless otherwise stated)

Items	Note	Year 2020		Year 2019	
		Consolidation	Parent	Consolidation	Parent
I. Cash flows from operating activities:					
Cash received from sale of goods and rendering of services		511,870,586.73	147,889,417.48	466,437,467.29	169,800,318.10
Refunds of taxes and surcharges		13,131,562.71		20,429,357.89	
Cash received from other operating activities	4.46	16,546,105.54	14,729,508.79	37,028,279.25	11,023,912.63
Sub-total of cash inflows from operating activities		541,548,254.98	162,618,926.27	523,895,104.43	180,824,230.73
Cash paid for goods purchased and services received		242,967,204.21	118,365,485.57	301,159,831.44	74,078,877.04
Cash paid to and on behalf of employees		97,076,119.98	41,809,052.51	119,831,406.99	52,117,985.68
Cash paid for taxes and surcharges		7,338,755.29	1,763,767.81	10,687,559.22	2,178,966.45
Cash paid for other operating activities	4.46	29,153,048.83	7,992,431.15	78,801,949.36	3,322,641.00
Sub-total of cash outflows from operating activities		376,535,128.31	169,930,737.04	510,480,747.01	131,698,470.17
Net cash flows from operating activities		165,013,126.67	-7,311,810.77	13,414,357.42	49,125,760.56
II. Cash flows from investing activities:					
Cash received from disposal of investments				30,193,650.00	30,193,650.00
Cash received from returns on investments				2,000,000.00	2,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,863.00		167,737.79	167,737.79
Cash inflow from disposal of subsidiaries and other operating units					
Cash received from other investing activities	4.46	61,450,668.55		-	
Sub-total of cash inflows from investing activities		61,457,531.55		32,361,387.79	32,361,387.79
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		4,728,338.85	4,027,205.10	4,391,453.90	4,385,493.36
Cash paid for investments			20.54	36,672,895.58	36,672,895.58
Net cash paid to acquire subsidiaries and other business units					
Cash paid for other investing activities	4.46	40,000,000.00			
Sub-total of cash outflows from investing activities		44,728,338.85	4,027,225.64	41,064,349.48	41,058,388.94
Net cash flows from investing activities		16,729,192.70	-4,027,225.64	-8,702,961.69	-8,697,001.15
III. Cash flows from financing activities					
Cash received from investors					
Including: Cash received by subsidiaries absorbing minority equity investments					
Cash received from borrowings		772,910,000.00		642,280,000.00	
Cash received from other financing activities	4.46	306,429,590.72	449,469,841.68	690,502,411.58	906,680,000.00
Sub-total of cash inflows from financing activities		1,079,339,590.72	449,469,841.68	1,332,782,411.58	906,680,000.00
Cash paid for debt repayments		641,280,000.00		483,500,000.00	
Cash paid for distribution of dividends and profits or payment of interest		22,798,392.28		23,745,836.21	10,915,545.98
Including: Dividends, profits paid by subsidiaries to minority shareholders					
Cash paid for other financing activities	4.46	527,074,610.08	441,540,000.00	893,408,643.27	998,122,003.63
Sub-total of cash outflows from financing activities		1,191,153,002.36	441,540,000.00	1,400,654,479.48	1,009,037,549.61
Net cash flows from financing activities		-111,813,411.64	7,929,841.68	-67,872,067.90	-102,357,549.61
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-8,980.28		-132.07	-94.35
V. Net increase in cash and cash equivalents	4.47	69,919,927.45	-3,409,194.73	-63,160,804.24	-61,928,884.55
Plus: balance of cash and cash equivalents at the beginning of the period	4.47	9,390,326.10	4,448,232.99	72,551,130.34	66,377,117.54
VI. Balance of cash and cash equivalents at the end of the period	4.47	79,310,253.55	1,039,038.26	9,390,326.10	4,448,232.99

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli

中兴财光华会计师事务所(普通合伙企业)
报告审核专用章

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Statement of Changes in Owners' Equity
(Expressed in CNY unless otherwise stated)

Item	Year 2019													
	Equity attributable to owners of the parent company													
	Share capital	Other equity instruments		Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Sub-total	Minority equity	Total owners' equity	
		Preferred shares	Perpetual bond											Others
I. Balance as at December 31 of last year	119,375,000.00			958,565,294.29		9,800.00	125,686,000.00	-910,334,643.75			293,301,450.54		293,301,450.54	
Plus: adjustments for changes in accounting policies														
Adjustments for correction of accounting errors in prior														
Business combination involving entities under common														
Others														
II. Balance as at January 1 of the current year	119,375,000.00	-	-	958,565,294.29	-	9,800.00	125,686,000.00	-910,334,643.75	-		293,301,450.54		293,301,450.54	
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-121,128,719.93	-		-121,128,719.93		-121,128,719.93	
1. Total comprehensive incomes								-121,128,719.93			-121,128,719.93		-121,128,719.93	
2. Capital contributed or reduced by owners														
(1) Common shares from shareholders														
(2) Investment capital from the holders of other equity instruments														
(3) Amount of the share-based payment included in the														
(4) Others														
3. Distribution of profits														
(1) Withdrawal of surplus reserves														
(2) Distribution to owners or shareholders														
(3) Others														
4. Transfers within the owners' equity														
(1) Conversion of capital reserves into paid-in capital														
(2) Conversion of surplus reserves into paid-in capital														
(3) Recovery of losses by surplus reserve														
(4) Set benefit plan changes carry-over retained income														
(5) Others														
5. Special reserves														
(1) Amount withdrawn in the current year														
(2) Amount used in the current year														
6. Others														
IV. Ending balance of the current year	119,375,000.00	-	-	958,565,294.29	-	9,800.00	125,686,000.00	-1,031,463,363.68	-		172,172,730.61		172,172,730.61	

中兴财光华会计师事务所(特殊普通合伙)
报告审核专用章

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Statement of Changes in Owners' Equity
(Expressed in CNY unless otherwise stated)

Item	Year 2020											
	Share capital	Other equity instruments Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total Owners' Equity
I. Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,128,138,143.30		75,497,950.99
Plus: adjustments for changes in accounting policies												-
Adjustments for correction of accounting errors in prior year												-
Others												-
II. Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,128,138,143.30	-	75,497,950.99
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-	-	-42,616,666.56	-	-42,616,666.56
1. Total comprehensive incomes										-42,616,666.56		-42,616,666.56
2. Capital contributed or reduced by owners												-
(1) Common shares from shareholders												-
(2) Investment capital from the holders of other equity instruments												-
(3) Amount of the share-based payment included in the owners' equity												-
(4) Others										-		-
3. Distribution of profits												-
(1) Withdrawal of surplus reserves												-
(2) Distribution to owners or shareholders												-
(3) Others										-		-
4. Transfers within the owners' equity												-
(1) Conversion of capital reserves into paid-in capital												-
(2) Conversion of surplus reserves into paid-in capital												-
(3) Recovery of losses by surplus reserve												-
(4) Set benefit plan changes carry-over retained income												-
(5) Other profits changes carry-over related income												-
(6) Others												-
5. Special reserves												-
(1) Amount withdrawn in the current year												-
(2) Amount used in the current year												-
6. Others										-1,170,754,809.86		32,881,284.43
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,170,754,809.86	-	32,881,284.43

中興光華會計師事務所(特殊普通合夥)
 報告審核專用章

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

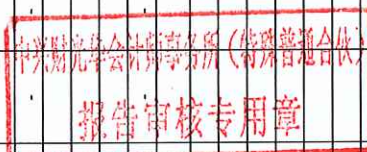
Chongqing Jianshe Vehicle System Co., Ltd.
Statement of Changes in Owners' Equity
(Expressed in CNY unless otherwise stated)

Item	Year 2019											
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total Owners' Equity
I. Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,005,911,834.07		197,724,260.22
Plus: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Others												
II. Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,005,911,834.07		197,724,260.22
III. Increase/(decrease) for the current year ("+" for increase, "-" for decrease)	-	-	-	-	-	-	-	-	-	-122,226,309.23	-	-122,226,309.23
1. Total comprehensive incomes												
2. Capital contributed or reduced by owners												
(1) Common shares from shareholders												
(2) Investment capital from the holders of other equity instruments												
(3) Amount of the share-based payment included in the owners' equity												
(4) Others												
3. Distribution of profits												
(1) Withdrawal of surplus reserves												
(2) Distribution to owners or shareholders												
(3) Others												
4. Transfers within the owners' equity												
(1) Conversion of capital reserves into paid-in capital												
(2) Conversion of surplus reserves into paid-in capital												
(3) Recovery of losses by surplus reserve												
(4) Set benefit plan changes carry-over retained income												
(5) Other profits changes carry-over related income												
(6) Others												
5. Special reserves												
(1) Amount withdrawn in the current year												
(2) Amount used in the current year												
6. Others												
IV. Ending balance of the current year	119,375,000.00				958,565,294.29	-	9,800.00	-	125,686,000.00	-1,128,138,143.30	-	75,497,950.99

Legal Representative of Enterprise: Xuechuan Yan

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu



Notes To Financial Statements

I. Corporate Information

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

On December 27, 2017, the company issued an announcement that it has completed the relevant business registration procedures for the change in Chinese, obtained the notice of approval for change of registration of Chongqing administration of industry and commerce (Chongqing Industrial and commercial registration of changes [2017] No.1206-1), got an issue of a business license and approval rear of implementing the Shenzhen stock exchange. The name of the company was changed from " Chongqing Jianshe Motorcycle Co., Ltd." to " Chongqing Jianshe Vehicle System Co.,Ltd.". Abbreviation of the company was changed from "Jianmo B" to "Jianshe B", and the securities code of the company was unchanged at 200054.

On October 22, 2018, Chongqing Jianshe mechanical and electrical co., LTD., the controlling shareholder of the company, signed the "Equity transfer Agreement for State-owned listed companies" with China South Industries Group Corporation (hereinafter referred to as "GSGC"). The Chongqing Jianshe mechanical and electrical co., LTD. transferred 84,906,250 shares of its state-owned legal person shares to the GSGC, it accounts for 71.13% of the Chongqing Jianshe 's total share capital.

On December 21, 2018, the company received the " Confirmation of registration of securities transfer " issued by the Shenzhen Branch of China Securities Registration and Clearing Co., Ltd., and the registration procedures for the transfer of shares under this agreement have been completed in the Shenzhen branch of China Securities Registration and settlement Co., Ltd. After the completion of this agreement transfer, Chongqing Jianshe mechanical and electrical co., LTD., would no longer hold shares of the company. GSGC became the controlling shareholder of the company, the proportion of shareholding is 71.13%, and the nature of the



shares is State-owned legal person shares.

The parent company and actual controller of the company is China South Industries Group Corporation. The ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission (SASAC).

As at December 31, 2020, the Company issued 119,375,000 shares in total and had the registered capital of 119,375,000. The registration place: NO.1, JIANSHE ROAD HUAXI INDUSTRY PARK, BANAN DISTRICT, CHONGQING; the headquarters address: Banan District, Chongqing Municipality. Legal representative: Xuechuan Yan. The main business activities: research and development, processing, manufacturing and related technical services of Motorcycles, auto parts, accessories, machinery products, design, manufacturing and related technical services of tooling (except for those subject to national special provisions); R & D, production and sales of motorcycle engines; research, development and processing of mechanical and electrical products, home appliances, bicycles, environmental protection product; imports, wholesale, retail, commission agency (except auction) of similar products of these products.

The disclosure of the financial report was approved by the Board of Directors on April 28, 2021.

As at December 31, 2020, two subsidiaries were included in the scope of consolidated financial statements of the Company, See "Note VI Equity in other entities" for details of scope consolidated financial statements. The scope consolidated financial statements of this year has increased 1 subsidiary compared with the last year, see "Note V Changes in the scope of business combinations " for details.

The company and Chongqing Jianshe Automobile A/C Co., Ltd., its important subsidiary, mainly engaged in the manufacture, sale of air conditioners and accessories, air conditioning and spare parts maintenance.

II.Basis for the Preparation of financial statements

1.Basis for Preparation

The Company prepares the financial statements on the basis of going concern, according to actual transactions and events, and in accordance with the Accounting Standards for Business Enterprises – Basic Standards and 38 concrete accounting standards issued by the Ministry of Finance on February 15, 2006, the subsequently issued Accounting Standards for Business

Enterprises – Application Guidelines, and the Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (hereinafter collectively referred to as – Accounting Standards for Business Enterprises^①), as well as Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports issued by China Securities Regulatory Commission.

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. Going Concern

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

3. Principal accounting policies and accounting estimates

(1) Statements on Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results and cash flows, etc. for the reporting period.

(2) Accounting period

The Company's fiscal periods include fiscal years and fiscal periods shorter than a complete fiscal year from January 1 to December 31 as one accounting year.

(3) Operating cycle

The normal operating cycle refers to the period from the assets used for processing after purchased by the company to the cash or cash equivalents achieved. 12 months are regarded as one operating cycle in the company, and which is as the division criterion for the liquidity of assets and liabilities.

4. Functional currency

The functional currency is CNY.

5. Accounting treatments of the combination of enterprises under common control and the combination of enterprises not under the common control

Business combination refers to the transactions or items with one reporting entity formed by the combination of two or more separate enterprises. The business combination shall be divided into the business combination under common control and the business combination under non-common control.

(1) Business combination under common control

The business combination under common control refers to the business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. Of which, the combining party is that acquiring the control right to other combining enterprises at combining date, and the combining date means the date that the combining party actually acquires the control right of the combined party. The acquisition date means the date that the acquirer actually obtains the control right of the acquiree.

The assets and liabilities acquired by the combining party are measured in accordance with the book value of the combined party at the combining date. For the balance between the book value of net assets acquired by the combining party and the book value of the combining valuable consideration (or the nominal amount of issued shares), the capital reserves (stock premium) shall be adjusted, or the retained earnings shall be adjusted when the capital reserves (stock premium) are insufficient.

All the costs directly incurred for the business combination by the combining party shall be recorded into the current profits and losses when occurred.

(2) Combination of enterprises not under the common control

The business combination under non-common control refers to the business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the combination. Of which, the acquirer is that obtaining the control right to other combining enterprises at acquisition date, and other combining enterprises refers to the acquiree. The acquisition date means the date that the acquirer actually obtains the control right of the acquiree.

For the business combination under non-common control, the merger costs include the assets

paid for obtaining the control right of acquiree by the acquirer, the liabilities occurred or borne and the fair value of equity securities issued, the intermediary fees for audit, legal services, evaluation and consultation when the business combination issued, and other management costs shall be recorded into the current profits and losses when occurred. The transaction costs of equity securities or debt securities issued for the merger consideration by the acquirer shall be included into the initially recognized amount of the equity securities or the debt securities. The contingent consideration involved shall be recorded into the merger cost as per the fair value at the acquisition date. Within 12 months after the acquisition date, the combining goodwill should be adjusted correspondingly if the contingent consideration is required to adjust because of new or further evidence for the existed situation on the acquisition date. The merger cost issued by the acquirer and the identifiable net assets acquired in the combination are measured as per the fair value on the acquisition date. The difference of the merger cost less the fair value shares of identifiable net assets obtained by the acquiree during the merger on the acquisition date, is recognized as the goodwill. While the merger cost is less than the fair value shares of identifiable net assets obtained by the acquiree during the merger, all the measurement on the identifiable assets, the liabilities, the fair value of liabilities and the merger cost obtained by the acquiree should firstly be rechecked, and the difference shall be recorded into the current profits and costs if the merger cost is still less than the fair value shares of identifiable net assets obtained by the acquiree during the merger after rechecking.

If the deductible temporary difference of acquiree obtained by the acquirer is not recognized due to the recognition condition of the deferred income tax assets unmet on the acquisition date within 12 months after the acquisition date, the relevant deferred income tax assets shall be recognized and the goodwill shall be reduced if the acquired new or further evidence shows that the relevant situation has already existed and the economic benefit gained by the acquiree from the deductible temporary difference is expected to achieve, and the differences are recognized as the current profits and losses if the goodwill is insufficient to offset. With the exception of the above, the deferred income tax assets related to the business combination are recorded into the current profits and losses.

For the business combination under non-common control realized step-by-step through multiple transactions, the multiple transactions shall be judged if belong to “the package deal” according to the “Notice on Issuance of Interpretation of Accounting Standards for Business Enterprises from Ministry of Finance” (Finance and Accounting [2012] No.19) and the

judgment standards on “the package deal” in Article 51st of “Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statement” (please see Note 3.6 (2)). For the package deal, please refer to above description of this section and Note 3.14 “Long-term Equity Investment” to conduction the accounting treatment. For the non-package deal, the relevant accounting treatment should be respectively conducted for the individual financial statement and the consolidated financial statements:

For the individual financial statements, the sum of the book value of equity investment from the purchased party held before the purchase date and the new investment cost at the purchase date shall be as the initial investment cost of the investment. For the other comprehensive incomes involved in the equity of the acquiree held before the acquisition date, the investment and the relevant other comprehensive incomes shall be disposed through the accounting treatment on the same basis of the direct disposal of the relevant assets or liabilities by the acquiree (Namely, the rest is transferred into the current investment incomes with the exception of the corresponding shares of changes caused by the net liabilities or the net assets of the defined benefit plans re-measured by the acquiree as per the equity method).

In the consolidated financial statements, the equity of the acquiree held before the acquisition date shall be measured again as per the fair value of the equity on the acquisition date, and the difference between the fair value and the book value is recorded into the current investment income. For the other comprehensive incomes involved in the equity of the acquire held before the acquisition date, the relevant other comprehensive incomes shall be disposed through the accounting treatment on the same basis of the direct disposal of the relevant assets or liabilities by the acquire (Namely, the rest is transferred into the current investment incomes on the acquisition date, with the exception of the corresponding shares of changes caused by the net liabilities or the net assets of the defined benefit plans re-measured by the acquire as per the equity method).

6. Preparation of consolidated financial statements

(1) Principle for determining the consolidation scope

The consolidation scope for financial statements is determined on the basis of control. The term “control” is the power of the Group upon an investee, with which it can take part in relevant activities of the investee to obtain variable returns and is able to influence the amount of returns. The scope of consolidation includes the Company and its all subsidiaries. A subsidiary is an enterprise or entity controlled by the Group.

Once any changes in the relevant facts or situations resulted in any changes in the elements involved in the aforesaid definition of “control”, the Company shall carry out a reassessment.

(2) The method of preparing consolidated financial statements

The company starts to include the actual control right to the net assets and the production and management decisions of the subsidiaries into the combination scope since the date of the actual right acquired, and will stop covering into the combination scope on the date of the actual right lost. For the disposed subsidiaries, the business performance and the cash flow before the disposal date have been properly covered in the consolidated profit statement and the consolidated cash flow statement. For the subsidiaries disposed in the current period, the opening balance of the consolidated balance sheet shall not be adjusted. Through the business combination under non-common control, the business performance and the cash flow after the acquisition date have been properly included in the consolidated profit statement and the consolidated cash flow statement, and the opening balance and the comparison balance of the consolidated financial statement shall not be adjusted. For the subsidiaries increased through the business combination under common control, the business performance and the cash flow from the beginning of current combination period to the combination date have been properly included in the consolidated profit statement and the consolidated cash flow statement, and the comparison balance of the consolidated financial statement shall be adjusted simultaneously.

With the preparation of the consolidated financial statement, the necessary adjustment shall be made according to the accounting policy of the company and the financial statement of the subsidiaries during the fiscal period if the accounting policy or the fiscal period adopted by the subsidiaries and the company is discrepant. For the subsidiaries acquired through the business combination under non-common control, the financial statement shall be adjusted on the basis of the fair value of the identifiable net assets on the acquisition date.

All the major balances, transactions and the unrealized profits of the company shall be offset in the preparation of the consolidated financial statement.

Those not belong to the company in the shareholders' equity and the current net profit or loss of the subsidiaries shall be respectively as the minority equity and the minority interest income and individually listed under the shareholders' equity and the net profit of the consolidated financial statement. The minority equity portion from the net profit or loss in current period shall be as “minority interest income” and listed under the net profit in the

consolidated financial statement. Moreover, the minority equity is still offset even if the losses of the subsidiaries undertaken by the minority shareholders are beyond the portion of the shareholders' equity shared by the minority shareholders of the company at the beginning of period.

When the control on the original subsidiaries is lost due to the disposal of partial equity investment or other reasons, the remaining equity should be measured again according to the fair value on the control lost date. The difference of the consideration acquired by the disposal of equity and the fair value of the remained equity less the net assets portion of the original subsidiaries calculated from the purchase date as per the original stock proportion shall be recorded into the current investment income after the control lost. Other comprehensive returns relevant to the original subsidiary shares investment shall be disposed through the accounting treatment on the same basis of the direct disposal of the relevant assets or liabilities by the acquiree when the control lost (Namely, all the rest are transferred into the current investment incomes, with the exception of the changes caused by the net liabilities or the net assets of the defined benefit plans re-measured by the original subsidiaries). Thereafter, the subsequent measurement shall be made for the rest equity according to the relevant provisions of "Accounting Standards for Business Enterprises No. 13 – Long-term Equity Investment" or "Accounting Standards for Business Enterprises No. 10 – Recognition and Measurement of Financial Instruments". For the details, please see Notes 2.13 "Long-term Equity Investment" or Notes 2.10 "Financial Instruments".

For the equity investment in the subsidiary through the step-by-step disposal of multiple transactions till the control right lost, the company should respectively dispose all the transactions if belong to the package deal. As long as the terms, conditions and economic influence on all the transactions of the disposal of the equity investment in the subsidiary meet one status below, it usually shows that the multiple transactions matters should be conducted the accounting treatment as the package deal: ① these transactions are made simultaneously or under the consideration of the influence each other. ② these transactions shall be as the whole to achieve one complete business results. ③ one transaction occurs depending on the appearance of other one transaction at least. ④ one transaction is economic under the consideration with other transactions even if it is not economic when individually considerate. For the non-package deal, each transaction shall be respectively conducted the accounting treatment according to the applicable principles of "Partial Disposal

of Long-term Equity Investment in Subsidiary without Control Lost” (please refer to (2) ④ in Note 2.13) and “The Control on Original Subsidiary Lost due to Disposal of Part of Equity Investment or Other Reasons” (details please see forepart). For the package deal from the transactions after the disposal of equity investment in the subsidiary till the control right lost, the transactions shall be as one transaction of the disposal of subsidiary and the control lost for the accounting treatment. Therefore, every balance between the net assets proportion of the subsidiary shared relative to the disposal price and the disposal investment before the control right lost, shall be recognized as other comprehensive incomes in the consolidated financial treatment and transferred into the current profits and losses when the control lost.

7. Joint venture arrangements classification and accounting treatment of joint operation

Joint venture arrangement refers to an arrangement jointly controlled by two or more parties. According to the rights and obligations in the joint venture arrangement, the company divides the joint venture arrangement into joint operation and joint venture. Joint operation means the company has the right to arrange related assets and related liabilities. Joint venture means the company only has the right to arrange the net asset.

The company adopts equity method to calculate investment to joint venture by referring to accounting policies stated in "Long-term Stock Ownership for Equity Method Calculation" (please refer to (2) ④ in Note 2.13)

As one party of joint operation, the company confirms assets and liabilities only held by itself and confirms joint assets and liabilities as proportion of the company's shares; confirm incomes from sales and production in the way of joint operation as proportion of the company's shares; confirm the company's own expenses and all expenses in the way of joint operation as proportion.

As a party of joint operation, the company funds or sells assets (not used for operation, the same below) of joint operation or purchases assets from joint operation. Before the assets are sold to a third party, the company only confirms the losses and profits in the trade which belong to other parties in the joint operation. In case the assets are in conformity to the asset impairment loss regulated in Asset Impairment --No.8 of Accounting Criteria for Enterprises, the company confirms all losses in full amount for the company funding or selling assets of joint operation. The company confirms the loss as proportion of shares for the company purchasing assets from joint operation.

8. Recognition criteria of cash and cash equivalents

The cash stated in cash flow statement refers to cash in hand and bank deposits usable for payment at any time. Cash equivalent refers to the investments with holding period of less than three months that are readily convertible to known amount of cash and subject to insignificant risk of changes in value.

9. Foreign currency business and foreign currency translation

(1) Translation Method of Foreign Currency Transaction

The spot exchange rate (usually refers to the middle rate at the date of currency exchange published by the People's Bank of China, hereinafter inclusive) on the transaction date is adopted to convert to the amount of functional currency when the foreign currency transaction issued in the company is initially recognized. However, the foreign currency exchanges or the transactions relative to the foreign currency exchanges occurred in the company shall be translated into the amount of functional currency as per the actually adopted exchange rate.

(2) Translation Method for Monetary Items of Foreign Currency and Non-monetary Items of Foreign Currency

On the balance sheet date, the spot exchange rate on the balance sheet date is used for the monetary items in foreign currency. The exchange difference arising from the special borrowing in foreign currency borrowed for the purpose of purchasing and constructing assets meeting the capitalization conditions of borrowing costs shall be capitalized during the capitalization period.

When it involves overseas business in preparing the consolidated financial statement, for the translation difference of foreign currency monetary items of net investment in overseas business arising from the change in exchange rate, it shall be recorded into the other comprehensive income; and be recorded into disposal gains and losses at current period when disposing overseas business.

The non-monetary items of foreign currency measured at the historical cost shall still be measured by the amount of functional currency translated at the spot exchange rate on the transaction date. The non-monetary items of foreign currency measured at the fair value shall be translated at the spot exchange rate on the fair value recognized date, and the gap of the translated amount of functional currency and the original the amount of functional currency shall be as the fair value variation (change in exchange rate included) to make treatment and

recorded into the current profits and losses or recognized as other comprehensive incomes.

(3) Translation Method of Foreign Currency Financial Statement

For the overseas business operation involved in the preparation of the consolidated financial statement, the exchange balance arising from the change in exchange rate for the foreign currency monetary items of the net investment in the overseas business, shall be as “translation reserve of foreign currency statement” and recognized as other comprehensive incomes. The profits and losses of the current disposal period shall be recorded when disposal of the overseas business operations.

The foreign currency financial statement of the overseas business operation shall be translated as RMB statement as per the following methods: the assets and liabilities in the balance sheet shall be translated at a spot exchange rate on the balance sheet date. For the shareholders' equity items, other items shall be translated at a spot exchange rate when occurring, except for the “undistributed profit” items. The earnings and expenses items in the profit statement shall be translated at a spot exchange rate on the transaction date. Moreover, the Retained Earnings at the beginning of this year are the profits translated at the end of last year which shall be distributed and listed all the items measurement as per the translated profits. The difference between the translated assets items and the sum of the liability's items and the shareholders' equity items shall be as the translation reserve of foreign currency statement and recognized as other comprehensive incomes. When disposing the overseas business operation and losing the control right, the translation reserves of foreign currency statement related to the overseas business operation which listed in the shareholders' equity items in the balance sheet, are all recorded into the current disposal profits and losses or shifted as per the disposal proportion of the overseas business operation.

The cash flows of foreign currency and overseas subsidiary shall be translated at the spot exchange rate on the cash flow date. The influence amount of the change in exchange rate on the cash shall be individually listed and reported as the adjustment items in the cash flow statement.

The amount at the beginning of this year and the actual amount of last year shall be listed according to the translated amount of the financial statement.

If the control on the overseas business operation lost due to the disposal of partial equity investment or other reasons when disposing all the owners' equity of the overseas business operation of the company, the translation reserves of foreign currency statement belong to the

owners' equity of the parent company related to the overseas business operation which listed in the shareholders' equity items in the balance sheet, are all recorded into the current disposal profits and losses.

If the held equity proportion of the overseas business operation reduced due to the disposal of partial equity investment or other reasons, but the control on the overseas business operation not lost, the translation reserves of foreign currency statement related to the partial disposal of the overseas business operation shall belong to the minority equity and not recorded into the current profits and losses. When disposing partial equity of the joint ventures or the cooperative enterprises of the overseas business operations, the translation reserves of foreign currency statement related to the overseas business operations shall be recorded into the current disposal profits and losses as per the disposal proportion of the overseas business operations.

10. Financial instruments

A financial instrument refers to a contract that concludes the financial assets of one party and the financial liabilities or equity instruments of another party. Related financial assets or financial liabilities are recognized when the company becomes a party to a financial instrument contract.

Financial assets and financial liabilities are measured at fair values at the initial recognition: (i) for the financial assets and financial liabilities measured at fair values with variations recorded into the current profits and losses, related transaction expenses are directly recorded into the current profits and losses; (ii) for other kinds of financial assets and financial liabilities, related transaction expenses are included in the initial recognition amounts. Furthermore, subsequent measurements of financial assets and liabilities are decided by their own classifications.

A financial asset or financial liability that qualified with one of the following conditions are indicating its transactional purposes: (i) the purpose of acquiring relevant financial assets or assuming relevant financial liabilities is mainly made for the purpose of selling or repurchasing in the near future; (ii) the initial confirmation is a part of the identifiable portfolio of financial instruments under centralized management, and there is objective evidence that the short-term profit model actually exists in the near future; (iii) where it is defined as the derivative instrument, but conforms to the financial guarantee contract

definition and is designated as an effective hedging instrument of the derivative instruments.

(1) Debt Instruments

Debt instruments refer to the instruments that conform to the definition of financial liabilities from the perspective of the issuers. The classifications and subsequent measurements of debt instruments depend on the company's business models for financial assets management and the contractual cash flow characteristics of financial assets. Where it fails to pass the cash flow characteristic test, direct classification as a financial asset measured at fair values shall be adopted with variations to be recorded into the current profits and losses; where it succeed to pass the cash flow characteristic test, its classification shall be determined on the business model of financial assets management, and its qualification as a financial asset measured at fair values, of which variations shall be recorded into the current profit and loss.

1) To be measured at amortized costs.

The company's business models for the management of such financial assets are aimed at the collection of the contract cash flows, of which the characteristics of the contract cash flow shall be consistent with the benchmark lending arrangement, that is, the cash flows generated at a certain date are referred to the payment of the principal and the interest based on the outstanding principal amount only while the financial assets are not designated to be measured at fair values, but their variations are recorded into the current profits and losses. However, the company recognizes interest incomes for such financial assets in accordance with the effective interest rate methods. The profits or losses of such financial assets due to the termination of recognition together with the losses as a result of the impairment are directly recorded into the current profits and losses.

2) To be measured at fair values with its variations included in other comprehensive incomes.

The company's business model for managing such financial assets is both to receive the contract cash flows and to sell, of which the characteristics of the contract cash flows shall be consistent with the benchmark lending arrangements, that is, the cash flow generated at a certain date is only the payment of the principal and the interest based on the outstanding principal amount while the financial assets are not designated to be measured at fair values, but their variations are recorded into the current profits and losses. However, such financial

assets are measured at fair values and their variations are included in other comprehensive incomes, but impairment losses or gains, exchange gains & losses and interest incomes calculated according to the actual interest rate method are included in the current profits and losses. Furthermore, variations in fair values accumulated into other comprehensive incomes will be carried forward to the current profits and losses when the recognition of such financial assets is terminated. Such financial assets are listed as other lending investments.

3) To be measured at fair values with variations booked into the current profits and losses.

Debt instruments held by the company that are not divided into those measured at amortized costs and those measured at fair values with their variations recorded in other comprehensive incomes are measured at fair values and their variations are recorded into the current profits and losses, of which those classified as financial assets are measured at fair values with variations recorded into current profits and losses are listed as transactional financial assets or other non-current financial assets.

(2) Equity Instruments

An equity instrument is one that is analyzed from the perspective of the issuers in accordance with the definition of an equity instrument. Equity instrument investments is measured at fair values with variations recorded into current profits and losses, which are listed as transactional financial assets, except that the management of the company that is specified to be measured at fair values with variations recorded into other comprehensive incomes.

Items designated to be measured at fair values with variations included in the comprehensive incomes are listed as the investments of other equity instruments, of which related changes in fair values shall not be carried forward to the current profits and losses, and such designation shall not be revoked once made. However, related dividend gains are booked into the current profits and losses, and no impairment provision is included in the other equity instruments. When terminate recognition, the accumulated gains or losses as previously recorded in other comprehensive incomes are transferred from other comprehensive incomes and recorded in retained earnings.

(3) Financial Liabilities

Financial liabilities are classified as financial liabilities and other financial liabilities which are measured at fair values with variations to be recorded into the current profits and losses at

the initial recognition.

Financial liabilities measured at fair values with variations recorded into the current profits and losses includes trading financial liabilities and financial liabilities that are specified to be measured at fair values with variations booked into the current profit and loss. Financial liabilities can be designated as financial liabilities to be measured at fair values at the initial measurement with their variations recorded into the current profits and losses upon the any of the following conditions:

- 1) the designation can eliminate or significantly reduce the accounting mismatches;
- 2) The portfolio of financial liabilities or the portfolio of financial assets and financial liabilities is managed and evaluated on the basis of fair values, and reported to key management within the company thereafter according to the risk management or investment strategies stated in the official written documents. Such designation shall not be revoked once made.

For financial liabilities designated to be measured at fair values with variations recorded in the current profits and losses, variations in fair values caused by changes in the company's own credit risks shall be recorded in other comprehensive incomes, while variations of other fair values are booked into the current profits and losses. Furthermore, when terminate the recognition of such financial liabilities, the accumulated gains or losses as previously recorded in other comprehensive incomes are transferred from other comprehensive incomes and recorded in retained earnings.

Other financial liabilities of the company mainly include short-term loans, long-term loans and the like. For such financial liabilities, effective interest methods are adopted with subsequent measurement to be made according to the amortized costs.

(4) Termination Recognition of Financial Assets and Financial Liabilities

A financial asset shall be terminated upon one of the following circumstances:

- 1) The contractual right to receive the cash flow of the financial assets is terminated;
- 2) The financial asset with almost all the risks and rewards from the ownership of the financial assets have been transferred to the transferee;
- 3) Although the company has neither transferred nor retained nearly all the risks and rewards

in the ownership of the financial asset, the financial assets of the company have been transferred and have relinquished control of the financial assets.

Where the current obligations of a financial liability (or any part thereof) have been discharged, the company ceases to recognize such financial liability (or any part thereof).

(5) Impairment of Financial Instruments

The company carries out impairment accounting treatment to the financial instruments based on expected credit losses and confirms loss provisions. Expected credit loss refers to the weighted average credit losses of financial instruments by the risks of defaults, and credit losses refer to the difference between all contract cash flow receivable under the contract as well as all cash flows expected to be collected that discounted at the original real interest rates, that is, the present values of all cash shortfalls.

Measuring methods of the company's expected credit losses on financial instruments reflects the following factors: unbiased probability weighted averages as determined by a range of possible outcomes; the time value of money; reasonable and informed information about past events, current conditions and future economic conditions available up to the balance sheet date without unnecessary additional costs or efforts. The company determines the expected credit losses of relevant financial instruments in the following manners:

- 1) For financial assets, the credit losses are the present values of the difference between the contract cash flows and the expected cash flows payable by the company;
- 2) For leasing receivables, the credit losses are the present values of the difference between the contract cash flows and the expected cash flows payable by the company;
- 3) For any uncommitted loan commitment, the credit losses are the present values of the difference between the contract cash flows payable by the company and the cash flows expected to be collected if the loan commitment holder withdraws corresponding loans. The company's estimations on the expected credit losses of the loan commitment are consistent with its expectations on the utilization of the loan commitments;
- 4) In the case of a financial guarantee contract, the credit losses are the present values of the difference between the amount the company expects to receive from the contract holders, debtors or any other party, and the amount of money the company expects to pay to the contract holder in respect of the credit losses incurred by the contract holder;

5) In the case of a financial asset whose credit impairment has occurred on the date as indicated by the balance sheets but is not purchased or originated, the credit losses are referred to the difference between the book balance of the financial assets and the present values of the estimated future cash flow discounted at the original real interest rates.

Three stages are adopted to identify expected credit losses by assessing whether its credit risks have increased significantly since its initial recognition together with considerations to the reasonable and evidence-based information (including forward-looking information) on each balance sheet date. In the case that the credit risk has not increased significantly since the initial confirmation, the expected credit losses are defined as the first stage, and the loss provisions are measured according to the expected credit losses of the financial instruments within the next 12 months; If the credit risk has not increased significantly since the initial recognition, it shall be in the first stage, and the loss provision shall be measured according to the expected credit loss of the financial instrument in the next 12 months; If the credit risk has increased significantly since the initial recognition, but the credit impairment has not occurred, it shall be in the second stage, and the loss provision shall be measured according to the expected credit loss of the whole duration of the financial instrument; If the credit impairment has occurred since the initial recognition, it shall be in the third stage, and the loss provision shall be measured according to the expected credit loss of the whole duration of the financial instrument. For financial instruments of the first and second stages, the interest income shall be calculated according to the book balance and the actual interest rates; for financial instruments of the third stage, the interest income shall be determined according to its amortized costs and the real interest rates.

For purchased or originated financial assets with credit impairment, only the cumulative variations in the expected credit losses during the entire period (up to the date as indicated by balance sheet) after the initial recognition are recognized as loss provisions, and its interest gains are determined according to the amortized costs of financial assets and the real interest rates as adjusted by credit.

An increase or reversal of the loss provisions is recorded as an impairment loss or gain of the current period. For debt instruments as held at fair values with variations recorded into other comprehensive incomes, impairment losses or gains are recorded into the current profits and losses, and other comprehensive incomes are adjusted synchronously.

A. Provisions of the company for the losses are measured on the expected credit losses for the entire duration

The company divides notes and accounts receivable into several combinations and calculates the expected credit losses with reference to the combination based on the characteristics of credit risks.

For notes receivable by portfolios, the expected credit losses are calculated by the default risk exposures and the expected credit loss rates of the entire duration with reference to company's historical credit loss experience, and the combination with the current situation and the forecast of future economic conditions. Determining basis of the portfolios is as follows:

Portfolio A of notes receivable	trade acceptances
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Portfolio B of notes receivable	bank acceptances
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For accounts receivable by portfolios, a comparison table of the expected credit loss rates is prepared between the age of accounts receivable and the entire duration to calculate the expected credit losses with reference to company's historical credit loss experience, and the combination with the current situation and the forecast of future economic conditions. Determining basis of the portfolios is as follows:

Portfolio A of accounts receivable	aging analysis
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Portfolio B of accounts receivable	specific identification
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B. The company divides other receivables and long-term receivables into several portfolios according to the characteristics of credit risks and calculates the expected credit losses on the basis of such portfolios when individual other receivables and long-term receivables fail to obtain the information to assess the expected credit losses at a reasonable cost. Determining basis of the portfolios is as follows:

Portfolio A of other receivables	deposits and securities receivable
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Portfolio B of other receivables	advanced money receivable
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Portfolio A of long-term receivables	lease receivables
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For lease receivables by portfolios, the expected credit losses are calculated by the default risk exposures and the expected credit loss rates of the entire duration with reference to company's historical credit loss experience, and the combination with the current situation

and the forecast of future economic conditions. For other receivables and long-term receivables divided into combinations other than lease receivables, the expected credit losses are calculated by the default risk exposure and the expected credit loss rates for the next 12 months or the entire duration.

(6) Derivatives and Embedded Derivatives

Derivatives of the company' mainly include forward contracts, futures contracts and swap contracts. Derivatives are initially measured at the fair values at the execution dates of the derivative trading contracts, and are subsequently measured at their fair values thereafter. The gains or losses arising from the variations in the fair values of the company's derivatives are directly recorded into the current profits and losses.

Embedded derivative refers to the derivatives that are embedded in the non-derivative instruments (i.e., the master contracts), which constitutes the hybrid contracts with the master contracts. Where the master contracts contained inside the hybrid contract are assets regulated by the Standards for Financial Instruments, the company does not split the embedded derivatives from the hybrid contracts, and instead, the hybrid contracts are applied as a whole to relevant provisions of the financial instrument criterion on the classification of financial assets.

In the case that the master contracts contained in the hybrid contracts are not assets under the financial instrument criterion but meet the following conditions, the company splits the embedded derivative from the master contracts and settle as separate derivatives:

- 1) The economic characteristics and risks of the embedded derivative instruments are not closely related to the economic characteristics and risks of the master contracts.
- 2) Separate instruments with terms associated with embedded derivatives are conforming to the definition of derivatives;
- 3) The hybrid contracts are not measured at fair values and their variations are recorded into the current profits and losses for accounting settlements.

(7) Offsets of Financial Assets and Liabilities

When the company is legally entitled to offset the recognized financial assets and financial liabilities, and such right is currently enforceable, and when the company plans to settle such financial assets and pay off the financial liabilities on a net basis or liquidate the financial

assets and liabilities, the amount of financial assets and financial liabilities offset against each other are stated in the balance sheets. In addition, financial assets and financial liabilities are shown separately in the balance sheets and are not offset against each other.

(8) The Fair Values Determination of Financial Instruments

For financial instruments with active markets, the fair values of assets are determined by the price the market participant who would have to pay to receive or transfer a liability from the sale of such asset in an orderly transaction on the measurement date. Where there are financial instruments without active markets, the fair values are determined by valuation methodologies. In the valuations, the input values consistent with the characteristics of the assets or liabilities as considered by the market participants in the transaction of the relevant assets or liabilities, together with relevant observable input values as preferred reference are adopted by the company through the valuation techniques that are applicable in the current situation and are supported by sufficient data and other information available. An unobservable input value is adopted when relevant observable input values cannot be obtained or are not feasible to obtain.

11. Inventories

(1) Classification of inventories

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

(2) Obtaining and Measurement of Inventories

The perpetual inventory systems are adopted for this enterprise's inventories. The inventories shall be measured by their actual cost when they are obtained. Raw materials, works in process, finished products, etc. shall be measured with the weighted average method when they are being sent out. Low-value consumption goods shall be written off by one-off write-off method when they are withdrawn for use. Circulation packaging materials shall be recorded into cost according to the predicted usage times.

(3) Methods to make provision for loss on decline in value of inventories

If the cost of inventories is higher than the net realizable value at the end of each period, this

enterprise shall make the provision for the loss on decline in value of inventories. This enterprise makes provision for the loss on decline in value of inventories on the ground of each item of inventories. If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made.

(4) Method for confirming the net realizable value of inventories

The net realizable value of inventories refers to the amount of the estimated selling price, less the estimated costs of completion, the estimated selling costs and related tax payments.

12. Contract assets and contract liabilities

The company presents contract assets or liabilities in the balance sheet according to the relationship between performance obligation and customer payment. Contract assets are the right of the company to receive consideration for the goods transferred to the customer, and the right depends on other factors other than the passage of time. Contract liability is the obligation of the company to transfer goods to the customer for the consideration it has received or receivable from the customer.

The contract assets are prepared for impairment according to the expected credit loss method. No matter whether it contains significant financing components or not, the company measures its loss provision according to the amount of expected credit loss in the whole duration on the balance sheet date. If the expected credit loss is greater than the book amount of current contract asset impairment provision, the difference is recognized as impairment loss, otherwise, it is recognized as impairment gain. The relevant contract assets are deemed to be unable to be recovered and have actual impairment loss, which shall be written down after approval.

On the balance sheet date, the contract assets and liabilities are listed separately due to different contracts. For contract assets and contract liabilities under the same contract, the net amount is shown as the debit balance, and the contract assets or other non-current assets are listed respectively according to their liquidity. If the provision for impairment has been accrued, the balance at the end of the period minus the provision for impairment of contract assets shall be listed; If the net amount is the credit balance, it shall be listed as contract liabilities or other non-current liabilities according to their liquidity.

13. Held-for-sale assets

The Company will retrieve its book value by means of selling assets (including the exchange of commercial non-monetary assets) instead of sequentially using a non-monetary asset or a disposal group, and when meeting two of the following conditions, the book value will be divided into held-for-sale category: (1) When a certain non-monetary assets or a certain disposal group sells such kind of assets in similar transactions in accordance with the convention, assets can be sold immediately under the current situation. (2) The Company has made decisions for the selling plans and has acquired assured purchase commitment, predicting that selling will be completed within one year. (The selling, which can only be sold after acquiring approval from relevant authorities or supervision departments according to relevant provision requirement, has acquired its approval).

The Company will be specifically for dividing the non-current assets or disposal group which are acquired from reselling into on-sales category on acquisition date if on acquisition date they can meet the stipulated condition that the predicted selling will be completed within one year, and in a short term (usually 3 months) they are likely to meet other conditions of dividing into on-sales category.

When the non-monetary assets and disposal group were measured by the Company at the beginning or remeasured and divided into held-for-sale category on balance sheet date, if its book value is higher than the net amount after fair value deducts selling expense, the book value will be written down to the net amount after fair value deducts selling expense, and the written-down amount will be confirmed as assets impairment losses and counted into the current profits and losses, and the impairment provision with held-for-sale assets will be withdrawn in the meanwhile. For the held-for-sale disposal group's confirmed amount of loss of asset impairment, the book value of goodwill will be deducted first, and its book value will then be deducted proportionally according to the book value's percentages of all non-current assets in the disposal group which can be adopted by the measurement stipulations of Accounting Standards for Business Enterprises NO.42- Held-for-sale Non-current Assets, Disposal Groups and Operation Termination

If any increment occurs in the net amount after the held-for-sale non-current assets on the subsequent balance sheet date deducts selling expense, the amount deducted previously will be recovered and will be transferred back within the amount of asset impairment losses confirmed after being divided into held-for-sale category, and the amount transferred back

will be counted into the current profits and losses. There will be no restitution for asset impairment losses confirmed before being divided into held-for-sale category. The amount previously written down by the disposal group held for sale shall be restored and reversed within the amount of asset impairment loss recognized by non-current assets according to the measurement provisions of accounting standards for Business Enterprises No. 42 – non-current assets held for sale, disposal group and termination of operation after being classified as held for sale, and the reversed amount shall be included in the current profits and losses. The book value of the offset goodwill and the non-current assets that are measured according to the accounting standards for Business Enterprises No. 42 – non-current assets held for sale, disposal group and termination of operation shall not be reversed before they are classified into the categories held for sale.

Non-current held-for-sale assets or non-current assets in the disposal group shall not be depreciated or amortized, and interest and other expenses on liabilities held in the disposal group for sale shall continue to be recognized.

When the non-current assets or the disposal group can not meet the conditions of dividing into on-sales category, the Company will not continue to divide it into on-sales category or remove the non-current assets from the on-sales disposal group, and the valuation will be made according to the lower one between two of followings: (1) Book value before being divided into on-sales category, and the amount of money after being under the situation where book value is supposed not to be divided into on-sales category and adjustment is made in depreciation, amortization or impairment which should have been confirmed. (2) Recoverable amount.

When derecognizing the on-sales non-current assets or disposal group, the Company will count the gains and losses which are yet to be confirmed into the current profits and losses.

14. Long-term equity investment

The long-term equity investment in this section refers to the long-term equity investment of this enterprise that is able to control to or does joint control with or significant influences over the invested enterprise. For the long-term equity investment of this enterprise that is not able to control to or does not do joint control with or have significant influences over the invested enterprise, this enterprise shall record it as available-for-sale financial asset or the financial asset measured by its fair value with its changes in fair value recorded into the profits or

losses of current period as the changes. For details of its accounting policy, please refer to Note 3.10 "Financing Instruments".

The term "joint control" refers to the joint control over an arrangement of this enterprise in accordance with the contracts and agreements, and decisions over relevant activity of such arrangement shall not be unless the assent on sharing the control power. The term "significant influences" refers to this enterprise's power to participate in making decisions on the financial and operating policies of the invested enterprise, but not to control or do joint control together with other parties over the formulation of these policies.

(1) Determination of investment cost

For the merger of enterprises under the same control, 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, no-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 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. For the merger of enterprises under the same control through gaining the shares of the combined enterprise by multiple steps of deals, it shall deal with it in the following two ways depending on that if it belongs to "a package deal": if it belongs to "a package deal", it shall deal with all the deals as one obtaining the control power; if it does not belong to "a package deal", it shall, on the date of merger, regard the share of 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. The equity investment held by this enterprise before the date of merger shall be accounted for by equity method, or shall be recorded as the other comprehensive income

recognized as available-for-sale financial asset and not accounted for.

For the merger of enterprises not under the same control, 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 merger costs include the assets paid, liabilities occurred or borne and sum of the fair value of the equity securities issued by the purchaser. For the merger of enterprises not under the same control through gaining the shares of the combined enterprise by multiple steps of deals, it shall deal with it in the following two ways depending on that if it belongs to "a package deal": if it belongs to "a package deal", it shall deal with all the deals as one obtaining the control power; if it does not belong to "a package deal", it shall, on the date of merger, regard the sum of book value of the owner's original equity of the merged enterprise and the newly increased investment cost as the initial cost of the long-term equity investment. For the shares originally held by this enterprise accounted for by weighted equity method, the relevant other comprehensive income shall not be accounted for temporarily. For the equity investment accounted for as available-for-sale financial asset, the difference of its fair value and its face value and the accumulated changes in its fair value originally recorded as other comprehensive income shall be switched to the profits or losses of the current period.

The audit cost, law service cost, evaluation and consultation fees and agent commissions as well as other related administration costs occurred and borne by the merging or purchasing enterprise for the purpose of merger, shall be recorded into the profits or losses of current period at the time when the costs occurred.

Other equity investments except the long-term equity investment formed by merger of enterprises shall be initially ascertained by their costs which, depending on the different ways in acquiring the long-term equity investments, shall be recognized separately as cash purchasing prices actually paid by this enterprise, fair value of the equity securities issued by this enterprise, agreed value of the investment contracts or agreements, fair value or original book value of the assets obtained by exchange of non-monetary assets, the fair value of the long-term equity investment itself, etc. The relevant expenses, tax payments as well as other necessary expenses directly associated with obtaining the long-term equity investment shall be recorded into the investment costs as well. If this enterprise is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional investment, the long-term equity investment cost shall be the sum of the fair value of the equity investment ascertained in accordance with the Accounting Standards for

Enterprises No. 22 - Recognition and Measurement of Financial Instrument and the cost of the increased investment.

(2) Subsequent measurement and recognition of profit or loss

A long-term equity investment of this enterprise that does joint control (not including joint venture) or significant influences over the invested entity shall be measured by employing the equity method. Besides, the cost method is employed in this enterprise's financial reports to measure the long-term equity investment that could form control over the invested entity.

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

The price of a long-term equity investment measured by employing the cost method shall be included at its initial investment cost. If there are additional investments, the cost of the long-term equity investment shall be adjusted. Except the prices actually paid when obtaining the investment or cash dividends or profits being approved in the consideration but not yet issued, the investment income of the current period shall be recognized in accordance with the cash dividends or profits being approved by the invested entity.

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

If the initial cost of a long-term equity investment is more than the investing enterprise's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of long-term equity investment shall be adjusted simultaneously.

When employing the equity method, this enterprise shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. This enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and included in the capital reserves. This 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 policies and accounting periods adopted by the invested entity are different from those adopted by this enterprise, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of this enterprise and recognize the investment profits or losses and other comprehensive incomes. For the transactions between this enterprise and its joint ventures and associated entities, where the assets invested or sold do not constitute a business, the unrealized internal transaction profits or losses shall be calculated in accordance with proportion shared, with the proportion shared by this enterprise offset and recognize the investment profits or losses based thereof. However, if losses occurred in the internal transaction between the invested entities is the impairment loss of transferred assets, they shall not be offset. When the assets invested by this enterprise to its joint ventures or associated entities constitute a business, and the investing party obtains long-term equity but without control power, the fair value of the invested business shall be recognized as the initial investment cost of the additional long-term equity investment. The total difference between the original investment cost and the book face of the invested business shall be recorded into the profits or losses of the current period. If the assets purchased from the joint ventures or associated entities constitute a business, this enterprise shall account for the business in accordance with this enterprise Accounting Standard No. 20 - Business Combinations, with the total profits or losses associated with the transaction recognized.

The Company bears the net losses of its invested business to the limit of the book value of its long-term equity investment and other long-term equity that in real terms constitutes investment on the business. For additional loss of its invested business, if the Company is obligated to undertake, it shall be recognized as Retained Earnings accordingly and recorded in current investment losses. If the invested business earns profits afterwards, the Company shall reinstate and recognize its share of gains after compensating its unrecognized share of losses.

For the long-term equity investment held by the Company before the first execution of the new accounting criterion of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

3) Purchase of minority interest

While compiling consolidated financial statements, the Company adjusts its capital reserve in terms of the difference between the increase of long-term equity investments due to purchase of minority interest and its share of the subsidiaries' net assets since the purchase (or combination) date or dates. If its capital reserve is not sufficient to write down the difference, then the Company adjusts its retained income.

4) Disposal of long-term equity investment

In consolidated financial statements, the Company records in shareholders' equity the difference between partial disposals of its long-term equity investments in its subsidiaries and its share of the subsidiaries' net assets if it does not lose control of the subsidiaries; and if such partial disposals result in loss of its control of the subsidiaries, the difference shall be treated in accordance with the accounting policies related and specified in "Compiling Principles for Consolidated Financial Statements". (Please refer to (2) in Note 3.6)

For disposals of long-term equity investments under other circumstances, the difference between the book value and the actual received consideration is recorded in current profit and loss.

For the long-term equity investments calculated by equity method, the same method applies to the remaining equity after disposal. Meanwhile, the other comprehensive gains originally recorded in shareholders' equity are treated pro rata by the same method how the invested businesses handle the accounts while directly disposing the related assets or liabilities. The investor recognizes the ownership interest due to equity changes except net profit and loss, other comprehensive gains and profit distribution, and carries it over pro rata to current profit and loss.

For long-term equity investments calculated by costs method, the same method applies to the remaining equity after disposal. Other comprehensive gains calculated and recognized by equity method or recognition and measurement principles for financial instruments before the Company obtains control of the invested businesses are treated on the same basis that the invested businesses directly dispose the related assets or liabilities, and it will be carried over pro rata to current profit and loss; and among the invested businesses' net assets that are calculated and recognized by equity method are all other equity changes than net profit and loss, other comprehensive gains and profit distribution carried over pro rata to current profit

and loss.

For disposals of long-term investment equity resulting in loss of control over the invested businesses, when compiling individual financial statements, the Company changes to adopt equity method to calculate the remaining equity that is still sufficient to exert joint control or significant influence, and to make adjustments as since it was acquired; and if the remaining equity is not sufficient, it will be handled in accordance with the relevant recognition and measurement principles for financial instruments and the difference between its fair value and book value will be recorded in current profit and loss since the Company loses control of the invested businesses. For other comprehensive gains recognized by equity method or recognition and measurement principles for financial instruments before the Company obtains control over the invested businesses, the Company adopts the same basis to handle the accounts as the invested businesses directly dispose the related assets or liabilities, and among the invested businesses' net assets that are calculated and recognized by equity method are all other equity changes than net profit and loss, other comprehensive gains and profit distribution carried over pro rata to current profit and loss. For the remaining equity calculated by equity method, other comprehensive gains and other ownership interests will be carried over pro rata while for those treated in accordance with the recognition and measurement principles for financial instruments, other comprehensive gains and other ownership interests will be carried over entirely.

Under the circumstances that the Company loses joint control over or has no significant influence on the invested businesses due to partial equity disposal, the remaining equity changes to be calculated in accordance with the recognition and measurement principles for financial instruments, and the difference between its fair value on the date that the Company loses the joint control and significant influence and the book value is recorded in current profit and loss. For other comprehensive gains recognized due to calculation of the original equity investments by equity method, the Company adopts the equity method no longer but the same basis to handle the accounts as the invested businesses directly dispose the related assets or liabilities while carrying over to current profit and loss all the ownership interest recognized due to other equity changes than net profit and loss, other comprehensive gains and profit distribution.

If the Company gradually loses control of a subsidiary through multiple transactions, which is a package deal as a whole, then all these transactions will be treated as control losing equity disposal, and before loss of control, the difference between each transaction consideration and

the book value of the corresponding long-term equity investment is recognized as other comprehensive gains and in the end, carried over to current profit and loss upon loss of control.

15. Investment property

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

The Company makes initial measurement at the costs that the properties are acquired and records as part of the property costs the subsequent expenses that could bring economic benefit inflows and be measured reliably while other subsequent expenses as part of current profit and loss.

The company's investment property uses the cost model to carry on the follow-up measurement. Such properties are depreciated or amortized in accordance with the relevant regulations for fixed assets or intangible assets.

16. Fixed assets and accumulated depreciation

(1) Criteria for recognition of fixed assets

Fixed assets refer to tangible assets that are held for production, services, leases or operations and the useful life of which are over one accounting year. Fixed assets are recognized if it produces economic benefit inflows and its costs can be measured reliably. The Company makes initial measurements on fixed assets at the costs that they are acquired.

(2) Classification and depreciation policy of fixed assets

The company adopts the Straight-line method to carry out depreciation. The fixed assets shall begin to be depreciated upon reaching the intended usable state, and shall cease to be depreciated upon termination of recognition or when they are classified as non-current & held-for-sale assets. Without taking into account the provision for impairment, the Company determines the annual depreciation rates of all types of fixed assets according to the type of fixed assets, the expected useful life and the estimated residual value as follows:

Item	Method	Useful life (Year)	Residuals rate %	yearly depreciation %
House and building	Straight-line depreciation	25—35	3	2.77-3.88
Machinery equipment	Straight-line depreciation	7-15	3	6.47-13.86
Transportation equipment	Straight-line depreciation	8-10	3	9.70-12.13
electronic equipment and others	Straight-line depreciation	5-10	3	9.70-19.40

Thereinto, the fixed asset whose asset impairment provision has been withdrawn should also have its accumulated amount deducted to count and confirm the depreciation rate.

At the end of each year, the company reviews the useful life, estimated net residual value and depreciation method of fixed assets. If the estimated useful life is different from the original estimate, the useful life of the fixed assets shall be adjusted. If the estimated net residual value is different from original estimated, the estimated net residual value shall be adjusted.

(3) Recognition basis, pricing and depreciation method of fixed assets by finance lease

Fixed assets leased by the Company are recognized as financing leased fixed assets when they meet one or more of the following criteria:

- 1) At the end of the lease term, ownership of the leased assets is transferred to the Company.
- 2) The Company has the option to purchase leased assets, and the contracted purchase price is expected to be well below the fair value of the leased assets at the time of exercise of the option, So it can be reasonably certain that the Company will exercise this option on the date of commencement of the lease.
- 3) Even if ownership of the assets is not transferred, the lease term accounts for the majority of the useful life of the leased assets.
- 4) The present value of the minimum lease payment of the Company at the date of commencement of the lease is almost equivalent to the fair value of the leased assets on the date of commencement of the lease.
- 5) The leased assets are of a special nature, if no major modifications are made, only the company can use them.

Fixed assets from financial leasing are depreciated during the useful life if it is reasonable to determine that the ownership could be obtained upon lease expiration; otherwise, the Company should choose the shorter of the lease period and the

remaining useful life to depreciate the assets.

(4) Charge for Major repair

The Company conducts regular checking on major overhaul fee incurred in the fixed asset, and any parts of the fee that have unambiguous evidence to indicate they conform with the condition for confirming fixed asset will be counted into the fixed asset costs, otherwise into the profit and loss of the current period. During the interval period of regular major overhaul, the fixed asset will be depreciated as before.

17. Construction in progress

The costs of construction in progress include all necessary project expenditures, the borrowing expenses that should be capitalized before the work reaches the expected usable status and other relevant expenses.

Construction in progress changes to fixed assets when it reaches the expected usable status.

18. Borrowing expenses

Borrowing expenses include interest, amortization of discount or premium, auxiliary expenses, translation differences arising from borrowings in foreign currency etc. The Company starts to capitalize the borrowing expenses in direct connection to purchase, construction or production of the assets that meet capitalization conditions when there are assets expenditures and borrowing expenses incurred and/or the Company starts all the necessary events to purchase, construct or produce such assets till the assets can be used and sold. Other borrowing expenses are recognized as costs when incurred.

The Company capitalizes the actual interest expense incurred by use of special borrowings, less the interest income from the remaining borrowing funds in bank or any investment income earned from the interim investment of those borrowings; and for general borrowings, the amount to capitalize is the weighted average of the accumulated assets expenditures in excess of the special borrowings times the capitalization rate of the used general borrowings, which is determined by the weighted average interest rate of the general borrowings.

During capitalization, all translation differences of special borrowings in foreign currency should be capitalized while those of general borrowings in foreign currency are recorded in current profit and loss.

The qualifying assets to be capitalized are fixed assets, investment properties and inventories

which need to be acquired, constructed or produced through a long period of time, in order to become ready for its intended use or sale.

The Company stops capitalization of borrowing costs if an abnormal interruption more than 3 consecutive months occurs during purchase, construction or production of the assets that are eligible to capitalization till all those restarts.

For the special loan borrowed for the purchase or production of assets eligible for capitalization, the amount of the borrowing costs incurred in the current period of a special loan, less the amount of interest earned in the bank on unused borrowed funds or the return on the investment obtained by a temporary investment, to determine the amount of capitalization of borrowing costs.

If general borrowings are used to purchase, construct or produce the capitalization eligible assets, the borrowing cost to capitalize is the weighted average of the accumulated assets expenditures in excess of the special borrowings times the capitalization rate of the used general borrowings, which is determined by the weighted average interest rate of the general borrowings.

19. Intangible assets

The Company makes initial measurements on intangible assets in terms of the costs and determines the useful life when obtaining the assets. For intangible assets of a limited useful life, from the time the assets are available for use, the Company adopts the amortization method that reflects realization of the expected economic benefits, or the straight-line amortization method if unable reliably to determine how to realize the expected economic benefits; and no amortization are made for intangible assets of an unlimited useful life.

At the end of each year, the Company reviews the useful life and amortization methods of intangible assets of a limited useful life and makes adjustments and accounting treatment if different from the previous estimates.

For the intangible assets that are estimated to produce no more economic benefits in the

future, the Company records the book value of such assets all in current profit and loss.

20. Research and development expenses

The expenditures for internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures.

The research expenditures shall be recorded into the profit or loss for the current period.

The development expenditures shall be capitalized when they satisfy the following conditions simultaneously: It is feasible technically to finish intangible assets for use or sale; Having the intention to complete the intangible asset and use or sell it; 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 for 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; Expenditures attributable to the development phase of the intangible assets can be measured reliably. Development expenditures that do not meet the above conditions are included in the profits and losses of the current period.

After meeting the above conditions, the corresponding projects of the company study their technical feasibility and economic feasibility, and enter the development stage after the formation of the project.

21. Long-term amortizable expenses

Long-term amortized expenses are valued at the actual costs and amortized at average in an estimated beneficial period of time. If those cannot benefit the Company in future accounting periods, the remaining will be recorded all in current profit and loss.

22. Impairment of the long-term assets

On balance sheet dates, the Company determines whether there are impairments occurring to fixed assets, construction in progress, intangible assets of a limited life, investment properties measured in the cost model as well as non-current and non-financial assets like the long-term equity investments on subsidiaries, joint ventures and associated companies. If impaired, the Company estimates the retrievable amount and conducts an impairment test. Impairment tests need to be done on goodwill, intangible assets of an unlimited life and the intangible assets that are not yet to reach the usable status, no matter they are impaired or not.

If the impairment test result shows the retrievable amount lower than the book value, impairment provisions will be set aside and recorded in impairment loss. The retrievable amount is the fair value of the assets less the disposal expenses or the present value of the estimated future cash flows of the assets, whichever is higher. The fair value of the assets is determined in terms of the price specified in the selling agreement that is fair trade; if no selling agreement but there is an active assets market existing, it is determined in terms of the buyer's offer; and if no selling agreement and active assets market, the fair value can be

estimated based on the best available information. Disposal expenses include all related legal charges, taxes, delivery fees or the direct expenses incurred to have the assets reach the usable or sellable status. To determine the present value of the estimated future cash flows from the assets, the Company chooses an appropriate discount rate in the light of the continual usage of the assets and the estimated future cash flows occurring upon final disposal. Impairment provisions of the assets are calculated and recognized on the basis of individual assets. If unable to estimate the retrievable amount of individual assets, the Company determines the amount by reference to the asset group that includes the individual assets. Asset groups are the minimum assets combination that independently produces cash inflows.

For the goodwill separately listed in financial statements, while an impairment test being conducted, the book value is apportioned to the asset groups or combination of asset groups expected to benefit from the synergy effects arising from business combinations. The Company recognizes impairment losses when the test result shows that the retrievable amount of the asset groups or combination of asset groups is lower than their book values. The impairment loss will be first used to write down the book values of the asset groups or combination of asset groups and then those of other assets pro rata.

Once the aforesaid impairment losses are recognized, they cannot be reversed in the future.

23. Employee compensation

Employee compensation refers to all kinds of rewards or compensations given in return for employees' services or employment termination. It includes short-term compensation, post-employment benefits, demission benefit.

Short-term compensation includes payroll, bonus, allowances and subsidies, employee welfare, medical insurance, injury insurance and birth insurance, housing fund, labor union and employee training expenditures, non-monetary benefits and other short-term rewards. It recognizes as liabilities the actual short-term compensation incurred during the accounting period that the employees provide their services and records in current profit and loss or the relevant asset costs. Non-monetary benefits are measured at the fair value.

Post-service benefits mainly include defined contribution plan and defined benefit plan. The defined contribution plan mainly includes basic pension, unemployment insurance etc. The corresponding contributions are recorded in the relevant asset costs or current profit and loss when incurred.

When terminating labor relations before expiration of contract, or layoffs with compensations,

and the Company cannot terminate the labor relations unilaterally or reduce the demission welfare, remuneration and liabilities produced from the demission welfare should be determined and included in current profits and losses when determining the costs of demission welfare and recombination. However, demission welfare not fully paid within 12 months after annual Reporting Period should be handled the same as other long-term employees' payrolls.

The inside employee retirement plan is treated by adopting the same principle with the above demission welfare. The Company would record the salary and the social security insurance fees paid and so on from the employee's service terminative date to normal retirement date into current profits and losses (demission welfare) under the condition that they meet the recognition conditions of Retained Earnings.

The other long-term welfare that the Company offers to the staffs, if met with the defined contribution plans, should be accounting disposed according to the defined contribution plans, while the rest should be disposed according to the defined-benefit plan.

24. Estimated liabilities

The Company recognizes obligations relating to contingent events as estimated liabilities if they meet the following conditions:

- A. That obligation is a present obligation of the enterprise;
- B. It is probable that an outflow of economic benefits from the enterprise will be required to settle the obligation;
- C. A reliable estimate can be made of the amount of the obligation.

The estimated liabilities is initially measured on the basis of the best estimate of the expenditure required to meet the relevant current obligations, taking into account factors such as risks, uncertainties and the time value of the currency associated with contingencies. Where the time value of the currency has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

When all or some of the expenses necessary for the liquidation of an estimated liabilities of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. Besides, the amount recognized for the reimbursement should not exceed the book value of the estimated liabilities.

25. Share-based Payment

(1) Types of Share-based Payment

It is divided into equity-settled share-based payment and cash-settled share-based payment.

(2) Recognition of Equity Instruments' Fair Value

For the granted equity instruments that there is an active market for, e.g. options, the Company determines the fair value by reference to the quotation prevailing in the active market. For those that there is no active market for, the options pricing model is adopted to determine the fair value.

(3) Recognition Basis for Best Estimates on Exercisable Equity Instruments

On each balance sheet date during the vesting period, the Company makes the best estimates based on the latest number changes of its employees and adjusts the quantity of estimated exercisable equity. The final quantity of estimated exercisable equity instruments should be consistent with that of the actual ones on vesting dates.

26. Recognition Principles of Revenues

The company recognizes revenue when the contract performance obligations have been fulfilled such as the customer has gained control over relevant goods or services.

If two or more performance obligations are included in the contract, the company shall, on the commencement date of the contract, apportion the transaction price to the individual performance obligations according to the relative proportion of the individual selling prices of the commodities or services promised by the individual performance obligations, and measure the income according to the transaction price apportioned to the individual performance obligations.

If one of the following conditions is met the company shall be obliged to fulfil its performance obligations over a certain period; otherwise, it shall be obliged to fulfil its performance obligations at a certain point:

- A. the customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs; or
- B. the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

C. the commodities produced by the company in the course of its performance are irreplaceable and the company has the right to collect payments for the part of performance that has been completed so far during the entire contract period.

For performance obligation that is to be fulfilled over a period of time, the company recognizes revenue based on the performance obligation cannot be reasonably measured, if the cost incurred is expected to be recovered, the revenue shall be recognized according to the amount of cost incurred, until the progress can be reasonably determined.

For performance obligation that is to be fulfilled at certain point, the company recognizes revenue when the customer gains control of the relevant goods or services.

(1) Sale of Goods

The company recognizes the realization the revenue sale of the goods when the main risk or reward in the ownership of the goods has been transferred to the buyer, the right to continue management and actual control over the goods is no longer exercised, relevant income has been obtained or the proof of receipt has been obtained, and the costs related to the sale of the goods can be measured reliably.

(2) Specific Principles of Main Revenues

Specific recognition principle of sales income for the vehicle air conditioners are subdivided into three situations according to customer groups:

1) Big customers

The main way of cooperation is that the company ships the goods to the designated or cooperative third-party logistics companies who will be responsible for warehousing and distribution services according to the production requirements of customers. The customer issues the debit notes according to the actual amount of the production plan monthly, and the salesmen issue the billing notices according to the customers' bills of lading combined with the customer's consumption, contract unit price, bill of lading and the like, while the finance department issues invoices to recognize the sales revenues.

2) Customers who pay first and pick up later.

According to the customers' demands and relevant billing information, and after the customers pay and confirm the payments, the salesmen deliver the goods according to the

unit prices of the sales contracts and the quantities required by the customers with the invoice notices, while the finance department issues invoice to complete the transaction.

3) Aftermarket customers

The salesmen ship the goods to the customers according to the contracts and the customers' requirements, and issue the invoice notices to the customers according to the unit prices and shipment quantities as agreed in the contracts after the milestones, while and the finance department issues invoices to recognize the sales revenues.

(3) Income from providing services

The company shall recognize the income according to the progress of completed services within a period of time. The progress of completed services shall be determined according to the proportion of the cost incurred to the total cost. On the balance sheet date, the Company re-estimates the progress of completed services so as to reflect the change of performance.

When the company confirms revenue according to the progress of completed services, the part that has obtained unconditional right of collection shall be recognized as receivables, the rest shall be recognized as contract assets, and the loss reserves shall be recognized based on expected credit loss for receivables and contract assets; If the company has received or the contract price exceeding the completed labor progress, the excess part will be recognized as the contract liability. The company shall show the contract assets and liabilities under the same contract in net.

27. Governmental subsidies

Government subsidy means the Company gratuitously obtains monetary assets or non-monetary assets from the government, not including the capital into which the government invests as an investor who has relevant ownership interest. Government subsidies are divided into the subsidy related to assets and the other related to earnings. Government subsidies related to monetary assets will be measured according to the amount received or the amount receivable. Those which related to non-monetary assets will be measured according to fair value; For any fair value which cannot be reliable to be obtained, the assets will be measured according to the nominal amount, and the one measured according to the nominal amount will be directly counted into the current profits and losses.

Government subsidies can only be recognized when the company is able to meet the conditions attached to government subsidies and is able to receive government subsidies.

Government subsidies are divided into asset-related government subsidies and income-related government subsidies. Government subsidies related to assets refer to government subsidies obtained by companies for the purchase, construction or other formation of long-term assets. Government subsidies related to income refer to government subsidies in addition to those related to assets.

The government grants pertinent to assets are recognized as deferred income and are credited to profit or loss by stages in accordance with a reasonable and systematic method within the useful life of the pertinent assets. If the pertinent assets are sold, transferred, scrapped or destroyed before the end of their useful life, the non-allocated pertinent deferred income balance shall be transferred to the profit or loss of the period of assets disposal, and the recognized government grant needs to be refunded, then it shall write down the carrying amount of the relevant deferred income and the excess part shall be included in the current profit and loss. The government grants pertinent to income that are used to compensate the relevant costs or losses of the subsequent period of the enterprise are recognized as deferred income and are credited to the current profit or loss for the period when the relevant costs, expenses or losses are recognized; those government grants used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

For the government subsidy which includes both the assets related part and the income related part, the different parts are treated separately; if it is difficult to distinguish, the whole is classified as the government subsidy related to the income.

Government subsidies related to the daily activities of the company shall be included in other earnings in accordance with the substance of the economic business. Government subsidies not related to the daily activities of the company shall be included in the non-operating income and expenditure.

28. Deferred income tax assets/Deferred income tax liability

The balance between the book value and the tax basis of some items of assets and liabilities, as well as the temporary differences issued as the balance between the book value and the tax basis of the tax basis items that unrecognized as assets and liabilities but can be determined as per the provisions of tax law, which shall be determined as the deferred income tax assets and the deferred income tax liabilities in accordance with the balance sheet debt law.

Taxable temporary differences related to the initial recognition of goodwill, as well as the initial recognition of an asset or liability in a transaction that neither belongs to a business

consolidation, nor affects the accounting profit and taxable income (or deductible loss) when it happens, the relevant deferred income tax liabilities shall not be recognized. In addition, as for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if the Company could control the reverse time of such differences and such differences cannot be reversed in the foreseeable future, the relevant deferred income tax liabilities also shall not be recognized. Apart from the above-mentioned exceptional cases, the Company recognizes all other deferred income tax liabilities caused by taxable temporary differences.

Deductible temporary differences related to the initial recognition of an asset or liability in a transaction that neither belongs to a business consolidation, nor affects the accounting profit and taxable income (or deductible loss) when it happens, the relevant deferred income tax assets shall not be recognized. In addition, as for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, if such differences cannot be reversed in the foreseeable future or are not likely to obtain the taxable income to deduct the deductible temporary differences of the taxable income, the relevant deferred income tax assets shall not be recognized. Apart from the above-mentioned exceptional cases, the Company recognizes other deferred income tax assets caused by deductible temporary differences within the limit of likely obtained taxable income that can be used to deduct the deductible temporary differences of the taxable income.

The corresponding deferred tax assets of deductible loss and tax reduction that can be carried forward during subsequent years shall be recognized within the limit of likely obtained future taxable income that can be used to deduct the deductible loss and tax reduction.

As per the provisions of tax law, the deferred income tax assets and deferred income tax liabilities shall be measured at the applicable tax rates used during the period of expectation recovery of relevant assets or pay-off relevant liabilities at the balance sheet date.

The book value of the deferred income tax assets shall be re-checked at the balance sheet date. The book value of the deferred income tax assets shall be written-down if it is unlikely to obtain sufficient taxable income in the future to deduct the benefit of the deferred tax assets and the written-down amount shall be carried forward if it is likely to obtain sufficient taxable income.

29. Income tax expenses

Income tax expenses include current income tax and deferred income tax. Except that the adjusted goodwill arising from the merger of enterprises, or the deferred income tax related to

the transaction or event directly included in the owner's equity is included in the owner's equity, it is included in the profit and loss of the current period as an income tax expense.

The current income tax is the amount of income tax payable in the current period, which is calculated on the basis of the taxable income of the current period. The amount of taxable income is derived from the corresponding adjustment of the pre-tax accounting profits for the current year in accordance with the relevant provisions of the tax law.

According to the temporary difference between the book value of assets and liabilities on the balance sheet date and the taxable basis, the Company uses the balance sheet debt method to recognize deferred income tax.

All taxable temporary differences recognize the relevant deferred income tax liabilities unless the taxable temporary differences arise in the following transactions: A、The initial recognition of goodwill, or the initial recognition of assets or liabilities arising from a transaction with the following characteristics: the transaction is not a merger of enterprises, and the transaction does not affect neither accounting profits nor taxable income at the time of the transaction; B、For taxable temporary differences related to investments in subsidiaries, joint ventures and associated enterprises, the timing of the return of the temporary differences can be controlled and the temporary difference is likely not to be reversed for the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward in subsequent years, the company is likely to recognize deferred income tax assets, which arising from limit to deductible temporary differences, deductible losses and tax credits for future taxable income, unless the deductible temporary difference arises in the following transactions: A、the transaction is not a merger of enterprises and does not affect neither accounting profits nor taxable income at the time of the transaction;; B、Where the deductible temporary differences related to the investments of subsidiaries, joint ventures and joint ventures meet the following conditions at the same time, the corresponding deferred income tax assets shall be confirmed: Temporary differences are likely to turn back in the foreseeable future and are likely to be used to offset taxable income against temporary differences in the future.

On the balance sheet date, the Company's deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate for the period during which the assets are expected to be recovered or the liabilities are liquidated, it also reflects the income tax impact of the expected recovery of assets or liquidation of liabilities on the balance sheet date.

On the balance sheet date, the Company reviews the book value of deferred income tax assets. If it is likely that sufficient taxable income will not be available in future periods to offset the benefits of deferred income tax assets, the book value of deferred income tax assets will be written down.

30. Operational leasing

The Company will transfer substantially all the risks and rewards of ownership of an asset lease are recognized as a finance lease. Other forms of lease besides financial leasing are considered as operating leasing.

At the commencement of the lease term, an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments shall be regarded as the recorded value of the leased assets and an amount equal to the minimum lease payments shall be recognized as a long-term recorded value of the leased assets of payables. The balance between the recorded amount of the leased asset and the recorded amount of the payable shall be accounted for as unrecognized finance charge.

Lease payments under an operating lease shall be accounted into the relevant asset cost or current profit or loss over the lease term on a straight-line basis.

31. Other Main Accounting Policies and Estimates

(1) Discontinued Operation

Discontinued operation refers to the components of an enterprise that meet one of the following conditions and can be distinguished separately, and the component has been disposed of or classified as holding for sale:

- ① This component represents an independent major business or a separate major area of operation;
- ② This component is part of an associated plan to dispose of an independent major business or a separate major area of operation;
- ③ This component is a subsidiary acquired specifically for resale.

For accounting method of Discontinued Operation, please refer to relevant description of Notes 3.13 "Held-for-sale assets".

32. Changes in Major Accounting Policies and Estimations

(1) Changes in Major Accounting Policies

①New income standards The Ministry of Finance promulgated the Accounting Standards for BusinessEnterprises No.14-Income (Revised) in 2017 (hereinafter referred to as the "New Income Standards"). The financial statements of the company in 2020 are prepared in accordance with the new income standard. According to the relevant provisions of the new income standard, the company adjusts the amount of retained earnings and other related items in the financial statements at the beginning of 2020 for the cumulative impact of the first implementation of the new income standard, and does not adjust the comparative financial statement data. The impact of the implementation of the new income standard on the items of statement at the beginning of the period is as follows:

Items in statement	Book Value on 31 st Dec 2019	Book Value on 1 st Jan 2020
Assets		
Contract assets		
Inventories		
Accounts receivable		
Non current assets due within one year		
Long-term receivables		
Other non-current assets		
Liabilities		
Contract liabilities		988,870.22
Advances from customers	1,117,423.35	
Taxes payable		
Non current liabilities due in one year		
Other current liabilities		128,553.13
Owners' Equity		
Surplus reserves		
Undistributed profits		
Minority interest		

Compared with the original income standard, the impact of the implementation of the new income standard on the financial statements in 2020 is as follows:

A. Impact on consolidated balance sheet:

Items in statement	New income standard	Original income standard
Assets		
Contract assets		
Inventories		
Accounts receivable		
Non current assets due within one year		
Long-term receivables		
Other non-current assets		
Liabilities		
Contract liabilities	1,479,711.62	
Advances from customers		1,672,074.13
Taxes payable		
Non current liabilities due in one year		
Other current liabilities	192,362.51	
Owners' Equity		
Surplus reserves		
Undistributed profits		
Minority interest		

B. Impact on consolidated income statement:

Items in statement	Under the new income standard Amount incurred in the current period	Under original income standard Amount incurred in the current period
Operating income		
Operating costs	638,523,642.92	634,708,154.65
Selling expenses	16,631,963.90	20,447,452.17
Total profits		
Income tax expenses		
Net profit		
Comprehensive income		
Basic earnings per share (RMB/Share)		

② Change of other accounting policies

Non.

(2). Change of accounting estimations

There were no changes of main accounting estimations during this period.

III. Taxation

1. Major tax types and tax rates applicable to the Company

Taxes	Basis of tax assessment	Tax rate %
Value-added tax (VAT)	Incomes should be taxed.	13、9、6
Education surcharges	Levied based on the actual payment of business tax, VAT and consumption tax	3
Local education surcharges	Levied based on the actual payment of business tax, VAT and consumption tax	2
Urban maintenance and construction tax	Levied based on the actual payment of business tax, VAT and consumption tax	7
Enterprise income tax	Levied based on the taxable income	15、25

Note:

(1) Chongqing Jianshe Automobile A/C Co., Ltd. by high and new technology enterprise qualification on November 21, 2019, acquire the qualification of new high-tech enterprises, Certificate No. GR201951100777, valid for three years. The company calculates and pay enterprise income tax shall be levied at the reduced tax rate 15% from 2020 to 2022.

(2) The tax rebate for export of a company shall be exempted from deductions and the tax rebate rate shall be 13%.

IV. Notes to the items of consolidated financial statements

1. Cash and cash equivalents

Items	2020.12.31	2019.12.31
Cash on hand	5,418.26	
Bank deposits	79,304,835.29	9,390,326.10
Other monetary assets	80,032,987.92	145,223,408.84
Total	159,343,241.47	154,613,734.94

Including: Overseas deposits

Note: The closing balance of other monetary assets of the company is 80,032,987.92 Yuan, including guarantee deposit of 40,032,987.92 Yuan and fixed deposit of 40,000,000.00 Yuan; the opening balance is 145,223,408.84 yuan, including guarantee deposit of 145,223,408.84 Yuan. The above amount of other monetary assets is not regarded as cash and cash equivalents due to restrictions on use.

2 Notes receivable

(1) Notes receivable:

Items	2020.12.31		
	Book Balance	Bad debts Reserves	Book value
Bank Acceptance	65,509,530.50		65,509,530.50
Trade Acceptance	1,039,000.00		1,039,000.00
Total	66,548,530.50		66,548,530.50

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Items	2019.12.31		
	Book Balance	Bad debts reserves	Book value
Bank Acceptance	22,133,187.05		22,133,187.05
Trade Acceptance	1,279,713.13		1,279,713.13
Total	23,412,900.18		23,412,900.18

(2) Provision for bad debts:

For notes receivable, whether or not there is a material financing component, the company will measure the loss in accordance with the estimated credit loss throughout the duration.

Bank Acceptance

The company measured the loss in accordance with the expected credit loss throughout the duration on December 31st 2020. All the bank's acceptance bills would not bring credit risk to the company even if there were default by banks or other drawers. So the company did not withdraw the expected credit impairment loss on the bank acceptance bill.

Trade Acceptance

Bad Debt Reserves-single allotment amount on Dec 31st 2020,

	Book value	Estimated credit loss rate during the period	Bad debts reserves	Reason
Dongfeng Peugeot Citroen Automobile Company Co.,Ltd	1,309,000.00			High recovery probability
Total	1,309,000.00			

(3) Pledged notes at the end of term:

There were no notes receivable pledged at end of term.

(4) The undue notes had been endorsed and discounted by end of term:

Items	Amount confirmed at December 31, 2020	Amount not confirmed at December 31, 2020
Bank Acceptance	207,391,919.75	
Total	207,391,919.75	

Note: The acceptors of bank acceptance are commercial banks. The company regarded all undue notes which had been endorsed or discounted as amount could be confirmed at end of term, because of the commercial banks with high credit would pay the notes. However, if the notes are not paid later, the company shall bear joint and responsibilities to the holders in accordance with the Negotiable Instruments Law.

3. Accounts receivable

(1) Accounts receivable measured by amortized cost

	2020.12.31			2019.12.31		
	Book Balance	Bad debts reserves	Book value	Book Balance	Bad debts reserves	Book value
Account receivable	256,413,808.79	35,027,355.89	221,386,452.90	266,451,764.75	34,803,545.78	231,648,218.97
Total	256,413,808.79	35,027,355.89	221,386,452.90	266,451,764.75	34,803,545.78	231,648,218.97

(2) Bad debts reserves

No matter whether there is a significant financing component or not, the company count bad

debts reserves for account receivable according to the entire duration of the estimated credit loss.

① Bad Debt Reserves-single allotment amount on Dec 31st 2020,

	Book balance	Estimated credit loss rate during the period	Bad debts reserves	Reason
Chongqing Hyosow Auto parts Co., Ltd	12,723,992.31	100.00	12,723,992.31	Unable to recover
Chongqing Bisuyunbo Technology Co., Ltd	5,396,775.35	100.00	5,396,775.35	Unable to recover
Harbin Hafei Automobile Industry Group Co., Ltd	3,999,944.43	100.00	3,999,944.43	Unable to recover
Chongqing Kaite Dynamic Technology Co., Ltd	1,481,654.59	100.00	1,481,654.59	Unable to recover
Guangqi Jiao Automobile Co., Ltd Luqiao Branch	75,821.20	100.00	75,821.20	Unable to recover
Guangqi Jiao Automobile Co.,Ltd Dongying Branch	48,579.85	100.00	48,579.85	Unable to recover
Baic Yinxiang Automobile Co., Ltd	20,700.00	100.00	20,700.00	Unable to recover
Hangzhou Fuyang Instrument Co., Ltd	2,821,287.26	100.00	2,821,287.26	Unable to recover
Guangqi Jiao Automobile Co., Ltd	67,998.51	100.00	67,998.51	Unable to recover
Hubei Zotye Automobile Co., Ltd	1,408,811.40	100.00	1,408,811.40	Unable to recover
Baic black leopard (Weihai) Automobile Co., Ltd	51,021.77	100.00	51,021.77	Unable to recover
Dongfeng Xiaokang Automobile Co.,Ltd Chongqing Branch	102,720.66	100.00	102,720.66	Unable to recover
Sichuan Yema Automobile Co., Ltd	12,157.93	100.00	12,157.93	Unable to recover
Total	28,211,465.26		28,211,465.26	

②Balance of bad debts reserves:

Portfolio——Aging

	Book Balance	Estimated credit loss rate during the period	Bad debts reserves
1-6 Months	214,500,075.50		-
6Months to 1 year	6,730,740.44	5.00	336,537.03
1 to 2 years	431,589.17	10.00	43,158.92

2 to 3 years	132,486.54	30.00	39,745.96
3 to 4 years	22,006.32	50.00	11,003.16
4 to 5 years			
Over 5 years	6,385,445.56	100.00	6,385,445.56
Total	228,202,343.53		6,815,890.63

③The changes of bad debts reserves:

Items	2020.01.01	Increase		Reduce		2020.12.31
		Increased of Enterprise Combination	Provision	Recovery or reversal	Elimination or write-off	
Bad debts Reserves	34,803,545.78	372,933.29	-60,654.61	88,468.57		35,027,355.89

④Significant reversal or write-off of bad debt provision for the current period:

Company	Amount of reversal or write-off	Reason
Baic black leopard (Weihai) Automobile Co., Ltd	77,356.19	Recovered
Yuxin Automobile Air Conditioning Co., Ltd	11,112.38	Offset by debts
Total	88,468.57	

Note: The amount above of bad debts reserves which was fully withdrawn according to the independent provision for expected credit loss in the previous year, and in the current year, the provision for bad debts was switched back by recovery or offset.

⑤Actual write-off amount of account receivable through the duration:

There were no accounts receivable actually write-off through the duration.

(3) Top five of account receivable classified by company:

The amount of top five account receivable classified by company throughout this duration is 199,470,492.71 Yuan, accounting for 77.79% of the whole account receivable at end of term.

The provision of bad debts is 12,723,992.31 Yuan at the end of duration.

Company Name	Amount pf ending balance	Aging	Proportion of total accounts receivable %	Amount of ending balance for bad debts
PSA Group	81,144,101.04	Within 6 months	31.65	
Great Wall Motor Co., Ltd.Chongqing Yongchuan Branch	37,333,440.98	Within 6 months	14.56	
Chongqing Changan Auto Co.,Ltd	35,860,898.25	Within 6 months	13.99	
Zhejiang Yuanjing Auto Co.,Ltd	32,408,060.13	Within 6 months	12.64	
Chongqing Huansu Auto Co.,Ltd	12,723,992.31	Over 3years	4.95	12,723,992.31
Total	199,470,492.71		77.79	12,723,992.31

4. Prepayments

(1) Presentation of Prepayments by aging

Aging	2020.12.31		2019.12.31	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	8,133,267.52	95.24	9,776,475.47	97.02
1-2 years	176,700.00	2.07	217,616.19	2.16
2 to 3 years	169,785.97	1.99	59,562.67	0.59
Over 3 years	59,562.66	0.70	23,263.60	0.23
Total	8,539,316.15	100	10,076,917.93	100

(2) The top five prepayments by the debit balance as at December 31, 2020

Company Name	Relations with the Company	Amount	Proportion % of total prepaid	Aging	Reason for non-settle accounts
Chongqing Jiantao Aluminum Co., Ltd	Non-related party	2,671,050.00	31.28	Within 1 year	non-arrival settlement
Huayang (Shanghai) trade Co.,Ltd.	Non-related party	2,484,996.26	29.10	Within 1 year	non-arrival settlement period
Chongqing Dongke Mould Manufacturing Co.,Ltd.	Non-related party	1,207,626.48	14.14	Within 1 year	non-arrival settlement period
Chongqing Quantian Electromechanical Equipment Co., Ltd	Non-related party	180,000.00	2.11	Within 1 year	non-arrival settlement period
Shanghai Yuanzhi Electric Appliance Co., Ltd	Non-related party	178,000.00	2.08	Within 1 year	non-arrival settlement
Total		6,721,672.74	78.71		

5. Other receivables

Items	2020.12.31	2019.12.31
Interest receivable		
Dividends receivable		
Other receivables	1,253,612.91	3,439,028.39
Total	1,253,612.91	3,439,028.39

(1) Disclosure of other receivables by category

	2020.12.31		Book Value	2019.12.31		Book Value
	Book Balance	Provision for bad debts		Book Balance	Provision for bad debts	
Other receivable with significant single amount and provision for bad debt made on an individual basis	2,364,944.99	2,364,944.99		886,074.92	886,074.92	
Other receivable with provision for bad debt made on portfolio with similar risk credit characteristics bas	5,379,862.00	4,126,249.09	1,253,612.91	7,564,888.30	4,125,859.91	3,439,028.39
Total	7,744,806.99	6,491,194.08	1,253,612.91	8,450,963.22	5,011,934.83	3,439,028.39

① Provision for bad debts

A. Provision for bad debts of other accounts receivable at the first stage on December 31st 2020:

	Balance value	Estimated credit loss in the next 12months	Provision for bad debts	Reason
Provision in groups:				
Group 1: aging	5,379,862.00	76.70	4,126,249.09	

Group 2: Individually determined				
Others				
Total	5,379,862.00	76.70	4,126,249.09	

B. Provision for bad debts of other accounts receivable at the third stage on December 31st 2020:

	Balance value	Estimated credit loss in the next 12months	Provision for bad debts	Reason
Single provision				
Pending quality inspection, Exhibition products	163,394.48	100.00	163,394.48	Unable to recover
Temporary supplier	390,655.08	100.00	390,655.08	Unable to recover
Chongqing Yiqun Trade Co.,Ltd	91,900.00	100.00	91,900.00	Unable to recover
Deposit of workers' salary from Chongqing Huachuang Tech Building construction project	88,000.00	100.00	88,000.00	Unable to recover
Chongqing Jinxiang Hoisting Equipment Manufacturing Co.,Ltd	16,800.00	100.00	16,800.00	Unable to recover
Yangzhou Qionghua Coating Equipment Co.,Ltd	56,500.00	100.00	56,500.00	Unable to recover
China Customs (Chongqing)	78,825.36	100.00	78,825.36	Unable to recover
Chongqing Jianshe lijue Industrial Co., Ltd	1,478,870.07	100.00	1,478,870.07	Unable to recover
Total	2,364,944.99	100.00	2,364,944.99	

②The moving of provision for bad debts

Provision for bad debts	First stage	Second stage	Third stage	Total
	Estimated credit loss in the next 12 months	Estimated credit loss throughout the duration (no credit loss)	Estimated credit loss throughout the duration (credit loss)	
Balance value on Jan 1st 2020	4,125,859.91		886,074.92	5,011,934.83
In the Reporting Period,carrying amount	4,125,859.91		886,074.92	5,011,934.83

Provision for bad debts	First stage	Second stage	Third stage	Total
	Estimated credit loss in the next 12 months	Estimated credit loss throughout the duration (no credit loss)	Estimated credit loss throughout the duration (credit loss)	
of other receivables on 1 January 2020				
—transfer to the first stage				
—transfer to the second stage				
—transfer to the third stage				
Provision throughout the duration	-70,873.36		1,478,870.07	1,407,996.71
Reversal during the period				
Elimination during the period				
Write off during the period				
Others(Increased of enterprise combination)	71,262.54			71,262.54
Balance value as at Dec 31st 2020	4,126,249.09		2,364,944.99	6,491,194.08

Actual write-off amount of other receivable throughout the duration:

There were no other receivable actually write-off through the duration.

③Classification of other receivables:

Item	2020.12.31	2019.12.31
Petty cash, guarantee deposit, social security fee, etc.	1,254,002.09	4,415,635.18
Bad debts have been fully charged for long-term transactions	6,490,804.90	4,035,328.04
Total	7,744,806.99	8,450,963.22

④The top five other receivables by the debit balance as at December 31, 2020:

Company Name	Whether it is related party	Business nature	Ending balance	Aging	Proportion % of total other receivables	Ending balance for bad-debt provision
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Company Name	Whether it is related party	Business nature	Ending balance	Aging	Proportion % of total other receivables	Ending balance for bad-debt provision
Shenzhen Jianshe motorcycle Co.,Ltd.	No	Trading	3,013,664.00	Over 5years	38.91	3,013,664.00
Chongqing Jianshe Lijue Industrial Co.,Ltd	Yes	Trading	1,478,870.07	Within 2 years	19.09	1,478,870.07
Ningbo Jianshe Motorcycle Co.,Ltd.	No	Trading	329,628.73	Over 5years	4.26	329,628.73
Agency of Ningbo Jianshe	No	Trading	692,035.31	Over 5years	8.94	692,035.31
Temporary supplier	No	Trading	390,655.08	Over 3years	5.04	390,655.08
Total	—		5,904,853.19		76.24	5,904,853.19

6. Inventories

(1) Category of Inventory

Item	2020.12.31		
	Book balance	Provision for inventory impairment	Book value
Raw materials	21,059,315.45	1,396.55	21,057,918.90
Goods in progress	6,915,376.31	210,319.10	6,705,057.21
Finished goods	141,445,525.10	3,387,974.33	138,057,550.77
Turnover materials	4,636,544.84	1,311,084.94	3,325,459.90
Supplies Inventory			
Consumptive biological assets			
The completed and unsettled assets resulting from construction contract			
Total	174,056,761.70	4,910,774.92	169,145,986.78

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Item	2019.12.31		
	Book balance	Provision for inventory impairment	Book value
Raw materials	21,124,142.79	457,360.97	20,666,781.82
Goods in progress	7,124,606.32	220,231.20	6,904,375.12
Finished goods	124,393,318.77	5,646,017.11	118,747,301.66
Turnover materials			

Item	2019.12.31		
	Book balance	Provision for inventory impairment	Book value
Supplies Inventory			
Consumptive biological assets			
The completed and unsettled assets resulting from construction contract			
Total	152,642,067.88	6,323,609.28	146,318,458.60

(2) Provision for Inventory

Item	2020.01.01	Increase in current period		Decrease in current period		2020.12.31
		Accrual	Other	Switch back or write-off	Other	
Raw materials	457,360.97			455,964.42		1,396.55
Goods in progress	220,231.20			9,912.10		210,319.10
Finished goods	5,646,017.11	784,114.68	487,163.05	3,509,445.10		3,407,849.74
Turnover materials		48,857.68	1,242,351.85			1,291,209.53
Supplies Inventory						
Consumptive biological assets						
The completed and unsettled assets resulting from construction contract						
Total	6,323,609.28	832,972.36	1,729,514.90	3,975,321.62		4,910,774.92

Note: The increased amount in current period of other refers to the amount of provision for inventory withdrawn by Chongqing Pingshan TK Carburetor Co., Ltd. on the purchase day.

(3) Notes of provision for Inventory and the reasons for charging off or write-off

Items	Details of provision for inventory	The reason for switching back provision for inventory	The Reason for writing off provision for inventory
Raw materials	Damaged very seriously, estimated net value is lower than its book cost.		Sale or disposal
Goods in progress	Estimated net value is lower than its book cost.		Sale or disposal
Finished goods	Estimated net value is lower than its book cost.		Sale or disposal

7. Other current assets

Item	2020.12.31	2019.12.31
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Overpaid VAT	3,396,186.56	3,047,932.61
Purchased debenture investment falling due in a year which measured at amortized cost		
Purchased debenture investment falling due in a year which measured at fair value and changes regarded as other consolidated income		
Total	3,396,186.56	3,047,932.61

8. Long-term equity investments

(1) Classification of Long-term equity investments

Item	2020.01.01	Increase in current period	Decrease in current period	2020.12.31
Investment on subsidiaries	0.00	0.00	0.00	0.00
Investment on joint ventures	230,649,585.63	177,818.56	44,613,685.17	186,213,719.02
Investment on associate company	0.00	0.00	0.00	0.00
Total	230,649,585.63	177,818.56	44,613,685.17	186,213,719.02
Less: provision for impairment of long-term equity investments	0.00	0.00	0.00	0.00
Total	230,649,585.63	177,818.56	44,613,685.17	186,213,719.02

(2) Details of Long-term equity investments

Investee	Balance as at January 1, 2019	Increase/decrease in 2020 (+/-)				
		additional investment	Decrease in investment	Profits and losses on investments Recognized under the equity method	Other comprehensive income	Changes in other equity
Joint ventures						
Chongqing Pingshan TK Carburetor Co., Ltd.	38,867,604.85		39,045,423.41	177,818.56		
Chongqing Jianshe Hanon Co., Ltd	191,781,980.78			-5,568,261.76		
Total	230,649,585.63		39,045,423.41	-5,390,443.20		

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Investee	Increase/decrease in 2020 (+/-)	Balance as at	Balance as at
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	Declaration of cash dividends or profits	Preparing for impairment provision	Others	December 31, 2020	December 31, 2020 of provision for impairment
Joint ventures					
Chongqing Pingshan TK Carburetor Co., Ltd.				0.00	
Chongqing Jianshe Hanon Co., Ltd				186,213,719.02	
Total				186,213,719.02	

9. Other non-current financial assets

Item	2020.12.31	2019.12.31
Financial assets which measured in fair value and the changes regarded as current period profit and loss		
Specified financial assets which measured in fair value and the changes regarded as current period		
Including: Investment on Ningbo Jianshe Investment Company	1,140,915.04	1,140,915.04
Provision for impairment	1,140,915.04	1,140,915.04
Total		

10. Investment properties

(1) Investment properties with cost measurement method

Item	House、Building	Land use rights	Construction in process	Total
I. Original price				
1. Opening balance	109,254,429.87			109,254,429.87
2. Increase in the current period				
(1) Purchase				
(2) Transferred from construction in progress				
(3) Increased of Enterprise Combination				
3. Decreased amount of the period	72,445,590.49			72,445,590.49
(1) Disposal				

Item	House、 Building	Land use rights	Construction in process	Total
(2) Other transfer	72,445,590.49			72,445,590.49
4、Closing balance	36,808,839.38			36,808,839.38
II. Accumulated depreciation and accumulated amortization				
1、Opening balance	37,325,435.59			37,325,435.59
2、Increase in the current period	1,190,152.44			1,190,152.44
(1) Provision or amortization	1,190,152.44			1,190,152.44
(2) Transfer from fixed assets				
3、Decreased amount of the period	24,750,147.17			24,750,147.17
(1) Disposal				
(2) Other transfer	24,750,147.17			24,750,147.17
4、Balance at period-end	13,765,440.86			13,765,440.86
III. Provisions for impairment				
1、Opening balance				
2、Increase in the current period				
(1) Provision				
3、Increase in the current period				
(1) Disposal				
(2) Other transfer				
4、Balance at period-end				
IV. Book value				
1、Book value of the period-end	23,043,398.52			23,043,398.52
2、Book value of the period-begin	71,928,994.28			71,928,994.28

Note: In this period of investment properties, leasing value of housing buildings decreased 72,445,590.49 Yuan, and it moved from investment properties to fixed assets.

11. Fixed assets

Item	2020.12.31	2019.12.31
Fixed assets	310,131,438.69	278,885,442.43
Fixed assets to be disposed of		
Total	310,131,438.69	278,885,442.43

(1) Fixed assets and accumulated depreciation

① Fixed assets situation

Item	House, Building	Machinery equipment	Transportatio ns	Other equipment	Total
I、Original price					
1、Opening balance	109,345,310.69	589,170,440.09	6,418,034.14	15,139,805.36	720,073,590.28
2、Increase in the current period	108,824,878.13	122,461,803.30	1,181,786.85	4,216,918.86	236,685,387.14
(1) Purchase		5,823,458.95	243,805.32	952,103.97	7,019,368.24
(2) Transferred from construction in progress	73,280,446.47	3,393,496.06			76,673,942.53
(3) Increased of Enterprise Combination	35,544,431.66	113,244,848.29	937,981.53	3,264,814.89	152,992,076.37
(4) others					
3、Decreased amount of the period		83,929,749.53	1,456,858.00	15,800.10	85,402,407.63
(1) Disposal		83,929,749.53	1,456,858.00	15,800.10	85,402,407.63
(2) Decreased of Enterprise Combination					
(3) Transferred to investment properties					
4、Closing balance	218,170,188.82	627,702,493.86	6,142,962.99	19,340,924.12	871,356,569.79
II、Accumulated depreciation					
1、Balance at period-beginning	34,479,897.75	366,630,737.32	5,878,987.43	13,133,498.42	420,123,120.92
2、Increase in the current period	60,359,471.20	124,163,794.11	1,025,130.59	4,460,587.65	190,008,983.55
(1) Provision	6,624,940.79	24,273,477.77	134,048.14	1,559,011.19	32,591,477.89
(2) Increased of Enterprise Combination	28,984,383.24	99,890,316.34	891,082.45	2,901,576.46	132,667,358.49
(3) Transferred from construction in progress	24,750,147.17				24,750,147.17
(4) Others					
3、Decrease in the current period		61,843,270.63	1,413,152.85	11,145.98	63,267,569.46
(1) Disposal		61,843,270.63	1,413,152.85	11,145.98	63,267,569.46
(2) Decreased of Enterprise Combination					
(3) Transferred to investment properties					
4、Balance at period-end	94,839,368.95	428,951,260.80	5,490,965.17	17,582,940.09	546,864,535.01
III、Provisions for impairment					
1、Balance at period-beginning		21,065,026.93			21,065,026.93
2、Increase in the current		11,127,363.40			11,127,363.40

Item	House, Building	Machinery equipment	Transportations	Other equipment	Total
period					
(1) Provision		10,603,959.77			10,603,959.77
(2) Increased of Enterprise Combination		523,403.63			523,403.63
3、Decrease in the current period		17,831,794.24			17,831,794.24
(1) Disposal		17,831,794.24			17,831,794.24
(2) Decrease of Enterprise Combination					
4、Balance at period-end		14,360,596.09			14,360,596.09
IV、Book Value					
1、Book Value of period-end	123,330,819.87	184,390,636.97	651,997.82	1,757,984.03	310,131,438.69
2、Book Value of period-begin	74,865,412.94	201,474,675.84	539,046.71	2,006,306.94	278,885,442.43

Note: As at December 31, 2020, the company didn't occur the situation of leasing fixed assets through financial lease method.

The original value of 72,445,590.49 Yuan of housing buildings are converted from investment properties to fixed assets, which caused roll-in corresponding accumulated depreciation of 24,750,147.17 Yuan.

12. Construction in progress

Item	2020.12.31	2019.12.31
Construction in progress	1,871,241.59	3,858,269.05
Material holds for construction of fixed assets		
Total	1,871,241.59	3,858,269.05

(1) Information of construction in progress

Item	2020.12.31			2019.12.31		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Lighting protection testing fee of technique building	615,980.77		615,980.77	3,284,565.72		3,284,565.72
No.5 assembly line information analyzing system	461,185.83		461,185.83	230,592.92		230,592.92
New energy production line design fee	66,037.74		66,037.74	66,037.74		66,037.74
Intelligent transformation of	301,886.79		301,886.79			

Item	2020.12.31			2019.12.31		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
suspended vane compressor production line						
Mould	426,150.46		426,150.46			
Total quality management system platform implementation				176,724.00		176,724.00
Update of Linotype				73,800.00		73,800.00
OA Updating				26,548.67		26,548.67
Total	1,871,241.59		1,871,241.59	3,858,269.05		3,858,269.05

(2) Changes of important construction in progress during the period

Progress name	Budget	Source of fund	Paid accounting for the budget %	Progress of project %
New energy production line design fee	48,600.00	Self-funding	100.00	100.00
Reformation of multi head drill of caster	73,800.00	Self-funding	100.00	100.00
OA Updating	26,548.67	Self-funding	74.18	74.18
Renovation project of science and technology complex building	4,427,877.00	Self-funding	100.00	100.00
Total quality management system platform implementation	836,283.19	Self-funding	61.47	61.47
No.5 assembly line information analyzing system	750,265.49	Self-funding	94.34	94.34
Intelligent transformation of suspended vane compressor production line	320,000.00	Self-funding	66.55	66.55
Mould	1,207,161.37	Self-funding	100.00	100.00
monitoring system	13,486.24	Self-funding	100.00	100.00
Air flow meter	42,643.37	Self-funding	100.00	100.00
CNC lathe	28,141.59	Self-funding	100.00	100.00

Progress name	Budget	Source of fund	Paid accounting for the budget %	Progress of project %
Vertical band sawing machine	13,180.00	Self-funding	100.00	100.00
Exhaust system	91,858.41	Self-funding	100.00	100.00

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Process name	2020.1.1	Increase in the period		Decrease in the period		2020.12.31	
	Beginning balance	Amount	Including: capitalization of interest	Transfer to fixed assets	Other decrease	Closing balance	Including: capitalization of interest
New energy production line design fee	66,037.74					66,037.74	
Reformation of multi head drill of caster	73,800.00			73,800.00			
OA Updating	26,548.67			26,548.67			
Renovation project of science and technology complex building	3,284,565.72	2,968.28		2,671,553.23		615,980.77	
Total quality management system platform implementation	176,724.00	713,207.54		889,931.54			
No.5 assembly line	230,592.92	230,592.91				461,185.83	
Intelligent transformation of		301,886.79				301,886.79	
Mould		803,359.45		377,208.99		426,150.46	
monitoring system		13,486.24		13,486.24			
Air flow meter		42,643.37		42,643.37			
CNC lathe		28,141.59		28,141.59			
Vertical band sawing machine		13,180.00		13,180.00			

Exhaust system		91,858.41		91,858.41			
Total	3,858,269.05	2,241,324.58		4,228,352.04		1,871,241.59	

13. Intangible assets

Item	Land use	Software	Patent right	Non-patented technology	Total
I、Original book value					
1、Opening balance	32,933,611.45				32,933,611.45
2、Increase in the current period	9,192,796.84	1,880,957.69	2,691,549.96		13,765,304.49
(1) Purchase		889,931.54			889,931.54
(2) Internal R & D					
(3) Increased of Enterprise Combination	9,192,796.84	991,026.15	2,691,549.96		12,875,372.95
(4) Others					
3、Decrease in the current period					
(1) Disposal					
(2) Decrease of Enterprise Combination					
4、Closing balance	42,126,408.29	1,880,957.69	2,691,549.96		46,698,915.94
II、Accumulated amortization					
1、Balance at period-begin	10,110,226.74				10,110,226.74
2、Increase in the current period	8,081,197.47	965,108.29	158,326.47		9,204,632.23
(1) amortization	811,731.19	34,491.39	158,326.47		1,004,549.05
(2) Increase of enterprise combination	7,269,466.28	930,616.90			8,200,083.18
(2) Others					
3、Decrease in the current period					
(1) Disposal					
(2) Decrease of enterprise combination					
4、Balance at period-end	18,191,424.21	965,108.29	158,326.47		19,314,858.97
III、Provisions for Impairment					
1、Balance at period-begin					
2、Increase in the current period					
(1) Provision					
3、Decrease in the current period					

Item	Land use	Software	Patent right	Non-patented technology	Total
(1) Disposal					
4、Balance at period-end					
IV、Book Value					
1、Book Value of period-end	23,934,984.08	915,849.40	2,533,223.49		27,384,056.97
2、Book Value of period-begin	22,823,384.71				22,823,384.71

14. Long-term amortization expenses

Item	2020.01.01	Increase in the current period	Amortization in the current period	Other Decrease in the current period	2020.12.31	Reason for other decrease
SlidDworks service charge		74,250.00	49,500.00		24,750.00	
Total		74,250.00	49,500.00		24,750.00	

15. Deferred income tax assets and deferred income tax liability

(1) Deferred income tax assets not wrote off

Item	2020.12.31		2019.12.31	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provisions for impairment in credit	5,177,039.68	34,306,803.21	5,112,390.59	34,082,603.92
Provisions for impairment in assets	1,097,038.44	5,955,882.88	948,541.39	6,323,609.28
Total	6,274,078.12	40,262,686.09	6,060,931.98	40,406,213.20

(2) Deferred income tax liability not wrote off

Item	2020.12.31		2019.12.31	
	Deferred income tax liability	Taxable temporary differences	Deferred income tax liability	Taxable temporary differences
Estimated added value of assets	1,520,765.13	6,083,060.52		

not under the same control				
Tax deduction for depreciation of fixed assets	387,786.38	1,551,145.52		
Total	1,908,551.51	7,634,206.04		

(2) Details of the un-recognized deferred income tax assets

Item	2020.12.31	2019.12.31
Deductible temporary differences	21,668,149.93	27,938,818.66
Tax deductible losses	190,208,959.14	131,814,476.54
Total	211,877,109.07	159,753,295.20

Note: Because the amount of taxable income is uncertain in the future, the Company's deductible temporary differences and deductible losses weren't recognized as deferred income tax assets.

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

Year	2020.12.31	2019.12.31	Notes
2020		7,561,009.01	
2021	1,176,802.39	1,176,802.39	
2022			
2023	850,355.91	850,355.91	
2024	145,565,134.28	122,226,309.23	
2025	42,616,666.56		
Total	190,208,959.14	131,814,476.54	

16. Other non-current assets

Item	2020.12.31	2019.12.31
Prepayment of long - term assets	2,141,443.59	3,383,556.88
Total	2,141,443.59	3,383,556.88

17. Short-term borrowings

(1) Classification of short-term borrowings

Item	2020.12.31	2019.12.31
Credit borrowings	170,410,000.00	40,000,000.00
Guaranteed borrowings	383,500,000.00	382,280,000.00
Mortgaged borrowings		
Pledge loan		
Total	553,910,000.00	422,280,000.00

Notes:

lending institution	Starting date	Termination date	Annual interest rate	Guarantor	Ending balance
Finance company of China South Industries Group	2020/12/11	2021/3/11	4.35 %	Credit borrowings	25,000,000.00
Finance company of China South Industries Group	2020/6/15	2021/6/15	3.92%	Credit borrowings	20,000,000.00
Finance company of China South Industries Group	2020/11/17	2021/11/17	3.92%	Credit borrowings	30,000,000.00
Finance company of China South Industries Group	2020/12/2	2021/12/2	4.35%	Credit borrowings	28,000,000.00
Finance company of China South Industries Group	2020/12/2	2021/12/2	4.35%	Credit borrowings	30,000,000.00
Finance company of China South Industries Group	2020/12/29	2021/12/29	4.35%	Credit borrowings	23,500,000.00
Finance company of China South Industries Group	2020/7/31	2021/7/31	2.00%	Credit borrowings	9,400,000.00
Finance company of China South Industries Group	2020/10/29	2021/10/29	2.00%	Credit borrowings	4,510,000.00
Business department of Chongqing rural commercial bank	2020/1/17	2021/1/16	4.79%	Chongqing Jianshe Vehicle System Co.,Ltd.	17,710,000.00
Business department of Chongqing rural commercial bank	2020/6/19	2021/6/18	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	30,000,000.00
Business department of Chongqing rural commercial bank	2020/7/29	2021/7/28	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	30,000,000.00
Business department of Chongqing rural commercial bank	2020/8/11	2021/8/10	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	30,000,000.00
Business department of Chongqing rural commercial bank	2020/12/4	2021/12/3	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	55,790,000.00
High tech Development Zone sub branch of Bank of Chongqing Co., Ltd	2020/4/13	2021/4/12	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	24,997,000.00
High tech Development Zone sub branch of Bank of Chongqing Co., Ltd	2020/4/20	2021/4/19	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	9,999,500.00
Jiulongpo branch of Chongqing Bank	2020/4/28	2021/4/27	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	25,013,500.00
Jiulongpo branch of	2020/10/12	2021/5/24	4.60%	Chongqing Jianshe	

Chongqing Bank				Vehicle System Co.,Ltd.	34,500,000.00
Jiulongpo branch of Chongqing Bank	2020/10/15	2021/5/24	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	20,000,000.00
Jiulongpo branch of Chongqing Bank	2020/10/19	2021/5/24	4.60%	Chongqing Jianshe Vehicle System Co.,Ltd.	25,490,000.00
Chongqing Branch of China Everbright Bank Co., Ltd	2020/8/27	2021/8/27	4.35%	Chongqing Jianshe Vehicle System Co.,Ltd.	10,000,000.00
Chongqing Branch of Bank of Communications Co., Ltd	2020/11/3	2021/5/18	4.79%	Chongqing Jianshe Vehicle System Co.,Ltd.	20,000,000.00
Chongqing Jiulongpo branch of Bank of China	2020/2/28	2021/2/27	4.79%	Chongqing Jianshe Vehicle System Co.,Ltd.	50,000,000.00

18. Notes payable

Item	2020.12.31	2019.12.31
Bank Acceptance	110,020,000.00	330,644,075.95
Trade Acceptance		
Total	110,020,000.00	330,644,075.95

19. Accounts payable

(1) Presentation of Accounts payable

Aging	2020.12.31	2019.12.31
Within 1 year	284,998,378.45	221,641,634.09
1-2 years	1,837,069.84	904,967.54
2-3 years	0.08	741,395.71
Over 3 years	1,967,798.70	1,905,168.46
Total	288,803,247.07	225,193,165.80

(2) Significant accounts payable for over 1 year.

Item	Ending balance	Reason for unreimbursed or transferred
Sima Measurement and Control Technology Co., Ltd.	722,005.51	Pay by Installments
Beijing Langde Technology Co., Ltd	76,685.41	Pay by Installments
Shanghai zuozhu cooling and heating control technology Co., Ltd	183,310.67	Pay by Installments
Chongqing Huachuang Construction Engineering Co., Ltd	143,206.56	Pay by Installments

Chongqing mechanical and electrical design and Research Institute	375,000.00	Pay by Installments
Total	1,500,208.15	

20. Advances from customers

Item	2020.12.31	2019.12.31
Within 1 year		617,356.43
Over 1 year		500,066.92
Total		1,117,423.35

21. Contract liabilities

Item	2020.12.31	2019.12.31
Contract liabilities	1,479,711.62	
Less: contract liabilities that are included in non-current liabilities		
Total	1,479,711.62	

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Item	2020.12.31	2019.12.31
Advance for manufactured products	1,479,711.62	
Total	1,479,711.62	

22. Payroll Payable

(1) Presentation of Payroll Payable

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term remuneration	7,062,623.37	93,540,056.86	91,800,517.80	8,802,162.43
Post-employment benefits - defined contribution plans	2,616,505.78	7,403,894.12	2,944,364.45	7,076,035.45
Dismissal welfare	5,200,000.00	10,154,822.87	2,805,617.91	12,549,204.96
Others				
Total	14,879,129.15	111,098,773.85	97,550,500.16	28,427,402.84

(2) Presentation of short-term compensation

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1、Salary, bonus, allowance and subsidy	4,849,754.18	65,915,439.89	65,590,430.19	5,174,763.88

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
2、Employee benefits		7,421,692.25	6,323,746.95	1,097,945.30
3、Social insurance expenses	643,179.85	9,463,498.50	8,659,693.94	1,446,984.41
Including: medical insurance premium	582,652.93	9,101,797.73	8,540,157.40	1,144,293.26
Work-related injury insurance premium	43,768.51	361,700.77	119,536.54	285,932.74
Maternity insurance premium	16,758.41			16,758.41
Others				
4、Housing fund	1,102,016.46	8,548,102.00	9,269,913.00	380,205.46
5、Labor union expenditures and employee education expenses	467,672.88	2,066,165.22	1,831,574.72	702,263.38
6、Short-term absence with payment				
7、Short-term profit sharing plan				
8、Others		125,159.00	125,159.00	
Total	7,062,623.37	93,540,056.86	91,800,517.80	8,802,162.43

(3) Presentation of defined contribution plans

Item	beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance premium	2,428,894.97	7,196,340.16	2,846,988.16	6,778,246.97
Unemployment insurance premium	187,610.81	207,553.96	97,376.29	297,788.48
Enterprise Annuity				
Total	2,616,505.78	7,403,894.12	2,944,364.45	7,076,035.45

23. Taxes and surcharges payable

Tax and surcharge items	2020.12.31	2019.12.31
Value-added tax (VAT)	23,721.14	127,475.04
Corporate income tax	2,762,007.64	2,336,225.75
Individual income tax	565,599.19	518,449.47
Urban maintenance and construction tax	3,132,397.23	3,157,180.70
property tax	3,727,900.64	3,727,900.64
Land royalties	1,808,215.20	1,808,215.20
Educational surtax	2,000,119.16	2,002,490.72
Other taxes and surcharges	4,086,656.73	4,095,434.65
Total	18,106,616.93	17,773,372.17

24. Other payable

Item	2020.12.31	2019.12.31
Interest payable		
Dividend payable		
Other payable	10,260,888.23	6,087,459.55
Total	10,260,888.23	6,087,459.55

(1) Other payable

① Presentation of other payable in accordance with the nature of the payment.

Item	2020.12.31	2019.12.31
Cash deposit	1,426,426.77	1,285,000.00
Reimbursement for occupational injury	216,487.83	274,963.48
Testing cost	1,670,056.33	1,503,733.23
Party organization funds	541,589.50	
Design cost and Others	6,406,327.80	3,023,762.84
Total	10,260,888.23	6,087,459.55

② Significant other payable for over 1 year

Item	Ending balance	Reason for unreimbursed or transferred
Chongqing Xingsu Logistics Co., Ltd	300,000.00	Undue deposit
Chongqing Shapingba District Ruihe loading and unloading transportation department	100,000.00	Undue deposit
Chongqing Chengbei Logistics Co., Ltd	50,000.00	Undue deposit
Chongqing Huangdao automobile transportation Co., Ltd	50,000.00	Undue deposit
Chongqing Bangbao Auto Parts Co., Ltd	30,000.00	Undue deposit
Total	530,000.00	

25. Other current liabilities

Item	2020.12.31	2019.12.31
Taxes to be written off	192,362.51	
Total	192,362.51	

26. Share capital

Item	2020.01.01	Increase in the current period	Decrease in the current period	2020.12.31
Total shares	119,375,000.00			119,375,000.00
Total	119,375,000.00			119,375,000.00

27. Capital reserve

Item	2020.01.01	Increase in the current period	Decrease in the current period	2020.12.31
Capital (or equity) premium	702,032,741.07			702,032,741.07
Other capital reserves	256,532,553.22			256,532,553.22
Total	958,565,294.29			958,565,294.29

28. Other comprehensive income

Item	2020.01.01	Reporting Period					2020.12.31
		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: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
I. Items that will not be reclassified to profit or loss	9,800.00						9,800.00
Of which: Re-measurement of changes in net liabilities or net assets of a defined benefit plan							
Share of other combined income of invested units that cannot be reclassified into profit or loss under the equity method	9,800.00						9,800.00
II. Items that may subsequently be reclassified to profit or loss							
Of which: Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method							
Gain/Loss on changes in fair value of available -for- sale financial assets							
Investments held to maturity reclassified as gains or losses on marketable financial assets							
Effective portion of cash flow hedging gains and losses							
Translation difference in foreign currency financial statements							

Item	2020.01.01	Reporting Period					2020.12.31
		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: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
Total of other comprehensive income	9,800.00						9,800.00

29. Surplus reserves

Item	2020.01.01	Increase in the current period	Decrease in the current period	2020.12.31
Statutory Surplus reserve	56,724,000.00			56,724,000.00
Discretionary Surplus reserves	68,962,000.00			68,962,000.00
reserve fund				
enterprise development fund				
Total	125,686,000.00			125,686,000.00

30. Retained Earnings

Item	Amount	To extract or distribute the proportion.
Adjustments to Retained Earnings as at December 31, 2019	-1,031,463,363.68	
Adjustments to total Retained Earnings as at January 1, 2020 ("+" for increases; "-" for decreases)		
Adjusted Retained Earnings as at January 1, 2020	-1,031,463,363.68	
Add: net profit attributable to owners of parent company in 2020	1,415,942.45	
Less: Extraction of statutory Surplus reserve		
Extraction of discretionary Surplus reserve		
Extraction of General risk reserve		
Dividends payable to ordinary shares		
Ordinary dividend dividends transferred to capital stock		
Retained Earnings as at December 31, 2019	-1,030,047,421.23	

31. Operating income and operating costs

(1) The operating income and cost are listed below:

Item	Year 2020		Year 2019	
	Operating income	Operating cost	Operating income	Operating cost
Primary businesses	731,571,361.31	634,912,358.18	781,194,636.87	706,078,543.97
Other businesses	9,280,483.94	3,611,284.74	10,292,797.31	3,309,616.17
Total	740,851,845.25	638,523,642.92	791,487,434.18	709,388,160.14

(2) Primary businesses (by business):

Name of product	Year 2020		Year 2019	
	Operating income	Operating cost	Operating income	Operating cost
Motorcycle and auto parts	731,571,361.31	634,912,358.18	781,194,636.87	706,078,543.97
Total	731,571,361.31	634,912,358.18	781,194,636.87	706,078,543.97

(3) Primary businesses (by product):

Name of product	Year 2019		Year 2018	
	Operating income	Operating cost	Operating income	Operating cost
Motorcycle and auto parts	731,571,361.31	634,912,358.18	781,194,636.87	706,078,543.97
Total	731,571,361.31	634,912,358.18	781,194,636.87	706,078,543.97

(4) The operating income and costs (by region) are as follows:

Area name	Year 2020		Year 2019	
	Operating income	Operating cost	Operating income	Operating cost
Anhui Province	17,404,019.16	11,550,377.56	5,648,549.94	4,593,780.11
Beijing	8,737,415.97	6,191,546.78	229,982.31	199,708.79
Fujian Province	92,194.69	67,860.82	109,902.71	99,130.70
Guangdong Province	4,965,172.47	3,393,904.49	4,807,767.16	4,027,126.82
Guangxi Province	2,143,214.13	1,454,238.87	905,058.02	752,546.27
Abroad	226,077,561.82	214,634,628.96	296,791,807.47	276,760,742.25
Hebei Province	3,295,014.18	2,215,103.44	29,663,462.04	24,436,846.58
Henan Province	4,894,181.39	3,365,463.80	3,982,620.62	3,355,988.02
Hubei Province	30,883,712.83	20,430,654.16	60,349,900.80	48,923,320.94
Jilin Province	65,486.74	24,681.74	14,018.93	11,720.42
Jiangsu Province	9,232,764.33	6,215,398.79	12,008,002.96	9,905,915.91
Jiangxi Province	6,328,746.31	4,416,835.33	4,425,642.72	3,784,917.99
Liaoning Province			121,822.84	106,330.79
Shandong Province	1,955,016.56	1,421,099.96	2,198,370.17	1,958,220.59
Shaanxi Province	505,176.97	359,785.11	178,424.79	155,718.94
Shanghai Province	4,099,161.46	2,806,999.93	2,634,774.33	2,210,942.27
Sichuan Province	113,828.80	78,986.59	72,993.30	62,068.44

Tianjin	2,704,426.60	1,835,873.80	24,788,007.09	20,620,340.87
Yunnan Province	40,912.43	33,946.99	109,507.58	90,863.64
Zhejiang Province	96,149,564.48	67,278,049.97	84,222,867.72	72,217,541.67
Chongqing	311,883,789.99	287,136,921.09	247,856,310.61	231,739,961.82
Ningxia Province			40,460.18	35,849.30
Shanxi Province				
Hunan Province			17,072.84	14,143.75
Xinjiang Province			17,309.74	14,817.09
Total	731,571,361.31	634,912,358.18	781,194,636.87	706,078,543.97

(5) The operating revenue is listed as follows according to the revenue recognition time:

Item	Motorcycle and auto parts	Engineering construction	Services	Others	Total
Revenue is recognized in a certain period of time					
Revenue is recognized at a certain point in time	740,851,845.25				740,851,845.25
Total	740,851,845.25				740,851,845.25

(6) Information related to performance obligations:

The company's revenue recognition policy is detailed in note 2, 26. According to the contract, the company delivers the goods to the agreed place or the third-party logistics company. Each month, the customer issues a notice of account according to the actual consumption of the production. The sales clerk issues an invoice according to the customer's notice of account, combined with the customer's consumption, contract unit price, notice of account, etc. As the time point of control transfer, the sales revenue is recognized. The credit period given by the company to customers is determined according to the credit risk of customers, and there is no significant financing component.

(7) 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 RMB1,479,711.62 at the period-end, among which RMB1,479,711.62 was expected to be recognized in 2021.

32. Taxes and surcharges

Item	Year 2020	Year 2019
Urban maintenance and construction tax	1,297,889.65	2,201,754.91
Educational surtax	942,394.93	1,556,045.07
Property tax	1,362,504.39	1,508,771.51
Tenure tax	1,266,056.40	1,572,683.20
vehicle ship royalties	8,280.00	6,660.00
Stamp duty	556,229.80	636,880.40
Other	9,236.37	2,701.04
Total	5,442,591.54	7,485,496.13

33. Selling expenses

Item	Year 2020	Year 2019
Payroll Payable	6,908,470.17	7,470,639.56
Depreciation costs	45,737.88	52,026.32
Office expenses	72,913.22	97,433.00
Transportation cost		3,727,187.12
Insurance expenses	15,207.32	17,355.68
Exhibition fees	178,430.05	39,725.27
Advertising expenses	115,226.42	51,250.98
Travel expenses	737,314.20	1,252,942.75
Consignment expenses	499,920.18	328,852.98
Sales service charge	1,225,779.95	1,098,339.02
Losses of sample		223.00
Repair cost	4,851,678.62	8,324,542.15
Storage and storage fee	1,463,359.49	1,514,357.09
Others	517,926.40	672,441.16
Total	16,631,963.90	24,647,316.08

34. General and administrative expenses

Item	Year 2020	Year 2019
Payroll Payable	36,780,276.53	53,009,855.67
Depreciation costs	8,812,391.54	5,856,474.30
Repair charges	7,655,837.85	16,628,589.88
Consulting fee	244,683.58	651,727.75
Office expenses	719,571.66	964,526.19
Agency fee	993,241.03	707,452.22

Travel expenses	397,741.18	841,355.01
Amortization of intangible assets	999,818.65	657,864.72
Conference fees	381,923.64	452,673.18
Business entertainment	356,627.75	516,787.06
Sewage charge	1,905,796.86	1,453,147.03
Legal fare		268,795.70
Others	10,163,006.52	10,580,936.51
Total	69,410,916.79	92,590,185.22

35. Research and development expense

Item	Year 2020	Year 2019
Salary	9,107,110.70	8,449,151.44
Office expenses	33,652.71	29,044.7
Material cost	939,353.55	856,689.18
Travel expenses	258,984.60	497,508.19
Tooling fee	1,447,144.25	669,651.92
Conference-servicing expenses	21,458.72	4,644.66
Fees for evaluation, identification and authentication	67,882.49	9,343.40
Software fee	76,629.13	59,648.00
Trademark, property right, patent fee	344,460.22	104,668.29
Test inspection fee	52,689.54	521,886.44
Repair cost	278,601.44	109,838.83
Sample fee	132,109.49	78,570.89
Business entertainment	36,811.00	43,451.54
Traffic expense	7,823.79	
Depreciation expense	2,011,654.48	1,876,336.67
Consulting fee	5,445.45	42,000.00
Others	462,154.13	878,680.21
Total	15,283,965.69	14,231,114.36

36. Financial expenses

Item	Year 2020	Year 2019
Interest expenses	22,798,392.28	12,939,583.98
Less: Interest income	1,572,349.92	3,068,137.48
discount rate of bill	921,233.95	10,786,871.75

Exchange gains and losses	87,868.32	63,984.65
Less: gains of exchange	4,538.06	
Cash discount	31,258.10	-310,138.31
Commission Charge and others	224,509.17	882,881.59
Total	22,486,373.84	21,295,046.18

37. Other income

Item	Year 2020	Year 2019
Government subsidy	4,449,659.88	1,057,774.93
Commission for withholding and paying individual income tax		
Others		
Total	4,449,659.88	1,057,774.93

Government subsidy regarded as other income during the period:

Item	Year 2020	Year 2019
Related to assets		
Related to profits:	4,449,659.88	1,057,774.93
Government subsidy	4,449,659.88	1,057,774.93
Total	4,449,659.88	1,057,774.93

Details of government subsidy

Item	Year 2020	Year 2019
Emergency supply subsidy of Chongqing Banan District treasury payment center	100,000.00	
Obtained subsidy for staff stability of Chongqing Jiulongpo District Employment and talent center	3,048,959.00	
Subsidy for talent introduction in 2020	400,000.00	
Reward from Jiulong Park Finance Office of Chongqing hi tech Industrial Development Zone	45,000.00	
Obtained subsidy for international service trade from Jiulongpo District Finance Bureau of Chongqing Jiulongpo District Commerce	10,000.00	
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau	23,200.00	
Received subsidies for recruitment of key enterprises from Chongqing Jiulongpo District Finance Bureau	54,200.00	
Received quality management award funds from Chongqing Jiulongpo District market supervision and Administration Bureau	300,000.00	
Received science and technology project subsidy from Chongqing Jiulongpo Finance Bureau	100,000.00	

Obtained patent subsidy fee of Chongqing Intellectual Property Office in 2019	6,000.00	
Received the first batch of special project funds for technological innovation of Chongqing Municipal Bureau in 2020	200,000.00	
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau	32,200.00	
Received subsidies for motorcycle EFI project of Banan District treasury payment center	100,000.00	
Received the second industry and information technology fund of 2019 from Chongqing Jiulongpo Finance Bureau's		400,000.00
Received the fund of Science and Technology Committee development and application project		200,000.00
Received R&D fund of 2019 from Chongqing Jiulongpo Finance Bureau		190,000.00
Received new product research fund of 2018 from Chongqing Jiulongpo Finance Bureau's		150,000.00
Received research fund of estimate automobile air-conditioner energy consumption		50,000.00
Received Internet communication fee from Chongqing Jiulongpo Finance Bureau		38,700.00
Third generation service fee	30,100.88	6,274.93
Patent consulting fee from Chongqing Intellectual Property Office		6,000.00
Important hiring subsidies from Chongqing Jiulongpo Finance Bureau		1,100.00
Hiring subsidies from Chongqing Jiulongpo Employment and personal services Bureau		15,700.00
Total	4,449,659.88	1,057,774.93

38. Investment income

item	Year 2020	Year 2019
Long-term equity investment income calculated by equity method	-5,390,443.20	-27,108,151.12
Investment income from 50% equity of Chongqing Pingshan TK Carburetor Co., Ltd. remeasured according to the fair value on the purchase day	1,939,381.08	
Disposal of a long-term equity investment of investment returns		
Investment income from remained equity measured at fair value after losing control power		
Investment income from holding of available-for-sale throughout the duration		
Disposal of available-for-sale financial assets investment income		
Investment income from holding of available-for-sale financial assets calculated by amortized cost method		
investment income from disposal of available-for-sale financial assets calculated by amortized cost method		

Investment income from holding of other bond investments		
Investment income from disposal of other bond investments		
Investment income from financial assets measured at fair value through current profit and loss during the duration		
Investment income from disposal of financial assets measured at fair value through current profit and loss		
Investment income from holding of held-to-maturity investments		
Investment income from disposal of held-to-maturity investments		
Investment income from holding of available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		
Others		
Total	-3,451,062.12	-27,108,151.12

39. Losses from credit impairment

Item	Year 2020	Year 2019
Impairment losses of notes receivable credit		
Impairment losses of accounts receivable credit	149,123.18	-2,814,052.18
Impairment losses of other receivable credit	-1,407,996.71	-669,774.54
Impairment losses of bond investment credit		
Impairment losses of other bond investment credit		
Impairment losses of long-term other receivable credit		
Total	-1,258,873.53	-3,483,826.72

40. Losses from asset impairment

Item	Year 2020	Year 2019
Losses for falling price of inventory	597,106.59	-4,782,307.01
Impairment loss of long-term equity investments		
Impairment loss of investment Property		
Impairment loss of fixed Asset	-10,550,113.62	-5,639,143.73
Impairment loss of engineering materials		
Impairment loss of construction in progress		
Impairment loss of biological assets		
Impairment loss of oil-and-gas assets		
Losses on intangible asset impairment		
Losses on goodwill impairment		

Losses on bad debt		
Disposal of a long-term equity investment of investment returns		
Investment income from financial assets measured at fair value through current profit and loss during the		
Others		
Total	-9,953,007.03	-10,421,450.74

41. Asset disposal income

Item	Year 2020	Year 2019	The amount included in the current non-recurring profit and loss.
Total profits of holding available-for-sale non-current assets disposal			
Total profits of holding unavailable-for-sale non-current assets disposal	-448,967.59	-3,068,753.15	-448,967.59
Including: fixed assets	-448,967.59	-3,068,753.15	-448,967.59
Construction in progress			
Productive biological assets			
Profits of disposal of intangible assets			
Total	-448,967.59	-3,068,753.15	-448,967.59

42. Non-operating income

Item	Year 2020	Year 2019	Amounts included in the non-recurrent profit and loss for the current year
Non-current assets damage and retirement gains	2,160.36		2,160.36
Donation received			
Gains on stock-tacking			
Government subsidies	16,900.00	27,000.00	16,900.00
Others	74,145.66	251,243.52	74,145.66
Profits from merger of enterprises not under the same control	40,984,783.95		40,984,783.95
Total	41,077,989.97	278,243.52	41,077,989.97

Government subsidies included in current profit and loss

Subsidy item	Year 2020	Year 2019
Related to assets:		
Focus on supporting subsidy funds for science and technology enterprises		
Incentives for contributions to economic development		

Related to profits:		
Warehousing reward and R & D investment subsidy of scientific and technological enterprises in Banan District	16,900.00	
Innovation fund by Jiulongpo Treasury payment center		27,000.00
Total	16,900.00	27,000.00

43. Non-operating expenses

Item	Year 2020	Year 2019	Amounts included in the non-recurrent profit and loss for the current year
Donation outlay			
Gains or losses from stock-tacking			
Loss of non-current assets damaged and scrapped	1,572,191.89		1,572,191.89
Unusual losses			
Other	480.80		480.80
Total	1,572,672.69		1,572,672.69

44. Income tax expenses

(1) Details of income tax expense

Items	Year 2020	Year 2019
Income tax at current period	297,185.27	1,443,514.31
Deferred income tax	202,329.74	- 1,210,841.59
Total	499,515.01	232,672.72

(2) Accounting profit and income tax expense adjustment process

Item	Amount of current period
Total profit	1,915,457.46
Income tax expense at statutory / applicable tax rates	478,864.37
Effect of different tax rates applicable to subsidiaries	-192,627.16
Income tax adjustments on prior periods	
Effect of non-taxable income	-9,383,430.46
The impact of R&D expenses	-2,472,093.35
The impact of non-deductible costs, expenses and losses	213,277.80
Affect the use of deferred tax assets early unconfirmed deductible losses	
Deductible losses of unrecognized deferred income tax assets in the current period	11,855,523.81
The adjustment of tax rate leads to the change of the beginning-balance of deferred income tax assets/liabilities	

Total	499,515.01
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45. Other comprehensive income

Details of the disclosure of other comprehensive income can be found in the notes to the financial statements No.28

46. Items of the statement of cash flows

(1) Cash received from other operating activities

Item	Year 2020	Year 2019
Interest income	251,975.74	18,415.41
Government subsidies	4,466,559.88	1,084,774.93
Deposits, petty cash	11,827,569.92	35,925,088.91
Total	16,546,105.54	37,028,279.25

(2) Cash paid for other operating activities

Item	Year 2020	Year 2019
Deposits, petty cash and allotment	472,285.28	53,422,525.28
Expenses paid in cash during the period	28,680,763.55	25,379,424.08
Total	29,153,048.83	78,801,949.36

(3) Cash received from other investing activities

Item	Year 2020	Year 2019
Acquisition of subsidiaries	61,450,668.55	
Total	61,450,668.55	

(4) Cash paid for other investing activities

Item	Year 2020	Year 2019
Financial periodic deposits	40,000,000.00	
Total	40,000,000.00	

(5) Cash received from other financing activities

Item	Year 2020	Year 2019
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Interest	1,320,374.18	2,480,337.74
Proceeds from discounting of financing notes received	88,769,216.54	46,316,071.52
Collection of financing	216,340,000.00	641,706,002.32
Total	306,429,590.72	690,502,411.58

(6) cash paid for other financing activities

Item	Year 2020	Year 2019
Payments for matured financing notes	398,125,000.00	815,885,785.44
cash deposit for financing such as bills and loans	128,949,610.08	77,522,857.83
Total	527,074,610.08	893,408,643.27

47. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Supplementary information	Year 2020	Year 2019
1、Net profit adjusted to cash flows from operating activities		
Net profits	1,415,942.45	-121,128,719.93
Add: provision for credit impairment	1,258,873.53	3,483,826.72
Add: provision for assets impairment	9,953,007.03	10,421,450.74
Add: depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	33,781,630.33	32,936,678.21
Amortization of intangible assets	1,004,549.05	657,864.72
Amortization of long-term deferred expenses	49,500.00	1,912,833.34
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	448,967.59	3,068,753.15
Losses on discarding of fixed assets ("-" for gains)	1,572,191.89	
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	23,719,626.23	23,726,455.73
Investments losses ("-" for gains)	3,451,062.12	27,108,151.12
Decreases in the deferred income tax assets ("-" for increases)	-213,146.14	-1,210,841.59
Increases in the deferred income tax liabilities ("-" for decreases)	1,908,551.51	
Decreases in inventories ("-" for increases)	-22,827,528.18	31,248,364.66
Decreases in operating receivables ("-" for increases)	-30,853,916.35	-50,994,532.30
Increases in operating receivables ("-" for decreases)	140,343,815.61	52,184,072.85
Others		
Net cash flows from operating activities	165,013,126.67	13,414,357.42

2、Significant investment and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3、Net change in cash and cash equivalents:		
Closing balance of cash	79,310,253.55	9,390,326.10
Less: Opening balance of cash	9,390,326.10	72,551,130.34
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	69,919,927.45	-63,160,804.24

(2) Component of cash and cash equivalents

Item	Year 2020	Year 2019
1. Cash	79,310,253.55	9,390,326.10
Including: cash on hand	5,418.26	
Unrestricted bank deposit	79,304,835.29	9,390,326.10
Other unrestricted Cash and cash equivalents		
Unrestricted bank deposit placed in central bank		
2. Cash equivalents		
Including: bond investments maturing within three months		
3. Balance of cash and cash equivalents as at December 31, 2020	79,310,253.55	9,390,326.10

Net cash paid to acquire subsidiaries in the current period

Item	Amount
Cash or cash equivalent paid for business combination in current period	20.54
Including: Chongqing Pingshan TK Carburetor Co., Ltd	20.54
Less: cash and cash equivalents held by the company on the purchase day	61,450,689.09
Including: Chongqing Pingshan TK Carburetor Co., Ltd	61,450,689.09
Add: cash or cash equivalent paid in the current year for business combination occurred in previous period	
Net cash paid for acquiring subsidiaries	-61,450,668.55

48. Assets with restrictions on their ownership or use right

Item	Book value as at December 31, 2020	Reason for restriction
Monetary assets	80,032,987.92	guarantee deposit, fixed deposit
Total	80,032,987.92	

49. Government subsidies

(1) Government subsidies confirmed in current period

Subsidy item	Amount	Asset-related		Revenue related				Whether actually received
		deferred income	Write-down of book value	deferred income	Other income	Non-operating income	Write-down of cost	
Emergency supply subsidy of Chongqing Banan District treasury payment center	100,000.00				100,000.00			Yes
Obtained subsidy for staff stability of Chongqing Jiulongpo District Employment and talent center	3,048,959.00				3,048,959.00			Yes
Subsidy for talent introduction in 2020	400,000.00				400,000.00			Yes
Reward from Jiulong Park Finance Office of Chongqing hi tech Industrial Development Zone	45,000.00				45,000.00			Yes
Obtained subsidy for international service trade from Jiulongpo District Finance Bureau of Chongqing Jiulongpo District Commerce Committee	10,000.00				10,000.00			Yes
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau	23,200.00				23,200.00			Yes
Received subsidies for recruitment of key enterprises from Chongqing Jiulongpo District Finance Bureau	54,200.00				54,200.00			Yes
Received quality management award funds from Chongqing Jiulongpo District market supervision and Administration Bureau	300,000.00				300,000.00			Yes

Subsidy item	Amount	Asset-related		Revenue related				Whether actually received
		deferred income	Write-down of book value	deferred income	Other income	Non-operating income	Write-down of cost	
Received science and technology project subsidy from Chongqing Jiulongpo Finance Bureau	100,000.00				100,000.00			Yes
Obtained patent subsidy fee of Chongqing Intellectual Property Office in 2019	6,000.00				6,000.00			Yes
Received the first batch of special project funds for technological innovation of Chongqing Municipal Bureau in 2020	200,000.00				200,000.00			Yes
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau	32,200.00				32,200.00			Yes
Received subsidies for motorcycle EFI project of Banan District treasury payment center	100,000.00				100,000.00			Yes
Third generation service fee	30,100.88				30,100.88			Yes
Reward of medical Treasury science and technology enterprises in Banan District						16,900.00		Yes
Total	4,449,659.88				4,449,659.88	16,900.00		

2). Government subsidies included in current profit and loss

Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
Emergency supply subsidy of Chongqing Banan District treasury payment center		100,000.00		
Obtained subsidy for staff stability of Chongqing Jiulongpo District Employment and talent center		3,048,959.00		
Subsidy for talent introduction in 2020		400,000.00		
Reward from Jiulong Park Finance Office of Chongqing hi tech Industrial Development Zone		45,000.00		
Obtained subsidy for international service trade from Jiulongpo District Finance Bureau of Chongqing Jiulongpo District Commerce Committee		10,000.00		
Received patent subsidy from Chongqing Jiulongpo District market supervision		23,200.00		

Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
and Administration Bureau				
Received subsidies for recruitment of key enterprises from Chongqing Jiulongpo District Finance Bureau		54,200.00		
Received quality management award funds from Chongqing Jiulongpo District market supervision and Administration Bureau		300,000.00		
Received science and technology project subsidy from Chongqing Jiulongpo Finance Bureau		100,000.00		
Obtained patent subsidy fee of Chongqing Intellectual Property Office in 2019		6,000.00		
Received the first batch of special project funds for technological innovation of Chongqing Municipal Bureau in 2020		200,000.00		
Received patent subsidy from Chongqing Jiulongpo District market supervision and Administration Bureau		32,200.00		
Received subsidies for motorcycle EFI project of Banan District treasury payment center		100,000.00		
Third generation service fee		30,100.88		
Reward of medical Treasury science and technology enterprises in Banan District			16,900.00	
Total		4,449,659.88	16,900.00	

V. Change of consolidation scope

1. Business combination under different control

(1) Business combination under different control in the current period

Name of the acquiree	Time of equity acquisition	Cost of equity acquisition	Proportion of equity acquired (%)	Method of equity acquisition	Purchase day	Basis for determining the purchase date	Income of the acquiree from the purchase date to the end of the period	Net profit of the acquiree from the purchase date to the end of the period
Chongqing Pingshan TK Carburetor Co., Ltd	2020-8-31	40,984,825.03	100.00	Purchase	2020-8-31	Take control	14,556,584.49	203,155.49

Name of the acquiree	Time of equity acquisition	Cost of equity acquisition	Proportion of equity acquired (%)	Method of equity acquisition	Purchase day	Basis for determining the purchase date	Income of the acquiree from the purchase date to the end of the period	Net profit of the acquiree from the purchase date to the end of the period

(2) Combination cost and goodwill

Item	Amount
Combination cost	
Including: Cash	20.54
Fair value of non-cash assets	
Fair value of debt issued or assumed	
Fair value of equity securities issued	
Fair value of contingent consideration	
Fair value of equity held before the purchase day	40,984,804.49
Others	
Total	40,984,825.03
Less: Fair value of identifiable net assets	81,969,608.98

Note: The company acquired 50% equity of Chongqing Pingshan TK Carburetor Co., Ltd. and conducted audit and evaluation with December 31, 2019 as the base date. It has been audited by Dahua Certified Public Accountants (special general partnership) and issued Dahua Hezi [2020] No. 001094 audit report. Sichuan Tianjian Huaheng Assets Appraisal Co., Ltd. evaluated the equity and issued the appraisal report (chhpb [2020] No. 14.)

(3) The identifiable assets and liabilities of the acquiree on the purchase day

Item	Chongqing Pingshan TK Carburetor Co., Ltd	
	Fair value on purchase day	Book value on purchase day
Asset		
Monetary assets	61,450,689.09	61,450,689.09
Notes receivable	2,656,242.80	2,656,242.80
Accounts receivable	7,712,897.60	7,712,897.60

Prepayments	329,754.65	329,754.65
Other receivables	636,489.76	636,489.76
Inventories	4,814,007.97	4,814,007.97
Fixed assets	19,801,292.63	16,658,992.63
Construction in progress	682,610.64	682,610.64
Intangible assets	4,675,311.39	1,267,542.93
Long-term prepaid expense	41,250.00	41,250.00
Deferred income tax assets	544,718.27	544,718.27
Total assets	103,345,264.80	96,795,196.34
Liabilities		
Advances from customers	3,979,865.66	3,979,865.66
Accounts payable	44,710.00	44,710.00
Employee benefits payable	13,835,414.10	13,835,414.10
Taxes payable	396,862.23	396,862.23
Other payables	1,081,009.93	1,081,009.93
Deferred income tax liabilities	2,037,793.90	400,276.78
Total liabilities	21,375,655.82	19,738,138.70
Net assets		
Less: minority equity		
Net assets acquired	81,969,608.98	77,057,057.64

Note: In the above table, the value-added amount is based on the fair value on the purchase day between the book value of assets of the acquired company on August 31, 2020. The combination cost is the sum of the fair value of the original 50% equity held by the company and the consideration paid on the purchase day. Due to the different proportion of the acquired equity and the time of the base date and the purchase day, the combination cost is the sum of the fair value of the acquired equity held before the purchase day and the consideration paid on the purchase day.

(4) Gains or losses arising from the re-measurement of equity held before the purchase day at fair value

Name of the acquiree	Book value of original equity held before on the purchase day	The fair value of the original equity held before on the purchase day	Gains or losses arising from the re-measurement of the original equity held before according to the fair value	The method of the fair value and main assumptions on the purchase day	The amount of other comprehensive income transferred into investment income
Chongqing Pingshan TK Carburetor	39,045,423.41	40,984,804.49	1,939,381.08	The fair value of the equity on the purchase day is	0.00

Name of the acquiree	Book value of original equity held before on the purchase day	The fair value of the original equity held before on the purchase day	Gains or losses arising from the re-measurement of the original equity held before according to the fair value	The method of the fair value and main assumptions on the purchase day	The amount of other comprehensive income transferred into investment income
Co., Ltd				determined by the asset-based method and based on the assumption that the enterprise continues to operate and the assets do not change the way of use.	

VI. Equity in other entities

1. Equity in subsidiaries

(1) Composition of enterprise groups

Name of subsidiary	Main business areas	Registered place	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Chongqing Jianshe Automobile A/C Co., Ltd.	Chongqing	Chongqing	Production and sales of Automobile Air Conditioner	100.00		Establishment by investment
Chongqing Pingshan TK Carburetor Co., Ltd	Chongqing	Chongqing	Production and sales of motorcycle parts	100.00		Merger under different control

2. Equity in joint ventures and associates

(1) Major joint ventures

Name of joint venture or associate	Main business areas	Registered place	Business nature	Shareholding ratio (%)		Accounting treatment methods for the investments in joint ventures or associates
				Directly	Indirectly	
Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing	Chongqing	Compressor assembly and core auto parts production	50.00		Equity method

(2) Major financial information of significant joint ventures

Item	Ending balance / Current amount		Beginning balance / Amount of the previous period	
	Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.
Current assets		207,788,619.72	85,520,050.06	106,444,360.21
Including: cash and cash equivalents		14,910,653.69	67,698,607.56	1,829,891.00
Non-current assets		403,946,863.16	19,683,842.52	431,151,340.69
Total assets		611,735,482.88	105,203,892.58	537,595,700.90
Current liabilities		147,202,798.08	28,102,195.28	69,997,756.39
Non-current liabilities		95,221,965.54	400,276.78	87,150,701.74
Total liabilities		242,424,763.62	28,502,472.06	157,148,458.13
Minority equity				
Equity attributable to the shareholders of parent company		369,310,719.26	76,701,420.52	380,447,242.77
Shares in net assets calculated according to the shareholding ratios		184,655,359.63	38,350,710.26	190,223,621.39
Adjustment events				
- Goodwill				
- Unrealized profits of internal transactions				
- Others				
The book values of equity investments in joint ventures		186,213,719.02	38,867,604.85	191,781,980.78
The fair values of equity investments in joint ventures with a public offer				
Operating income		232,203,748.88	51,209,764.80	90,350,122.19
Financial expenses		4,678,168.50	-2,043,145.37	-96,978.98
Income tax expenses			812,408.78	
Net profit			-23,897,617.66	-26,874,602.49

Item	Ending balance / Current amount		Beginning balance / Amount of the previous period	
	Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Chongqing Pingshan TK Carburetor Co., Ltd.	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.
		-11,136,523.51		
Net profit from termination				
Other comprehensive income				
Total comprehensive income		-11,136,523.51	-23,897,617.66	-26,874,602.49
Dividends received from joint ventures for the current year			2,000,000.00	

VII. Related parties and related party transactions

1. The parent company of the Company

Name of the parent company	Registered place	Business nature	Registered capital	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
China South Industries Group Corporation	Beijing	State-owned assets investment	RMB 17,469.68 million	71.13	71.13

Note: The ultimate controller of the Company is The State-owned Assets Supervision and Administration Commission of the State Council.

The changes of parent company registered capital (million):

Item	2020.01.01	Increase in 2020	Decrease in 2020	2020.12.31
Amount	17,469.68			17,469.68

2. Subsidiaries of the Company

Please refer to Note VI.1 "Equity in subsidiaries" for the details of subsidiaries of the Company.

3. The joint ventures and associates of the Company

Please refer to Note VI.2 "Equity in joint ventures and associates" for the details of major

joint ventures or associates of the Company.

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

Name of joint venture or associate	Relationship with the company
Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	Joint venture

4. Other related parties of the Company

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

China Ordnance Equipment Group commercial factoring Co., Ltd	Under the common control of the same party
Chongqing Jianshe Yamaha Motorcycle Co., Ltd ("Jianshe Yamaha")	A Joint venture of a subsidiary of a controlling shareholder
Chongqing Chang'an Minsheng Logistics Co., Ltd ("Minsheng Logistics")	A Joint venture of a subsidiary of a controlling shareholder
Chongqing Jianshe lijue Industrial Co., Ltd ("Jianshe lijue")	A Joint venture of a subsidiary of a controlling shareholder
Xuechuan Yan	Board Chairman, legal representative
Qihong Dong	Board director
Jiang Yu	Employee director, deputy secretary of Party committee, Secretary of Discipline Inspection Commission, chairman of trade union
Di Zhang	Board director
Yongqiang Zhou	Board director
Lin Hao	Board director
Jiaming Li	Independent director
Fei Xie	Independent director
Wei Liu	Independent director
Weiwei Song	Independent director
Hushan Zhang	supervisory board chairman
Wenbiao Yu	Vice-general manager
Aijun Fan	Vice-general manager
Mingxian Tan	Vice-general manager、Financial Officer-in-charge
Xianyun Lu	Supervisory board chairman
Lungang Zhang	Supervisor
Guoan Qiao	Supervisor
Yongjiang Li	Employee Supervisor
Song Rao	Employee Supervisor

5. Related party transactions

(1). Purchase of goods, rendering and receipt of labor services

① Table of sales of goods

Related party	Content of related party transactions	Amount	
		Year 2020	Year 2019
Chongqing Changan Automobile Co., Ltd.	Auto Parts	121,152,914.63	74,175,496.49

Chongqing Changan Suzuki Automobile Co., Ltd.	Auto Parts	8,312,846.45	9,026,012.84
Hefei Changan Automobile Co., Ltd.	Auto Parts	12,311,294.83	11,004,057.30
Nanjing Changan Automobile Co., Ltd.	Auto Parts	1,955,924.44	4,729,999.23
Baoding Changan Automobile Co., Ltd.	Auto Parts	2,231,755.78	5,859,099.25
Hebei Changan Automobile Co., Ltd.	Auto Parts	104,905.84	74,904.83
Beijing Changan Automobile Co., Ltd.	Auto Parts	2,557.55	5,746.23
Chongqing Changan Automobile customer Service Co., Ltd.	Auto Parts	18,532.42	20,146.98
South Air International Co. Ltd ("South Air ")	Auto Parts	144,000.00	144,000.00
Chongqing Jianshe Yamaha Motorcycle Co., Ltd	Motorcycle Parts	3,469,076.51	2,282,073.73
Chongqing Jianshe industry (Group) Co., Ltd	Parts inspection	948,359.57	
Chongqing Jianshe industry (Group) Co., Ltd	Material	280,236.11	
Chongqing Chang'an Minsheng Logistics Co., Ltd	Storage services	581,396.56	
Southwest Ordnance Chongqing Environmental Protection Research Institute Co., Ltd	Parts inspection	1,039,838.83	
Total		152,553,639.52	107,321,536.88

(2) The situation of related-party lease

① The Company as a lessor:

The name of lessor	The kind of leased assets	Leasing asset of 2020	Leasing asset of 2019
Chongqing Jianshe mechanical and electrical co., LTD.	Plant	3,187,684.37	5,670,620.70
Chongqing Jianshe mechanical and electrical co., LTD.	Machinery Equipment		1,262,889.91

② The Company as a lessee:

The name of lessor	The kind of leased assets	Leasing asset of 2020	Leasing asset of 2019
Chongqing Jianshe mechanical and electrical co., LTD.	Plant	3,131,505.24	3,060,055.14

(3) Related Guarantee

The Company act as guarantor

Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Whether the guarantee has been fulfilled
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Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Whether the guarantee has been fulfilled
Chongqing Jianshe Automobile A/C Co., Ltd.	17,710,000.00	2020/1/17	2021/1/16	No
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2020/6/19	2021/6/18	No
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2020/7/29	2021/7/28	No
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2020/8/11	2021/8/10	No
Chongqing Jianshe Automobile A/C Co., Ltd.	55,790,000.00	2020/12/4	2021/12/3	No
Chongqing Jianshe Automobile A/C Co., Ltd.	24,997,000.00	2020/4/13	2021/4/12	No
Chongqing Jianshe Automobile A/C Co., Ltd.	9,999,500.00	2020/4/20	2021/4/19	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,013,500.00	2020/4/28	2021/4/27	No
Chongqing Jianshe Automobile A/C Co., Ltd.	34,500,000.00	2020/10/12	2021/5/24	No
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2020/10/12	2021/5/24	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,490,000.00	2020/10/19	2021/5/24	No
Chongqing Jianshe Automobile A/C Co., Ltd.	10,000,000.00	2020/8/27	2021/8/27	No
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2020/11/3	2021/5/18	No
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2020/2/28	2021/2/27	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,020,000.00	2020/7/31	2021/1/31	No
Chongqing Jianshe Automobile A/C Co., Ltd.	46,400,000.00	2020/9/23	2021/3/16	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,000,000.00	2020/10/16	2021/4/13	No
Chongqing Jianshe	25,000,000.00	2019/7/5	2020/1/5	Yes

Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Whether the guarantee has been fulfilled
Automobile A/C Co., Ltd.				
Chongqing Jianshe Automobile A/C Co., Ltd.	25,300,000.00	2019/7/11	2020/1/11	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2019/8/16	2020/2/15	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	28,570,000.00	2019/9/20	2020/3/20	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	35,710,000.00	2019/10/10	2020/4/9	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	14,285,000.00	2019/10/16	2020/4/15	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	35,710,000.00	2019/10/23	2020/4/22	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	46,400,000.00	2019/12/26	2020/6/26	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,020,000.00	2020/1/8	2020/7/8	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2019/9/10	2020/9/9	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2019/9/17	2020/9/16	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	28,570,000.00	2020/3/17	2020/9/17	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2019/10/8	2020/9/28	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	12,000,000.00	2019/10/8	2020/9/28	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	24,500,000.00	2019/10/28	2020/10/27	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2019/11/20	2020/11/19	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	34,500,000.00	2019/11/28	2020/11/27	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	55,790,000.00	2019/12/9	2020/12/8	Yes

Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Whether the guarantee has been fulfilled
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2019/12/12	2020/12/11	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	40,000,000.00	2020/6/15	2020/12/15	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	25,490,000.00	2019/12/17	2020/12/16	Yes
Chongqing Jianshe Automobile A/C Co., Ltd.	20,000,000.00	2019/12/18	2020/12/16	Yes

(4) Payroll of core management staff

Item	2020	2019
Payroll of core management staff	3,956,919.45	2,696,304.00

(5) Deposits in related parties

Related-party name	2020.01.01	Increase during the period	Decrease during the period	2020.12.31
Finance company of China South Industries Group	5,948,128.99	1,628,113,120.09	1,558,761,304.05	75,299,945.03

Note: The total deposit interest of related parties received in the current period is 118,772.10 Yuan.

(6) Loan from related parties

Related-party name	Starting date	Termination date	Annual interest rate	Guarantor	Ending balance
Finance company of China South Industries Group	2020/12/11	2021/3/11	4.35 %	Credit borrowings	25,000,000.00
Finance company of China South Industries Group	2020/6/15	2021/6/15	3.92%	Credit borrowings	20,000,000.00
Finance company of China South Industries Group	2020/11/17	2021/11/17	3.92%	Credit borrowings	30,000,000.00
Finance company of China South Industries Group	2020/12/2	2021/12/2	4.35%	Credit borrowings	28,000,000.00
Finance company of China South Industries Group	2020/12/2	2021/12/2	4.35%	Credit borrowings	30,000,000.00
Finance company of China South Industries Group	2020/12/29	2021/12/29	4.35%	Credit borrowings	23,500,000.00
Finance company of China South Industries Group	2020/7/31	2021/7/31	2.00%	Credit borrowings	9,400,000.00
Finance company of China South Industries Group	2020/10/29	2021/10/29	2.00%	Credit borrowings	4,510,000.00

6. Related party receivables/payables

(1) The item of receivables

Item	Related parties	2019.12.31		2018.12.31	
		book balance	bad-debt provision	book balance	bad-debt provision
Accounts receivable	Chongqing Jianshe Yamaha Motorcycle Co.,Ltd	1,600,948.83		935,022.27	
Accounts receivable	Chongqing Hanon Jianshe Automotive Thermal Systems Co., Ltd.	1,057,181.69		146,715.27	
Accounts receivable	Chongqing Changan Automobile Co., Ltd.	35,860,898.25		23,714,911.56	
Accounts receivable	Hefei Changan Automobile Co., Ltd.	6,144,169.57		7,569,880.13	
Accounts receivable	Baoding Changan Automobile Co., Ltd.	176,024.12		1,464,206.17	
Accounts receivable	Chongqing Changan Suzuki Automobile Co., Ltd.	144,754.60		1,245,998.54	
Accounts receivable	Nanjing Changan Automobile Co., Ltd.	757,093.89		69,349.42	
Accounts receivable	Hebei Changan Automobile Co., Ltd.	125,588.19		36,326.70	
Accounts receivable	Chongqing Changan Automobile Co., Ltd. Beijing Changan Automobile Company ("Beijing Changan")			3,046.25	
Accounts receivable	Hafei motor co., Ltd.	3,999,944.43	3,999,944.43	3,999,944.43	3,999,944.43
Notes receivable	Baoding Changan bus Manufacturing Co., Ltd.	1,080,000.00		230,000.00	
Notes receivable	Chongqing Changan Automobile Co., Ltd.	20,462,109.25		404,031.22	
Notes receivable	Hefei Changan Automobile Co., Ltd	4,501,490.44			
Notes receivable	Nanjing Changan Automobile Co., Ltd	880,000.00			
Other receivables	Chongqing North Jianshe Import and Export trading Co.,Ltd			350,000.00	
Other receivables	Chongqing Jianshe Lijue Industry Co.,Ltd	1,478,870.07		395,723.62	
Other receivables	China South Industries Group Corporation	39,300.00			

(2) The item of payables

Item	Related parties	2019.12.31	2018.12.31
		book balance	book balance
Accounts payable	Chongqing Yamaha Motorcycle Co., Ltd.	23,210.00	23,210.00
Accounts	China South Industries Group Commercial	32,950,000.00	11,800,000.00

payable	Factoring Co.,Ltd		
Other payable	Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe industry(Group) ")	563,402.75	644,513.49
Other payable	Chongqing Jianshe Mechanical and electrical Co., Ltd.		148,008.76

7. Commitments by related parties

None

VIII. Commitments or contingencies

1. Significant commitment events

As at December 31, 2020, the Company did not need to disclose important commitments.

2. Contingencies

As at December 31, 2020, the Company did not need to disclose important contingencies.

IX. Subsequent events

As the approval date of audit report, the Company did not need to disclose important subsequent events.

X. Other significant events

As at December 31, 2020, the Company did not need to disclose other significant events.

XI. Notes to the main items of financial statements of parent company

1. Accounts receivable

(1) Accounts receivable measured as amortized cost

	2020.12.31			2019.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Accounts receivable	3,480,832.08	1,291,496.94	2,189,335.14	2,476,442.75	1,291,496.94	1,184,945.81
Total	3,480,832.08	1,291,496.94	2,189,335.14	2,476,442.75	1,291,496.94	1,184,945.81

(2) Bad debt reserves

No matter whether there is material financing component, the company measured losses reserves provision using estimated credit losses method during the period.

①Accounts receivable with provision for bad debt made on a portfolio with similar aging

	Book balance	Estimated credit losses during the period	Provision for impairment
Within one year	2,189,335.14		
1-2 years			
2-3 years			
Over 3 years	1,291,496.94	100.00	1,291,496.94
Total	3,480,832.08		1,291,496.94

②Changes of Bad debt

Item	2020.01.01	Increase during the period	Decrease during the period		2020.12.31
			Recovery or reversal	Elimination or write-off	
Accounts receivable provision for impairment	1,291,496.94				1,291,496.94

(3) Top five accounts receivable as at December 31, 2020:

Total amount of top five accounts receivable is 3,057,631.10 Yuan, which accounting for 87.84% of total accounts receivable, and the corresponding provision of accounts receivable bad debts impairment is 868,836.00 Yuan.

Company Name	Amount of ending balance	Aging	Proportion of total accounts receivable %	Amount of ending balance for bad debts
Chongqing Jianshe Hanon Heat Management system Co., Ltd.	1,057,181.69	Within 2 years	30.37	
Chongqing Jianshe Yamaha Motorcycle Co., Ltd	914,657.32	Within 6 months	26.28	
Wuhan Longchang Company Wujiao Market Department	473,539.96	Over 5 years	13.60	473,539.96
China Aerospace Science and Technology Corporation Long March Machinery Factory	395,296.04	Over 5 years	11.36	395,296.04
Chongqing Qiutian Gear Co., Ltd	216,956.09	Within 6 months	6.23	
Total	3,057,631.10		87.84	868,836.00

2. Other receivables

Item	2020.12.31	2019.12.31
Interest receivable		
Dividend receivable		
Other receivables	934,239.22	2,376,451.69
Total	934,239.22	2,376,451.69

(1) Situation of other receivables

	2020.12.31			2019.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Other receivables	6,854,489.04	5,920,249.82	934,239.22	6,817,831.44	4,441,379.75	2,376,451.69
Total	6,854,489.04	5,920,249.82	934,239.22	6,817,831.44	4,441,379.75	2,376,451.69

1) Provision of bad debts

A. Provision for bad debts of other accounts receivable at the first stage on December 31st 2020:

	Book balance	Estimated credit losses during the period	Provision for impairment	Reason
Provision in portfolio				
Aging	5,060,099.13	81.54	4,125,859.91	Low recovery possibility
Total	5,060,099.13	81.54	4,125,859.91	

B. Provision for bad debts of other accounts receivable at the third stage on December 31st 2020:

	Book balance	Estimated credit losses during the period	Provision for impairment	Reason
Provision in single entity				
Chongqing Jinxiang Hoisting equipment manufacturing	16,800.00	100.00	16,800.00	Low recovery possibility

Yangzhou Qionghua decoration engineering equipment	56,500.00	100.00	56,500.00	Low recovery possibility
Chongqing China Customs	78,825.36	100.00	78,825.36	Low recovery possibility
Goods pending quality inspection and goods on exhibition	163,394.48	100.00	163,394.48	Low recovery possibility
Chongqing Jianshe lijue Industrial Co., Ltd	1,478,870.07	100.00	1,478,870.07	Low recovery possibility
Total	1,794,389.91	100.00	1,794,389.91	

2) Changes of bad debts provision

Provision of impairment	Stage One	Stage Two	Stage Three	Total
	Estimated credit losses in next 12 months	Estimated credit losses during the period (not happened)	Estimated credit losses during the period (happened)	
Balance as at Jan 1 st 2020	4,125,859.91		315,519.84	4,441,379.75
Beginning book balance in this period				
-transfer to the first stage				
-transfer to the second stage				
-transfer to the third stage				
Provision during the period			1,478,870.07	1,478,870.07
Reversal during the period				
Elimination during the period				
Write off during the period				
Other changes				
Balance as at Dec 31 st 2020	4,125,859.91		1,794,389.91	5,920,249.82

3) Nature classification of other receivables

Nature	2020.12.31	2019.12.31
Commercial intercourse	6,854,489.04	6,817,831.44

Total	6,854,489.04	6,817,831.44
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4) Top five other receivable as at December 31, 2020:

Total amount of top five accounts receivable is 6,317,036.92 Yuan, which accounting for 92.16% of total accounts receivable, and the corresponding provision of accounts receivable bad debts impairment is 5,514,198.11 Yuan.

Company Name	Related Party	Nature	Amount of ending balance	Aging	Percentage of whole other receivables%	Provision of impairment of ending balance
Shenzhen Jianshe Moto Co., Ltd	No	Trading	3,013,664.00	Over 5 years	43.97	3,013,664.00
Chongqing Jianshe lijue Industrial Co., Ltd	Yes	Trading	1,478,870.07	Within 2 years	21.58	1,478,870.07
Advance payment to employees	No	Trading	802,838.81	Within 6 months	11.71	
Ningbo Jianshe Auto Co., Ltd Chongqing Office	No	Trading	692,035.31	Over 5 years	10.10	692,035.31
Ningbo Jianshe Auto Co., Ltd	No	Trading	329,628.73	Within 6 months	4.81	329,628.73
Total			6,317,036.92		92.16	5,514,198.11

3. Long-term equity investments

(1) Classification of long-term equity investment

Item	2020.12.31			2019.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	199,045,443.95		199,045,443.95	160,000,000.00		160,000,000.00
Investments in associates and joint ventures	186,213,719.02		186,213,719.02	230,649,585.63		230,649,585.63
Total	385,259,162.97		385,259,162.97	390,649,585.63		390,649,585.63

(2) Investments in subsidiaries

Investee	2020.01.01	Increase in 2020	Decrease in 2020	2020.12.31
Chongqing Jianshe Automobile A/C Co., Ltd.	160,000,000.00			160,000,000.00
Chongqing Pingshan TK Carburetor Co., Ltd		39,045,443.95		39,045,443.95
Less: provision for long-term investment impairment				

Investee	2020.01.01	Increase in 2020	Decrease in 2020	2020.12.31
Total	160,000,000.00	39,045,443.95		199,045,443.95

(3) Investments in associates and joint ventures

Investee	2020.01.01	Increases/decreases in the current year				
		Additional investment	Decrease in investment	profits and losses on investments recognized under the equity method	Other comprehensive income	Changes in other equity
Joint ventures						
Chongqing Pingshan TK Carburetor Co., Ltd.	38,867,604.85		39,045,423.41	177,818.56		
Chongqing Jianshe Hanon Heat Management system Co., Ltd.	191,781,980.78			-5,568,261.76		
Total	38,867,604.85		39,045,423.41	177,818.56		

&

Investee	Increases/decreases in the current year			Balance as at December 31, 2020	Balance as At December 31, 2020 of Provision for impairment
	Declaration of cash dividends or profits	Provision for impairment	Other		
Joint ventures					
Chongqing Pingshan TK Carburetor Co., Ltd.				0.00	
Chongqing Jianshe Hanon Heat Management system Co., Ltd.				186,213,719.02	
Total				186,213,719.02	

4. Operating income and operating costs

(1) Operating income and costs are as follows:

Item	Year 2020		Year 2019	
	Income	Cost	Income	Cost
Primary businesses	574,099,625.36	562,455,438.02	590,889,525.63	612,385,017.66
Other businesses	8,020,335.84	3,413,711.76	10,168,004.55	4,143,375.88
Total	582,119,961.20	565,869,149.78	601,057,530.18	616,528,393.54

(2) The main operating income and costs (by business) are as follows:

Product Name	Year 2020		Year 2019	
	Income	Cost	Income	Cost
Motorcycle and auto parts	574,099,625.36	562,455,438.02	590,889,525.63	612,385,017.66
Total	574,099,625.36	562,455,438.02	590,889,525.63	612,385,017.66

(3) The main operating income and costs (by product) are as follows:

Product Name	Year 2020		Year 2019	
	Income	Cost	Income	Cost
Motorcycle and auto parts	574,099,625.36	562,455,438.02	590,889,525.63	612,385,017.66
Total	574,099,625.36	562,455,438.02	590,889,525.63	612,385,017.66

(4) The main operating income and costs (by region) are as follows:

Product Name	Year 2020		Year 2019	
	Income	Cost	Income	Cost
Chongqing	574,099,625.36	562,455,438.02	590,889,525.63	612,385,017.66
Total	574,099,625.36	562,455,438.02	590,889,525.63	612,385,017.66

5. Investment income

item	Year 2020	Year 2019
Long-term equity investment income calculated by equity method		
Disposal of a long-term equity investment of investment returns	-5,390,443.20	-27,108,151.12
Investment income from remained equity measured at fair value after losing control power		
Investment income from holding of available-for-sale throughout the duration		
Disposal of available-for-sale financial assets investment income		
Investment income from holding of available-for-sale financial assets calculated by amortized cost method		
investment income from disposal of available-for-sale financial assets calculated by amortized cost method		
Investment income from holding of other bond investments		
Investment income from disposal of other bond investments		
Investment income from financial assets measured at fair value through current profit and loss during the duration		

Investment income from disposal of financial assets measured at fair value through current profit and loss		
Investment income from holding of held-to-maturity investments	—	—
Investment income from disposal of held-to-maturity investments	—	—
Investment income from holding of available-for-sale financial assets	—	—
Investment income from disposal of available-for-sale financial assets	—	—
Others	—	—
Total	-5,390,443.20	-27,108,151.12

XII. Supplementary information

1. Detailed statement of current non-recurring profit and loss

Item	Amount	Remark
Gains and losses on disposal of non-current assets	-448,967.59	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	4,466,559.88	
Payment for use of state funds received from non-financial institutions recorded in current profits and losses		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing	42,924,165.03	
Gains or losses from non-monetary asset exchange		
Gains or losses from entrusting the investments or management of asset		
Impairment provision for force majeure such as natural calamities		
Profits or losses from debt restructuring		
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses from transactions with obvious unfair transaction price		
Current net profit and loss of subsidiaries from the beginning of the period to the date of business combination under the common control		
Profits or losses arising from contingencies not related to the company's normal business		

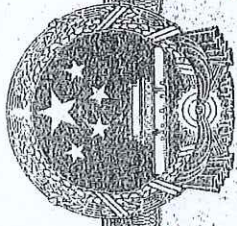
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets		
Disposal of transactional financial assets, transactional financial liabilities and return on investments available for sale		
Reversal of the impairment provision for receivables subject to separate impairment test	88,468.57	
Profits or losses from entrusted loans		
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenditure except for the above items	-1,496,366.67	
Other profits or losses which can be deemed as non-recurring profits or losses		
Total non-recurrent gains and losses	45,533,859.22	
Less: income tax impact of non-recurrent gains and losses	76,894.55	
Net non-recurrent gains and losses	45,456,964.67	
Less: net effect of non-recurrent gains and losses attributable to minority shareholders		
Non-recurring gains and losses attributable to common shareholders of the company	45,456,964.67	

2. Rate of return on net assets and earnings per share:

Profit during the reporting period	Weighted average rate of return on net assets (%)	Earnings per share (Yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	0.8190	0.0119	0.0119
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit and loss	-25.4748	-0.3689	-0.3689

Chongqing Jianshe Vehicle System Co., Ltd.

April 28, 2021



统一社会信用代码

9111010208376569XD

营业执照

(副本) (5-1)

名称 中兴财光华会计师事务所(特殊普通合伙)

类型 特殊普通合伙企业

执行事务合伙人 姚庚春

经营范围

审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具相关报告；承办会计咨询、会计服务业务；法律、行政法规规定的其他审计业务；代理记账；房屋租赁；税务咨询；企业管理咨询。（市场主体依法自主选择经营项目，开展经营活动；代理记账以及依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

成立日期 2013年11月13日

合伙期限 2013年11月13日至2033年11月12日

主要经营场所 北京市西城区阜成门外大街2号22层A24



扫描二维码登录“国家企业信用信息公示系统”了解更多登记、备案、许可、监管信息



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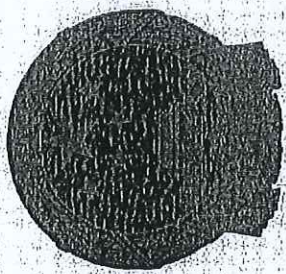
2020年11月03日

<http://www.gsxt.gov.cn>

国家企业信用信息公示系统网址：

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制



会计师事务所

执业证书



名称：中兴财光华会计师事务所（特殊普通合伙）

首席合伙人：姚庚春

主任会计师：

经营场所：北京西城区阜成门外大街2号22层A24

组织形式：特殊普通合伙

执业证书编号：11010205

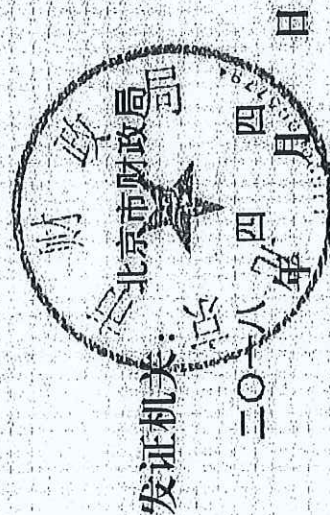
批准执业文号：京财会许可[2014]0031号

批准执业日期：2014年03月28日

证书序号：0000187

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
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中华人民共和国财政部制



证书序号: 000360



会计师事务所 证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查, 批准
中兴财光华会计师事务所 (特殊普通合伙) 执行证券、期货相关业务。

首席合伙人: 姚庚春



证书号: 30

发证时间: 二〇一二年十二月八日

证书有效期至: 二〇一三年十二月八日

原件一致


 THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 中国注册会计师协会

姓名: 范霄
 Full name: 范霄
 性别: 男
 Sex: 男
 出生日期: 1965-2-16
 Date of birth: 1965-2-16
 工作单位: 中兴财会计师事务所有限公司
 Working unit: 中兴财会计师事务所有限公司
 身份证号码: 420106650216443
 Identity card No.: 420106650216443




 中国注册会计师协会
 CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 2015


 中国注册会计师协会
 CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 2017


 中国注册会计师协会
 CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 2016

姓名: 范霄
 证书编号: 42000112913
 姓名: 范霄
 证书编号: 42000112913

1984年3月16日
 1984年3月16日
 1984年3月16日

证书编号: 42000112913
 证书编号: 42000112913
 证书编号: 42000112913

1984年3月16日
 1984年3月16日
 1984年3月16日

与原件一致


 注册会计师工作单位变更事项登记
 Registration of the Change of Working Unit by a CPA

同意调出
 Agree the holder to be transferred from

中兴财 事务所
 CPAs

转出协会盖章
 Stamp of the transfer-out Institute of CPAs
 2016年 7月 19日
 2016年 7月 19日

同意调入
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中兴财 事务所
 CPAs

转入协会盖章
 Stamp of the transfer-in Institute of CPAs
 2016年 7月 19日
 2016年 7月 19日

10

注册会计师工作单位变更事项登记
 Registration of the Change of Working Unit by a CPA

同意调出
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事务所
 CPAs

转出协会盖章
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 年 月 日
 年 月 日

同意调入
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事务所
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 年 月 日
 年 月 日

11



THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会



姓名: 张卫东
Full name: _____

性别: 男
Sex: _____

出生日期: 1970-08-01
Date of birth: _____

工作单位: 陕西华地会计师事务所有限公司
Working unit: _____

身份证号码: 10133197600015015
Identity card No.: _____

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



2011



2012



2013



2014



姓名: 张卫东
证书编号: 610000310516

年 月 日

年 月 日

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



2015



2016



2017

证书编号: 610000310516
No. of Certificate: _____

批准注册协会: 陕西华地会计师事务所有限公司
Authorized Institute of CPAs: _____

发证日期: _____
Date of Issuance: _____

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

同意调入
Agree the holder to be transferred to

转出: 2016.4.11
转入: 2016.4.11

转出: 2016.4.11
转入: 2016.4.11

业务所: _____
CPAs: _____

协会盖章: _____
Institute of CPAs: _____

业务所: _____
CPAs: _____

协会盖章: _____
Institute of CPAs: _____

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- This certificate shall be exclusively used by the holder. No transfer or alteration shall be allowed.
- The CPA shall return the certificate to the competent Institute of CPAs when the CPA stops conducting statutory business.
- In case of loss, the CPA shall report to the competent Institute of CPAs immediately and go through the procedure of reissue after making an announcement of loss on the newspaper.