CHANGCHAI COMPANY, LIMITED

INTERIM REPORT 2019

August 2019

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the "Board"), the Supervisory Committee as well as the directors, supervisors and senior management of Changchai Company, Limited (hereinafter referred to as the "Company") hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

Shi Xinkun, the Company's legal representative, Zhang Xin, the Company's General Manager, and Jiang He, head of the Company's financial department (equivalent to financial manager) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

All the Company's directors have attended the Board meeting for the review of this Report and its summary.

Any plans for the future and other forward-looking statements mentioned in this Report and its summary shall NOT be considered as absolute promises of the Company to investors. Investors and other stakeholders shall be sufficiently aware of the risk and shall differentiate between plans/forecasts and promises.

The Company has no interim dividend plan, either in the form of cash or stock.

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

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Definitions

Term	Definition
“Changchai”, the “Company” or “we”	Changchai Company, Limited and its consolidated subsidiaries, except where the context otherwise requires
Changchai Benniu	Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.
Changchai Wanzhou	Changchai Wanzhou Diesel Engine Co., Ltd.
Housheng Investment	Changzhou Housheng Investment Co., Ltd.
Housheng Agricultural Equipment	Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.
Changchai Robin	Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.
Changchai Machinery	Jiangsu Changchai Machinery Co., Ltd.
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in ten thousand Renminbi
The “Reporting Period” or “Current Period”	The period from 1 January 2019 to 30 June 2019

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	Changchai, Changchai-B	Stock code	000570, 200570
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	常柴股份有限公司		
Abbr. (if any)	苏常柴		
Company name in English (if any)	CHANGCHAI COMPANY,LIMITED		
Abbr. (if any)	CHANGCHAI CO.,LTD.		
Legal representative	Shi Xinkun		

II Contact Information

	Board Secretary	Securities Representative
Name	He Jianjiang	
Address	123 Huaide Middle Road, Changzhou, Jiangsu, China	
Tel.	（86）519-68683155	
Fax	（86）519-86630954	
Email address	cchjj@changchai.com	

III Other Information

1. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

□ Applicable √ Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2018 Annual Report.

2. Media for Information Disclosure and Place where this Report is Kept

Indicate by tick mark whether any change occurred to the information disclosure media and the place for keeping the Company's periodic reports in the Reporting Period.

□ Applicable √ Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing the Company's periodic reports and the place for keeping such reports did not change in the Reporting Period. The said information can be found in the 2018 Annual Report.

IV Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

□ Yes √ No

	H1 2019	H1 2018	Change (%)
Operating revenue (RMB)	1,115,829,845.59	1,186,760,892.26	-5.98%
Net profit attributable to the listed company's shareholders (RMB)	19,058,025.07	18,638,557.66	2.25%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	14,227,155.59	17,262,823.25	-17.59%
Net cash generated from/used in operating activities (RMB)	-154,227,704.77	-5,608,853.15	-
Basic earnings per share (RMB/share)	0.0339	0.0332	2.11%
Diluted earnings per share (RMB/share)	0.0339	0.0332	2.11%
Weighted average return on equity (%)	0.97%	0.86%	0.11%
	30 June 2019	31 December 2018	Change (%)
Total assets (RMB)	3,640,229,950.93	3,542,019,195.75	2.77%
Equity attributable to the listed company's shareholders (RMB)	2,135,662,393.66	2,043,308,026.74	4.52%

V Accounting Data Differences under Chinese Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Net Asset Differences under CAS and IFRS

□ Applicable √ Not applicable

No such differences for the Reporting Period.

2. Net Profit and Net Asset Differences under CAS and Foreign Accounting Standards

□ Applicable √ Not applicable

No such differences for the Reporting Period.

XI Exceptional Gains and Losses

√ Applicable □ Not applicable

Unit: RMB

Item	Reporting Period	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	988,535.95	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	129,300.00	
Gain or loss on fair-value changes in trading and derivative financial assets and liabilities & income from disposal of trading and derivative financial assets and liabilities and other investments in debt obligations (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	179,073.85	
Reversed portions of impairment allowances for loan by mandate which are tested individually for impairment	4,000,000.00	
Non-operating income and expense other than the above	349,093.41	
Less: Income tax effects	822,508.89	
Non-controlling interests effects (net of tax)	-7,375.16	
Total	4,830,869.48	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

□ Applicable √ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

No.

As a manufacturer, we specialize in the manufacture and sale of diesel engines, diesel engine fittings and castings, gasoline engines, gasoline engine fittings, rotovators, walking tractors, molds and jigs as well as the assembly and sale of diesel engine and gasoline engine supporting sets.

We mainly manufacture and sell small and medium-sized single-cylinder and multi-cylinder diesel engines under the brand of “Changchai”, which are often used in tractors, combine-harvesters, light commercial vehicles, agriculture equipment, small-sized engineering machinery, generator sets, ship machines, etc.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Other current assets	The ending amount was down by 17,988,799.29 (or 52.36%) from the beginning amount, primarily driven by a decline in overpaid VAT.
Accounts receivable	The ending amount was up by RMB364,413,521.17 (or 96.19%) from the beginning amount, primarily driven by the Company’s move to properly allow customers’ buying on credit in order for more markets, and the fact that multi-cylinder diesel engine customers are usually given longer payment days for they are mostly supporting manufacturers.
Advances from customers	The ending amount was up by RMB24,309,044.71 (or 70.46%) from the beginning amount, primarily driven by a rise in advances from customers.

2. Major Assets Overseas

□ Applicable √ Not applicable

III Core Competitiveness Analysis

Is the Company subject to any industry-specific disclosure requirements?

No.

1. Advantages in Brand

Changchai is a national industrial enterprise with a history of over one hundred years. It is one of the earliest professional manufacturers of internal combustion engines in China. The brand "Changchai" is the earliest domestic trademark of production goods known as China's well-known trademarks. The diesel engine of "Changchai" brand is China's brand-name product. The enterprise has been certified by ISO9001 and IATF16949 quality systems, ISO14001 environmental management system, ISO/TS16949 automotive product quality management system, and accessed to the national export-free enterprise qualification. Changchai was honorably ranked among “the Top One Hundred Chinese Enterprises in Engineering Industry” and “China Pacesetter Enterprise of Industrial Industry” for several times, and was awarded the honorary title of “State-level Enterprise of Observing Contracts and Keeping Promise”, “China's Agricultural Machinery Parts and Components Leading Enterprises”, “China's Agricultural Machinery AAA Credit Enterprise”, “Quality Management Excellence Award of Jiangsu Province” and “Mayor Quality Award of Changzhou City”. The Company has been among the “Jiangsu Independent Industries Brand Top 50”for four years in a row. Also, it has been among the 10 users’ most satisfied leading brands in “Jing Geng” competition for many years. In 2019, the Company once again was given the title of “Top 50 Industrial Brands of Jiangsu Province”, among others. For many years, in the process of achieving steady economic development of the enterprise, we developed in a sound manner and cultivated the “Changchai” brand, a famous small diesel engine brand of China with independent intellectual property rights.

2. Advantages in Technology

The Company has a state-level technology center and post-doctoral research station, and a research center of small and medium-power internal combustion engine engineering and technology in Jiangsu Province. Currently, it is mainly engaged in production of small and medium-power single-cylinder and multi-cylinder diesel engine. It has a complete product range, a wide power level coverage, a high reputation and intellectual property rights for its main products. Its 4G33TC diesel engine has been included in the provincial catalog of key new technologies and products to be promoted. Its 4G33TC and 3M78 diesel engines have been recognized as “high-tech products” at the provincial level. Its 4G33 multi-cylinder diesel engines have won the Annual Innovative Product Award in the agricultural machinery industry. And its 3M78 light engine won the New Proprietary Product Golden Award for Equipment Manufacturing Sector at the provincial level. During the Reporting Period, the Company filed for 1 patent and was granted 5 patents. Currently, the Company has a total of 144 patents granted by authorities at home and abroad, including 14 invention patents.

3. Advantages in Marketing

Changchai has built up a sales service network covering the whole country, with 5 sales business units, 27 sales service centers, over 900 service stations and 750 designated maintenance stations. In addition, in order to meet the National Emission Standard IV for Non-Road Vehicles and provide better after-sales service for customers, a service monitoring platform with Changchai characteristics has been put in place. With a perfect diesel sales service network system, the Company is able to provide high quality, efficient and timely services for customers.

Part IV Operating Performance Discussion and Analysis

I Overview

The first half of 2019 saw a trough of the agricultural machinery market, which is expected to continue. During this period, the Company sold 361,100 units of diesel engines, gasoline engines and related generator sets, including 69,300 units of gasoline engines, generating total sales revenue of RMB1,115,829,845.59, a drop of 5.98% year-on-year. In the Reporting Period, the Company strengthened product advantages, accelerated market expansion, and pushed forward product planning step by step. Also, it attached importance to service management to increase service efficiency, and enhanced internal management for better cost efficiency. Through these efforts, it has achieved the following results:

Product R&D and innovation: The Company continued to drive the R&D and reserve of diesel engine for non-road vehicles project under China's Motor Vehicle Emission Standards IV and diesel engine for automotive use project under China's Motor Vehicle Emission Standards VI. The development and application of the remote monitoring platform entered the stage of software deployment, and the platform provided favorable support to the reduction in the Company's service costs of "three guarantees".

Quality management: In light of the adjustment to its organizational structure, the Company revised its system documents, which passed the internal audit in April 2019. In June, the Company passed the external audit of its ISO9001 and IATF16949 quality management systems by CASC and the spot check by China National Accreditation Service for Conformity Assessment.

Marketing management: The Company solidified the existing advantages and enlarged the share of superior products. It kept improving service capabilities by building good cooperative partnership with customers and suppliers, adapting to market changes for opportunities to expand the market and promoting new areas of supporting products. As a result, customer satisfaction kept rising.

Internal management: The Company reinforced the construction of internal control system and the supervision of key projects. By deepening the medium-term special audit, it improved risk prevention and control ability and the quality of internal audit work. As timely measures are taken to solve problems, operational efficiency of the Company is improved.

Market: In traditional agriculture sector, facing increasing market competition, the Company established a sales policy of stabilizing the market shares of its two main engine factories while developing new markets and new fields with targeted marketing in key regions, which led to some achievements. Although the total market of single cylinder engine industry fell substantially, decline in the Company's sales of single cylinder engines was lower than the industrial average. Changchai maintained its industrial top position in terms of its market share of single cylinder engines. In non-road sector, an increase was seen in the Company's market share of multi-cylinder engines in tractors, harvesters, corn harvesters, with advantaged fields being further strengthened. Furthermore, in light of the continuous decline in agriculture sector, the Company continued to expand non-agriculture market by striving to develop market shares in such supporting markets as coastal, project infrastructure and small project machinery, in addition to stabilizing its market share of construction machinery and prospecting machinery.

Outbound investment: In February 2019, the Company founded Jiangsu Changchai Machinery Co., Ltd., a wholly owned subsidiary of the Company, which engages in production projects of light engines and castings. As a result, the number of the Company's majority-owned subsidiaries has increased to six.

II Analysis of Core Businesses

See "I Overview" above.

Year-on-year changes in key financial data:

Unit: RMB

	H1 2019	H1 2018	Change (%)	Main reason for change
Operating revenue	1,115,829,845.59	1,186,760,892.26	-5.98%	
Cost of sales	970,438,847.36	1,034,354,908.99	-6.18%	
Selling expense	58,258,398.98	52,228,075.86	11.55%	
Administrative expense	34,102,694.86	28,367,615.31	20.22%	
Finance costs	-1,780,811.62	-132,337.12	-	
Income tax expense	-2,998,475.83	4,352,526.65	-	This is mainly because the company received 6,700,210.88 yuan of corporate income tax refund in 2018 in June 2019.
R&d spending	30,064,283.46	34,066,872.15	-11.75%	
Net cash generated	-154,227,704.77	-5,608,853.15	-	This is mainly due

from/used in operating activities				to the increase of accounts receiveable in the current reporting period.
Net cash generated from/used in investing activities	-16,253,804.42	-29,078,866.20	-	
Net cash generated from/used in financing activities	-22,977,861.20	-8,263,008.91	-	
Net increase in cash and cash equivalents	-193,459,370.39	-42,950,728.26	-	

Material changes to the profit structure or sources of the Company in the Reporting Period:

□ Applicable √ Not applicable

No such changes in the Reporting Period.

Breakdown of core businesses:

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Internal combustion engines	1,099,044,681.77	958,911,511.17	12.75%	-6.08%	-6.10%	0.01%
By product category						
Diesel engines	1,030,299,707.19	901,543,063.26	12.50%	-6.96%	-6.6%	-2.64%
Gasoline engines	68,744,974.58	57,368,447.91	16.55%	9.44%	2.5%	5.65%
By operating segment						
Domestic	946,082,606.49	810,225,144.20	14.36%	-4.70%	-4.50%	-0.18%
Overseas	152,962,075.28	148,686,366.97	2.80%	-13.82%	-13.93%	0.13%

III Analysis of Non-Core Businesses

□ Applicable √ Not applicable

IV Analysis of Assets and Liabilities

1. Material Changes in Asset Composition

Unit: RMB

	30 June 2019		30 June 2018		Change in percentage (%)	Reason for material change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capital	628,482,778.12	17.26%	445,858,926.17	12.07%	5.19%	
Accounts receivable	743,272,680.28	20.42%	809,459,781.25	21.91%	-1.49%	
Inventories	480,107,549.12	13.19%	406,509,269.60	11.00%	2.19%	
Investment property	49,551,837.23	1.36%	51,760,178.03	1.40%	-0.04%	
Long-term equity investments	0.00	0.00%	0.00	0.00%	0.00%	
Fixed assets	473,064,733.73	13.00%	525,895,299.42	14.23%	-1.23%	
Construction in progress	80,277,379.05	2.21%	86,375,849.20	2.34%	-0.13%	
Short-term borrowings	22,000,000.00	0.60%	28,700,000.00	0.78%	-0.18%	
Long-term borrowings		0.00%	21,500,000.00	0.58%	-0.58%	
Non-current liabilities due within one year	18,500,000.00	0.51%	0.00	0.00	-	This is mainly due to the transfer of long-term borrowings of 18.5 million yuan into non-current liabilities due within one year during the reporting period

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Ending amount
Financial assets							
Other investment in equity instruments	370,940,000.00		351,736,375.00				473,682,000.00
Total of above	370,940,000.00		351,736,375.00				473,682,000.00
Financial liabilities	0.00	0.00	0.00				0.00

Significant changes to the measurement attributes of the major assets in the Reporting Period:

□ Yes √ No

3. Restricted Asset Rights as of End of Reporting Period

Item	Ending carrying value	Reasons for restriction
Monetary capital	134,862,508.92	Cash deposits of bank acceptance bill
House building	2,936,446.13	Pledge for bank loans
Land use right	995,328.00	Pledge for bank loans
Machinery equipment	48,181,935.62	Pledge for bank loans
Total	186,976,218.67	

V Investments Made

1. Total Investment Amount

√Applicable □ Not applicable

Investment during reporting period (RMB)	Investment in the same period of last year (RMB)	Change
10,000,000.00	0.00	-

2. Major Equity Investments Made in the Reporting Period

√Applicable □ Not applicable

Name of invested company	The main business	Investment way	Investment amount	stake	Sources of funding	partner	Investment horizon	The product type	Progress as of balance sheet date	Expected earnings	Current investment profit and loss	Whether or not it	Date of disclosure (if any)	Disclosure index (if any)
Jiangsu changchai machinery co. LTD	Internal combustion engine and supporting units, etc	Set up	10,000,000.00	100.00%	own funds	no	long-term	Diesel engine fittings	Industrial and commercial registration has been completed	0.00	-94,337.74	no	February 26, 2019	2019-004
Total	--	--	10,000,000.00	--	--	--	--	--	--	0.00	-94,337.74	--	--	--

3. Major Non-Equity Investments Ongoing in the Reporting Period

□ Applicable √ Not applicable

4. Financial Investments

(1) Securities Investments

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments

□ Applicable √ Not applicable
No such cases in the Reporting Period.

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

□ Applicable √ Not applicable
No such cases in the Reporting Period.

2. Sale of Major Equity Interests

□ Applicable √ Not applicable

VII Main Controlled and Joint Stock Companies

√ Applicable □ Not applicable
Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profit

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Changchai Benniu	Subsidiary	Production of diesel engine accessories	55,063,000.00	167,463,298.36	88,092,596.77	82,967,069.94	-1,910,681.66	-1,687,454.30
Changchai Wanzhou	Subsidiary	Diesel engine assembly	85,000,000.00	139,319,910.91	116,731,410.22	23,600,857.49	334,830.50	257,014.16
Housheng Investment	Subsidiary	External investment and consulting	40,000,000.00	47,362,830.35	46,587,114.76	273,786.40	189,266.31	170,512.15
Housheng	Subsidiar	agricultur	10,000,0	34,370,5	803,456.	6,815,42	-643,24	-570,014.5

Agricultural Equipment	y	al machinery product of rice transplanter etc.	00.00	57.22	64	3.91	5.33	7
Changchai Robin	Subsidiary	Gasoline engines assembly	37,250,000.00	97,572,124.79	80,992,921.04	68,744,974.58	4,558,034.06	3,428,638.44
Changchai Machinery	Subsidiary	Internal combustion engine and accessories thereof	300,000,000.00	9,907,374.87	9,905,662.26	0.00	-94,337.74	-94,337.74

Subsidiaries obtained or disposed in the Reporting Period:

√ Applicable □ Not applicable

Subsidiary	How subsidiary was obtained or disposed in the Reporting Period	Effects on overall operations and operating performance
Jiangsu Changchai Machinery Co., Ltd.	Set-up	It conforms to the long-term development planning of the Company as well as the interests of all shareholders and the Company. It is estimated that no material effects on the Company's financial condition and operating performance will be generated.

Information about major majority- and minority-owned subsidiaries:

(1) On the 15th Meeting of the 8th Board of Directors of the Company held on 27 November 2018, the Proposal on Increasing Capital of Wholly-Owned Subsidiaries was considered and approved. The proposal planned to increase the capital of Changzhou Housheng Investment Co., Ltd. (hereinafter referred to as "Housheng Investment"), a wholly-owned subsidiary of the Company, with a self-owned fund of RMB10 million. After the capital increase, Housheng Investment's registered capital would increase from RMB30 million to RMB40 million. On 14 February 2019, Housheng Investment completed the procedures of change in business registration for the capital increase and obtained the new Business License issued by Changzhou Administration for Industry & Commerce. For more details, please refer to the Announcement on Increasing Capital of Wholly-Owned Subsidiaries (Announcement No.: 2018-034) and the Announcement on the Progress of Increasing Capital of Wholly-Owned Subsidiaries (Announcement No. 2019-002) published on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 29 November 2018 and on 15 February 2019.

(2) On 26 December 2018, the Company officially entered into the Investment Agreement with the Hi-Tech Zone of Changzhou. According to the agreement, the Company would contribute a capital of RMB300 million to establish a wholly-owned subsidiary to engage in production projects of light engines and castings. The Company

convened a non-scheduled meeting of the Board of Directors on 25 February 2019, where the Proposal on Establishing a Wholly-Owned Subsidiary to Implement Production Projects of Light Engines and Castings was approved. Business registration procedures for the wholly-owned subsidiary were completed on 6 March 2019, with the obtainment of the Business License issued by the bureau of administrative approval of the National Hi-Tech Industry Development Zone (Xinbei District) of Changzhou. For more details, please refer to the Announcement on Outbound Investment and Proposal to Establish a Wholly-Owned Subsidiary (Announcement No. 2019-004) and the Announcement on the Progress of the Outbound Investment and Proposal to Establish a Wholly-Owned Subsidiary (Announcement No. 2019-005) published on Securities Times, Ta Kung Pao and www.cninfo.com.cn on 26 February 2019 and on 7 March 2019.

VIII Structured Bodies Controlled by the Company

□ Applicable √ Not applicable

IX Performance Forecast for January-September 2019

Warning of possible loss or considerable YoY change in the accumulative net profit made during the period-beginning to the end of the next reporting period, as well as the reasons:
□ Applicable √ Not applicable

X Risks Facing the Company and Countermeasures

1. Market risk

The Company’s main business lacks diversity, faces increasing pressure from emission upgrading and the replacement of new energy industry, and is challenged by even bigger difficulties in marketing on the current backdrop of deep adjustment to agricultural machinery industry.

Countermeasures: In terms of main business, the Company should make its current advantaged products stronger, expand supporting fields and develop new markets; it should work hard on technical upgrading and R&D, and take advantage of the opportunity brought by China’s Motor Vehicle Emission Standards IV to overtake at the corner, rapidly make plans in advance and involve in new industries, in an effort to translate technology edges into product and competitive edges. In terms of marketing, the Company should strengthen the development of the T-Box agricultural machinery monitoring platform and further reduce service costs and increase service efficiency while maintaining the original sales team and network.

2. Procurement risk

The severe pressure on safety and environmental protection has led to the higher costs of parts manufacturing, more demands for price adjustment by suppliers, and the increased instability of suppliers. There are some risks in the procurement and supply of parts.

Countermeasures: The Company shall highly pay attention to the operating risks of suppliers, the suppliers' dynamic with relatively high supply of parts, and the suppliers' dynamic with little enthusiasm for cooperation or whose business is being adjusted, formulate targeted disposal plans, and take the quality cost as one factor to choose suppliers.

3. Quality risk

Product innovation and upgrading and the expansion in supporting fields are raising increasingly higher requirements for the quality indicators of related parts and for the quality of whole machine matching.

Countermeasures: The Company should continue to focus on quality, base on the engagement of all employees, raise the awareness for quality assurance, beef up mutual inspection of parts, intensify on-the-spot appraisal of parts quality to eliminate unqualified products, reinforce inspection abilities and spot audits with a focus on suppliers of average or poor quality products, and give full play to the Company's comprehensive quality management system and excellent quality management team.

Part V Significant Events

I Annual and Extraordinary General Meeting Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
The 2018 Annual General Meeting	Annual General Meeting	30.83%	16 May 2019	17 May 2019	2019-019

2. Extraordinary General Meeting Convened at Request of Preference Shareholders with Resumed Voting Rights

□ Applicable √ Not applicable

II Interim Dividend Plan for the Reporting Period

□ Applicable √ Not applicable

The Company has no interim dividend plan.

III Commitments of the Company's Actual Controller, Shareholders, Connected Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in the Reporting Period or still Ongoing at Period-End

√ Applicable □ Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Other commitments made to minority shareholders	Changchai Company, Limited	bonus	Rewards Plan for Shareholders in Next Three Years(2017-2019) Under the premise of positive distributive profit (remaining after-tax profits after making up	11 May 2017	Year 2017-2019	Ongoing

			for the loss and extracting for the common reserves) in this year or half year and abundant money flow and no influence on the following-up going concern after cash bonus, the profits allocated by cash every year shouldn't be lower than 10% of the allocable profits from parent company. Meanwhile, the accumulated allocable profits by cash in the arbitrary continuous three accounting years should not be lower than 30% of the annual average allocable profits in those three years.			
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	N/A					

IV Engagement and Disengagement of CPAs Firm

Has the Interim financial report been audited?

□Yes √ No

This Interim Report is unaudited.

V Explanations Given by Board of Directors and Supervisory Committee Regarding "Modified Auditor's Report" Issued by CPAs Firm for the Reporting Period

□ Applicable √ Not applicable

VI Explanations Given by Board of Directors Regarding "Modified Auditor's Report" Issued for Last Year

□ Applicable √ Not applicable

VII Bankruptcy and Restructuring

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VIII Legal Matters

Significant lawsuits or arbitrations:

√ Applicable □ Not applicable

General information	Involved amount (RMB'0,000)	Provision	Progress	Decisions and effects	Execution of decisions	Disclosure date	Index to disclosed information
About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB14.36 million to the Company. The Company sued to Changzhou Intermediate People's Court in 2001 and sued for compulsory execution in April, 2002. Currently, the defendant has started the bankruptcy procedure.	1,436	No	Judged for the second trial	N/A	Under the compulsory execution by the court and in the process of liquidation and bankruptcy		

Other legal matters:

□ Applicable √ Not applicable

IX Punishments and Rectifications

□ Applicable √ Not applicable

No such cases in the Reporting Period.

X Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

□ Applicable √ Not applicable

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XII Major Related-Party Transactions

1. Continuing Related-Party Transactions

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

5. Other Major Related-Party Transactions

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIII Occupation of the Company’s Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIV Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Contracting

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(3) Leases

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Major Guarantees

√ Applicable □ Not applicable

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company for external parties (exclusive of those for subsidiaries)								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (Agreement signing date)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Guarantees provided by the Company for its subsidiaries								
Obligor	Disclosure date	Line of guarant	Actual occurrence	Actual guarantee	Type of guarantee	Term of guarantee	Having	Guarantee

	of the guarantee line announcement	ee	date (Agreement signing date)	amount			expired or not	for a related party or not
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	29 November 2018	2,000	29 November 2018	2,000	Joint liability	1 year	No	No
Total approved line for such guarantees in the Reporting Period (B1)		2,000		Total actual amount of such guarantees in the Reporting Period (B2)				2,000
Total approved line for such guarantees at the end of the Reporting Period (B3)		2,000		Total actual balance of such guarantees at the end of the Reporting Period (B4)				2,000
Guarantees provided between subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (Agreement signing date)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)		2,000		Total actual guarantee amount in the Reporting Period (A2+B2+C2)				2,000
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		2,000		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)				2,000
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets				0.94%				
Of which:								
Balance of guarantees provided for shareholders, actual controller and their related parties (D)				0				
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset				2,000				

ratio (E)	
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)	0
Total of the three amounts above (D+E+F)	2,000
Explanation on possibility to bear joint liability due to undue guarantees (if any)	N/A
Explanation on the external guarantees in violation of stipulated procedures (if any)	N/A

Compound guarantees

(2) Irregularities in Provision of Guarantees

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Other Major Contracts

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XV Corporate Social Responsibility (CSR)

1. Significant Environment Protection

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China

No

The Company and its subsidiaries are not the major polluter identified by the environmental protection authorities of China during the Reporting Period. The Company attaches great importance to the work of environmental protection, and requires the subsidiaries to build corresponding environmental protection facilities according to the actual situation of production and operation, strictly controlling the pollutants, like "waste gas, waste water, and waste residue" generated from the production process.

2. Measures Taken for Targeted Poverty Alleviation

The Company did not take any targeted measures to help people lift themselves out of poverty during the Reporting Period, also no subsequent plans.

XVI Other Significant Events

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XVII Significant Events of Subsidiaries

□ Applicable √ Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
I. Restricted shares	0	0.00%						0	0.00%
1. Shares held by State	0	0.00%						0	0.00%
2. Shares held by state-owned legal person	0	0.00%						0	0.00%
3. Shares held by other domestic investors	0	0.00%						0	0.00%
Among which: Shares held by domestic legal person	0	0.00%						0	0.00%
Shares held by domestic natural person	0	0.00%						0	0.00%
4. Shares held by foreign investors	0	0.00%						0	0.00%
Among which: Shares held by foreign legal person	0	0.00%						0	0.00%
Share	0	0.00%						0	0.00%

s held by foreign natural person									
II. Unrestricted shares	561,374,326	100.00%						561,374,326	100.00%
1. RMB common shares	411,374,326	73.28%						411,374,326	73.28%
2. Domestically listed foreign shares	150,000,000	26.72%						150,000,000	26.72%
3. Overseas listed foreign shares	0	0.00%						0	0.00%
4. Others	0	0.00%						0	0.00%
III. Total shares	561,374,326	100.00%						561,374,326	100.00%

Reasons for share changes:

□ Applicable √ Not applicable

Approval of share changes:

□ Applicable √ Not applicable

Transfer of share ownership:

□ Applicable √ Not applicable

Progress on any share repurchases:

□ Applicable √ Not applicable

Progress on reducing the repurchased shares by means of centralized bidding:

□ Applicable √ Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

□ Applicable √ Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

□ Applicable √ Not applicable

2. Changes in Restricted Shares

□ Applicable √ Not applicable

II. Issuance and Listing of Securities

□ Applicable √ Not applicable

III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of ordinary shareholders at the period-end			55,742	Total number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8)			0	
5% or greater ordinary shareholders or the top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number
Changzhou Investment Group Co., Ltd	State-owned legal person	30.43%	170,845,236			170,845,236		
KGI Asia Limited	Foreign legal person	0.57%	3,189,845			3,189,845		
Huang Guoliang	Domestic natural person	0.27%	1,528,891			1,528,891		
Hu Wenyong	Domestic natural person	0.27%	1,528,066			1,528,066		
Li Suinan	Domestic natural person	0.27%	1,507,800			1,507,800		
Tao Xiaofang	Domestic natural person	0.22%	1,228,000			1,228,000		
Xue Hong	Domestic natural person	0.22%	1,220,000			1,220,000		
Vanguard Investment Australia Ltd-Vanguard Emerging Market Stock Index Fund (Exchange)	Foreign legal person	0.21%	1,196,785			1,196,785		
Xie Deqing	Domestic natural person	0.20%	1,140,100			1,140,100		

Central Huijin Asset Management Co., Ltd.	State-owned legal person	0.20%	1,107,900			1,107,900		
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)	N/A							
Related or acting-in-concert parties among the shareholders above	It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for Information Regarding Shareholding Alteration.							

Top 10 unrestricted shareholders			
Name of shareholder	Unrestricted shares held at the period-end	Shares by type	
		Type	Shares
Changzhou Investment Group Co., Ltd	170,845,236	RMB common share	170,845,236
KGI Asia Limited	3,189,845	Domestically listed foreign share	3,189,845
Huang Guoliang	1,528,891	Domestically listed foreign share	1,528,891
Hu Wenyong	1,528,066	Domestically listed foreign share	1,528,066
Li Suinan	1,507,800	Domestically listed foreign share	1,507,800
Tao Xiaofang	1,228,000	RMB common share	1,228,000
Xue Hong	1,220,000	Domestically listed foreign share	1,220,000
Vanguard Investment Australia Ltd-Vanguard Emerging Market Stock Index Fund (Exchange)	1,196,785	RMB common share	1,196,785
Xie Deqing	1,140,100	Domestically listed foreign share	1,140,100
Central Huijin Asset Management Co., Ltd.	1,107,900	RMB common share	1,107,900
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as	It is unknown whether there is among the top 10 public shareholders and the top 10 unrestricted public shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for		

between top 10 unrestricted public shareholders and top 10 shareholders	Information Regarding Shareholding Alteration.
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	N/A

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

□ Yea √ No

No such cases in the Reporting Period.

IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Change of the actual controller in the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Part VII Preferred Shares

□ Applicable √ Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

□ Applicable √ Not applicable

There were no changes in shareholdings of directors, supervisors, and senior management in the Reporting Period. For details, see Annual Report of 2018.

II Changes in Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Type	Date	Reason
He Jianguang	Director and vice chairman of the Board	Left	28 January 2019	Job turnover

Part IX Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No

Part X Financial Statements

I. Auditor's Report

Whether the interim report has been audited?

□Yes √ No

The interim report of the Company has not been audited.

II. Financial Statements

The unit of the financial statements attached: RMB

1. Consolidated Balance Sheet

Prepared by Changchai Company, Limited

Unit: RMB

Item	30 June 2019	31 December 2018
Current assets:		
Monetary capital	628,482,778.12	800,960,036.69
Settlement reserve		
Interbank loans granted		
Trading financial assets		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	445,812,473.66	495,370,782.47
Accounts receivable	743,272,680.28	378,859,159.11
Financing backed by accounts receivable		
Prepayments	9,479,067.06	11,352,297.10
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	10,675,479.55	9,244,584.42
Including: Interest receivable	0.00	0.00
Dividends receivable	0.00	0.00
Financial assets purchased under resale agreements		
Inventories	480,107,549.12	557,953,891.70

Contract assets		
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	16,368,809.68	34,357,608.97
Total current assets	2,334,198,837.47	2,288,098,360.46
Non-current assets:		
Loans and advances to customers		
Investments in debt obligations		
Available-for-sale financial assets		498,851,369.49
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	0.00	
Investments in other equity instruments	601,731,811.25	
Other non-current financial assets		
Investment property	49,551,837.23	50,656,007.63
Fixed assets	473,064,733.73	511,250,371.37
Construction in progress	80,277,379.05	89,090,384.71
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	100,425,529.49	103,092,879.38
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	979,822.71	979,822.71
Other non-current assets	0.00	
Total non-current assets	1,306,031,113.46	1,253,920,835.29
Total assets	3,640,229,950.93	3,542,019,195.75
Current liabilities:		
Short-term borrowings	22,000,000.00	27,000,000.00
Borrowings from central bank		
Interbank loans obtained		
Trading financial liabilities		

Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	498,805,800.00	438,375,400.00
Accounts payable	534,631,506.05	591,754,875.77
Advances from customers	58,809,277.68	34,500,232.97
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Payroll payable	31,235,024.32	50,500,592.99
Taxes payable	2,964,557.12	7,066,085.89
Other payables	192,072,806.77	199,412,250.90
Including: Interest payable	0.00	
Dividends payable	3,891,433.83	3,891,433.83
Handling charges and commissions payable		
Reinsurance payables		
Contract liabilities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities	18,500,000.00	18,500,000.00
Other current liabilities	2,664,523.79	2,082,985.18
Total current liabilities	1,361,683,495.73	1,369,192,423.70
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings		2,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	59,928,484.84	59,928,484.84
Deferred income tax liabilities	63,288,082.24	47,971,780.36

Other non-current liabilities		
Total non-current liabilities	123,216,567.08	109,900,265.20
Total liabilities	1,484,900,062.81	1,479,092,688.90
Owners' equity:		
Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	164,328,665.43	164,328,665.43
Less: Treasury stock		
Other comprehensive income	351,736,375.00	264,405,675.00
Specific reserve	15,182,958.83	15,182,958.83
Surplus reserves	320,133,050.15	320,133,050.15
General reserve		
Retained earnings	722,907,018.25	717,883,351.33
Total equity attributable to owners of the Company as the parent	2,135,662,393.66	2,043,308,026.74
Non-controlling interests	19,667,494.46	19,618,480.11
Total owners' equity	2,155,329,888.12	2,062,926,506.85
Total liabilities and owners' equity	3,640,229,950.93	3,542,019,195.75

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2019	31 December 2018
Current assets:		
Monetary capital	581,281,428.17	759,404,219.72
Trading financial assets		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	437,789,558.88	490,519,795.91
Accounts receivable	665,339,555.79	300,357,283.81

Financings backed by accounts receivable		
Prepayments	5,409,681.35	4,768,038.11
Other receivables	23,668,652.76	21,681,331.85
Including: Interest receivable		
Dividends receivable		
Inventories	346,525,723.89	437,423,195.46
Contract assets		
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	2,436,589.67	23,099,858.67
Total current assets	2,062,451,190.51	2,037,253,723.53
Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets		470,940,000.00
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	251,752,730.03	241,752,730.03
Investments in other equity instruments	573,682,000.00	
Other non-current financial assets		
Investment property	49,551,837.23	50,656,007.63
Fixed assets	383,536,146.88	413,186,680.19
Construction in progress	78,194,210.25	87,007,215.91
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	71,081,380.60	72,184,608.63
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	930,641.19	930,641.19
Other non-current assets		
Total non-current assets	1,408,728,946.18	1,336,657,883.58
Total assets	3,471,180,136.69	3,373,911,607.11

Current liabilities:		
Short-term borrowings	5,000,000.00	10,000,000.00
Trading financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	484,035,800.00	425,995,400.00
Accounts payable	500,784,658.07	561,555,397.44
Advances from customers	57,107,885.83	32,072,387.55
Contract liabilities		
Payroll payable	24,268,608.35	43,597,759.22
Taxes payable	988,338.92	2,443,767.89
Other payables	178,675,594.58	185,022,961.56
Including: Interest payable		
Dividends payable	3,243,179.97	3,243,179.97
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities	18,500,000.00	18,500,000.00
Other current liabilities		
Total current liabilities	1,269,360,885.75	1,279,187,673.66
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	59,928,484.84	59,928,484.84
Deferred income tax liabilities	62,071,125.00	46,659,825.00
Other non-current liabilities		
Total non-current liabilities	121,999,609.84	106,588,309.84
Total liabilities	1,391,360,495.59	1,385,775,983.50
Owners' equity:		

Share capital	561,374,326.00	561,374,326.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	183,071,147.70	183,071,147.70
Less: Treasury stock		
Other comprehensive income	351,736,375.00	264,405,675.00
Specific reserve	15,182,958.83	15,182,958.83
Surplus reserves	320,133,050.15	320,133,050.15
Retained earnings	648,321,783.42	643,968,465.93
Total owners' equity	2,079,819,641.10	1,988,135,623.61
Total liabilities and owners' equity	3,471,180,136.69	3,373,911,607.11

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

3. Consolidated Income Statement

Unit: RMB

Item	H1 2019	H1 2018
1. Revenue	1,115,829,845.59	1,186,760,892.26
Including: Operating revenue	1,115,829,845.59	1,186,760,892.26
Interest income		
Premium income		
Handling charge and commission income		
2. Costs and expenses	1,096,080,768.77	1,164,582,065.19
Including: Cost of sales	970,438,847.36	1,034,354,908.99
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		

Taxes and surcharges	4,997,355.73	5,739,473.26
Selling expense	58,258,398.98	52,228,075.86
Administrative expense	34,102,694.86	28,367,615.31
R&D expense	30,064,283.46	34,066,872.15
Finance costs	-1,780,811.62	-132,337.12
Including: Interest expense	1,567,625.50	1,805,097.10
Interest income	1,642,256.03	891,663.17
Add: Other income	129,300.00	129,600.00
Return on investment (“-” for loss)	179,073.85	376,091.68
Including: Share of profit or loss of joint ventures and associates		
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Foreign exchange gain (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)		
Credit impairment loss (“-” for loss)	-5,260,420.00	
Asset impairment loss (“-” for loss)	-26,096.43	-9,957,456.74
Asset disposal income (“-” for loss)	988,535.95	
3. Operating profit (“-” for loss)	15,759,470.19	22,684,518.75
Add: Non-operating income	566,931.38	2,103,083.03
Less: Non-operating expense	217,837.98	1,527,166.21
4. Profit before tax (“-” for loss)	16,108,563.59	23,260,435.57
Less: Income tax expense	-2,998,475.83	4,352,526.65
5. Net profit (“-” for net loss)	19,107,039.42	18,907,908.92
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	19,107,039.42	18,907,908.92
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	19,058,025.07	18,638,557.66
5.2.1 Net profit attributable to non-controlling interests	49,014.35	269,351.26
6. Other comprehensive income, net of tax	87,330,700.00	-126,198,225.00

Attributable to owners of the Company as the parent	87,330,700.00	-126,198,225.00
6.1 Items that will not be reclassified to profit or loss	87,330,700.00	
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments	87,330,700.00	
6.1.4 Changes in the fair value of the company's credit risks		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss		-126,198,225.00
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		-126,198,225.00
6.2.4 Other comprehensive income arising from the reclassification of financial assets		
6.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.6 Allowance for credit impairments in investments in other debt obligations		
6.2.7 Reserve for cash flow hedges		
6.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
6.2.9 Other		
Attributable to non-controlling interests	0.00	
7. Total comprehensive income	106,437,739.42	-107,290,316.08
Attributable to owners of the Company as the parent	106,388,725.07	-107,559,667.34
Attributable to non-controlling interests	49,014.35	269,351.26
8. Earnings per share		
8.1 Basic earnings per share	0.0339	0.0332
8.2 Diluted earnings per share	0.0339	0.0332

Where business combinations under common control occurred in the Current Period, the net profit achieved by the acquirees before the combinations was RMB , with the amount for the same period of last year being RMB .

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

4. Income Statement of the Company as the Parent

Unit: RMB

Item	H1 2019	H1 2018
1. Operating revenue	1,033,329,175.58	1,121,335,123.15
Less: Cost of sales	907,286,315.49	991,077,844.49
Taxes and surcharges	3,963,893.19	4,388,116.03
Selling expense	53,346,830.95	46,378,981.86
Administrative expense	25,476,365.88	23,307,342.62
R&D expense	27,891,685.42	30,051,019.61
Finance costs	-3,010,192.35	-1,920,963.99
Including: Interest expense	1,314,360.50	1,528,387.25
Interest income	1,165,423.09	684,552.38
Add: Other income	129,300.00	129,600.00
Return on investment ("-" for loss)	0.00	21,000.00
Including: Share of profit or loss of joint ventures and associates		
Income from the derecognition of financial assets at amortized cost ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)		
Credit impairment loss ("-" for loss)	-5,260,420.00	
Asset impairment loss ("-" for loss)	-26,096.43	-9,924,969.03
Asset disposal income ("-" for loss)	988,535.95	
2. Operating profit ("-" for loss)	14,205,596.52	18,278,413.50
Add: Non-operating income	230,353.36	1,760,229.91
Less: Non-operating expense	166,954.64	1,525,338.21
3. Profit before tax ("-" for loss)	14,268,995.24	18,513,305.20
Less: Income tax expense	-4,118,680.40	3,037,417.85
4. Net profit ("-" for net loss)	18,387,675.64	15,475,887.35

4.1 Net profit from continuing operations ("-" for net loss)	18,387,675.64	15,475,887.35
4.2 Net profit from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax	87,330,700.00	-126,198,225.00
5.1 Items that will not be reclassified to profit or loss	87,330,700.00	
5.1.1 Changes caused by remeasurements on defined benefit pension schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments	87,330,700.00	
5.1.4 Changes in the fair value of the company's credit risks		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss		-126,198,225.00
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		-126,198,225.00
5.2.4 Other comprehensive income arising from the reclassification of financial assets		
5.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.6 Allowance for credit impairments in investments in other debt obligations		
5.2.7 Reserve for cash flow hedges		
5.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.9 Other		
6. Total comprehensive income	105,718,375.64	-110,722,337.65
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

Note: 1. Pay attention to the influence of the R&D expense of the Company as the parent on the administrative expense

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2019	H1 2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	922,256,275.09	1,052,665,606.90
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Net proceeds for acting trading of securities		
Tax rebates	21,598,658.84	20,142,964.09
Cash generated from other operating activities	8,300,459.20	6,122,580.97
Subtotal of cash generated from operating activities	952,155,393.13	1,078,931,151.96
Payments for commodities and services	898,343,434.08	861,702,539.28
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Net increase in financial assets held for trading		
Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	151,721,498.93	171,524,903.87
Taxes paid	17,834,800.18	14,854,230.49
Cash used in other operating activities	38,483,364.71	36,458,331.47

Subtotal of cash used in operating activities	1,106,383,097.90	1,084,540,005.11
Net cash generated from/used in operating activities	-154,227,704.77	-5,608,853.15
2. Cash flows from investing activities:		
Proceeds from disinvestment	7,000,000.00	13,534,013.89
Return on investment	179,073.85	376,091.68
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	988,535.95	125,474.80
Net proceeds from the disposal of subsidiaries and other business units		0.00
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	8,167,609.80	14,035,580.37
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	11,782,972.46	18,849,002.37
Payments for investments	12,638,441.76	
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		24,265,444.20
Subtotal of cash used in investing activities	24,421,414.22	43,114,446.57
Net cash generated from/used in investing activities	-16,253,804.42	-29,078,866.20
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings obtained	12,000,000.00	17,000,000.00
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	12,000,000.00	17,000,000.00
Repayments of borrowings	19,000,000.00	7,000,000.00
Payments for interest and dividends	15,977,861.20	18,263,008.91
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	34,977,861.20	25,263,008.91
Net cash generated from/used in financing activities	-22,977,861.20	-8,263,008.91
4. Effect of foreign exchange rate changes on cash and cash		

equivalents		
5. Net increase in cash and cash equivalents	-193,459,370.39	-42,950,728.26
Add: Cash and cash equivalents, beginning of the period	687,079,639.59	325,263,654.43
6. Cash and cash equivalents, end of the period	493,620,269.20	282,312,926.17

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	H1 2019	H1 2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	825,164,929.97	978,362,086.38
Tax rebates	16,338,954.71	14,838,384.91
Cash generated from other operating activities	5,103,265.56	5,251,560.76
Subtotal of cash generated from operating activities	846,607,150.24	998,452,032.05
Payments for commodities and services	834,695,159.25	801,461,497.18
Cash paid to and for employees	127,977,021.88	143,561,299.80
Taxes paid	9,992,032.82	10,023,890.64
Cash used in other operating activities	30,159,658.65	32,113,861.57
Subtotal of cash used in operating activities	1,002,823,872.60	987,160,549.19
Net cash generated from/used in operating activities	-156,216,722.36	11,291,482.86
2. Cash flows from investing activities:		
Proceeds from disinvestment		
Return on investment		21,000.00
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	988,535.95	102,774.58
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	988,535.95	123,774.58
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	9,220,626.97	17,662,045.01
Payments for investments	10,000,000.00	0.00

Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	19,220,626.97	17,662,045.01
Net cash generated from/used in investing activities	-18,232,091.02	-17,538,270.43
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings obtained	5,000,000.00	10,000,000.00
Net proceeds from the issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	5,000,000.00	10,000,000.00
Repayments of borrowings	10,000,000.00	
Payments for interest and dividends	15,404,432.84	17,733,682.52
Cash used in other financing activities		0.00
Subtotal of cash used in financing activities	25,404,432.84	17,733,682.52
Net cash generated from/used in financing activities	-20,404,432.84	-7,733,682.52
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-194,853,246.22	-13,980,470.09
Add: Cash and cash equivalents, beginning of the period	651,854,206.79	272,064,464.71
6. Cash and cash equivalents, end of the period	457,000,960.57	258,083,994.62

Legal representative: Shi Xinkun General Manager: Zhang Xin

Head of the accounting department: Jiang He

7. Consolidated Statements of Changes in Owners' Equity

H1 2019

Unit: RMB

Item	H1 2019														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
		Preferred shares	Perpetual bonds	Other											
1. Balances as at the end of the prior year	561,374,326.00				164,328,665.43		264,405,675.00	15,182,958.83	320,133,050.15		717,883,351.33		2,043,308,026.74	19,618,480.11	2,062,926,506.85
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Other adjustments															

2. Balances as at the beginning of the year	561,374,326.00				164,328,665.43		264,405,675.00	15,182,958.83	320,133,050.15		717,883,351.33		2,043,308,026.74	19,618,480.11	2,062,926,506.85
3. Increase/ decrease in the period ("-" for decrease)							87,330,700.00				5,023,666.92		92,354,366.92	49,014.35	92,403,381.27
3.1 Total comprehensive income							87,330,700.00				19,058,025.07		106,388,725.07	49,014.35	106,437,739.42
3.2 Capital increased and reduced by owners															
3.2.1 Ordinary shares increased by shareholders															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other															
3.3 Profit											-14,034		-14,034		-14,03

distribution											,358.15		,358.15		4,358.15
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)											-14,034,358.15		-14,034,358.15		-14,034,358.15
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															

3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															
4. Balances as at the end of the period	561,374,326.00				164,328,665.43		351,736,375.00	15,182,958.83	320,133,050.15		722,907,018.25		2,135,662,393.66	19,667,494.46	2,155,329,888.12

H1 2018

Unit: RMB

Item	H1 2018												
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity
	Share capita	Other equity instruments	Capital reserve	Less: Treasur	Other compre	Specific	Surplus	General	Retained	Other	Subtotal		

	l	Preferred shares	Perpetual bonds	Other	s	y stock	hensive income	reserve	reserves	reserve	earnings				
1. Balances as at the end of the prior year	561,374,326.00				164,328,665.43		515,068,550.00	13,289,059.21	313,705,210.16		679,131,047.06		2,246,896,857.86	19,473,156.31	2,266,370,014.17
Add: Adjustments for changed accounting policies													0.00		
Adjustments for corrections of previous errors													0.00		
Adjustments for business combinations under common control													0.00		
Other adjustments													0.00		
2. Balances as at the beginning of the year	561,374,326.00				164,328,665.43		515,068,550.00	13,289,059.21	313,705,210.16		679,131,047.06		2,246,896,857.86	19,473,156.31	2,266,370,014.17
3. Increase/ decrease in the period ("-" for decrease)							-126,198,225.00				1,797,327.88		-124,400,897.12	269,351.26	-124,131,545.86

3.1 Total comprehensive income							-126,198,225.00				18,638,557.66		-107,559,667.34	269,351.26	-107,290,316.08
3.2 Capital increased and reduced by owners													0.00		
3.2.1 Ordinary shares increased by shareholders													0.00		
3.2.2 Capital increased by holders of other equity instruments													0.00		
3.2.3 Share-based payments included in owners’ equity													0.00		
3.2.4 Other													0.00		
3.3 Profit distribution											-16,841,229.78		-16,841,229.78		-16,841,229.78
3.3.1 Appropriation to surplus reserves													0.00		

3.3.2 Appropriation to general reserve													0.00		
3.3.3 Appropriation to owners (or shareholders)											-16,841,229.78		-16,841,229.78		-16,841,229.78
3.3.4 Other													0.00		
3.4 Transfers within owners' equity													0.00		
3.4.1 Increase in capital (or share capital) from capital reserves													0.00		
3.4.2 Increase in capital (or share capital) from surplus reserves													0.00		
3.4.3 Loss offset by surplus reserves													0.00		
3.4.4 Changes in defined benefit pension schemes													0.00		

transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings													0.00		
3.4.6 Other													0.00		
3.5 Specific reserve													0.00		
3.5.1 Increase in the period													0.00		
3.5.2 Used in the period													0.00		
3.6 Other													0.00		
4. Balances as at the end of the period	561,374,326.00				164,328,665.43		388,870,325.00	13,289,059.21	313,705,210.16		680,928,374.94		2,122,495,960.74	19,742,507.57	2,142,238,468.31

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

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

H1 2019

Unit: RMB

Item	H1 2019

	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	561,374,326.00				183,071,147.70		264,405,675.00	15,182,958.83	320,133,050.15	643,968,465.93		1,988,135,623.61
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	561,374,326.00				183,071,147.70		264,405,675.00	15,182,958.83	320,133,050.15	643,968,465.93		1,988,135,623.61
3. Increase/ decrease in the period ("-" for decrease)							87,330,700.00			4,353,317.49		91,684,017.49
3.1 Total comprehensive income							87,330,700.00			18,387,675.64		105,718,375.64
3.2 Capital increased and reduced by owners												

3.2.1 Ordinary shares increased by shareholders												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-14,034,358.15		-14,034,358.15
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-14,034,358.15		-14,034,358.15
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share												

capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the	561,374				183,071,1		351,736,3	15,182,95	320,133,0	648,321		2,079,819,6

end of the period	,326.00				47.70		75.00	8.83	50.15	,783.42		41.10

H1 2018

Unit: RMB

Item	H1 2018											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	561,374,326.00				183,071,147.70		515,068,550.00	13,289,059.21	313,705,210.16	602,959,135.85	0.00	2,189,467,428.92
Add: Adjustments for changed accounting policies											0.00	
Adjustments for corrections of previous errors											0.00	
Other adjustments											0.00	
2. Balances as at the beginning of the year	561,374,326.00				183,071,147.70		515,068,550.00	13,289,059.21	313,705,210.16	602,959,135.85	0.00	2,189,467,428.92
3. Increase/ decrease in the period ("-" for decrease)							-126,198,225.00			-1,365,342.43	0.00	-127,563,567.43

3.1 Total comprehensive income							-126,198,225.00			15,475,887.35	0.00	-110,722,337.65
3.2 Capital increased and reduced by owners											0.00	
3.2.1 Ordinary shares increased by shareholders											0.00	
3.2.2 Capital increased by holders of other equity instruments											0.00	
3.2.3 Share-based payments included in owners' equity											0.00	
3.2.4 Other											0.00	
3.3 Profit distribution										-16,841,229.78	0.00	-16,841,229.78
3.3.1 Appropriation to surplus reserves											0.00	
3.3.2 Appropriation to owners (or										-16,841,229.78	0.00	-16,841,229.78

shareholders)												
3.3.3 Other											0.00	
3.4 Transfers within owners' equity											0.00	
3.4.1 Increase in capital (or share capital) from capital reserves											0.00	
3.4.2 Increase in capital (or share capital) from surplus reserves											0.00	
3.4.3 Loss offset by surplus reserves											0.00	
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings											0.00	
3.4.5 Other comprehensive income transferred to retained earnings											0.00	

3.4.6 Other											0.00	
3.5 Specific reserve											0.00	
3.5.1 Increase in the period											0.00	
3.5.2 Used in the period											0.00	
3.6 Other											0.00	
4. Balances as at the end of the period	561,374,326.00				183,071,147.70		388,870,325.00	13,289,059.21	313,705,210.16	601,593,793.42	0.00	2,061,903,861.49

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

III. Company Profile

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

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

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

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

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

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

The Company established the Shareholders' General Meeting, the Board of Directors and the Supervisory Committee, Corporate office, Financial Department, Political Department, Investment and Development Department, Audit Department, Human Recourses Department, Production Department, Procurement Department, Sales Company, Chief Engineer Office, Technology Center, QA Department, Foundry Branch, Machine Processing Branch, Single-cylinder Engine branch, Multi-cylinder Engine Branch and Overseas Business Department in the Company.

The financial report has been approved to be issued by the Board of Directors on 27 August 2019.

The consolidated scope of the Company of the Reporting Period includes the Company as the parent and 6 subsidiaries. For the details of the consolidated scope of the Reporting Period and the changes situation, please refer to the changes of the consolidated scope of the notes to the financial report and the notes to the equities among other entities.

IV. Basis for Preparation of the Financial Report

1. Basis for Preparation

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

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

2. Continuation

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

V. Important Accounting Policies and Estimations

Notification of specific accounting policies and accounting estimations:

The Company and each subsidiary according to the actual production and operation characteristics and in accord with the regulations of the relevant ASBE, formulated certain specific accounting policies and accounting estimations, which mainly reflected in the withdrawal method of the bad debt provision of the accounts receivable (Notes III, 11), the measurement of the inventory (Notes III, 12) and the depreciation of the fixed assets (Notes III, 16) etc. As for the details of the significant accounting judgment and the estimations made by the management layer, please refer to Notes III, 30 "Important accounting judgment and estimations".

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

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

2. Fiscal Period

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

3. Operating Cycle

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

4. Currency Used in Bookkeeping

Renminbi is functional currency of the Company.

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

(1) Business combinations under the same control:

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

For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

All direct costs for the business combination, including expenses for audit, evaluating and legal services shall be recorded into the profits and losses at the current period. The expenses such as the handling charges and commission etc, premium income of deducting the equity securities, and as for the premium income was insufficient to dilute, the retained earnings shall be written down.

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

(2) Business combinations not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. The combination costs of the acquirer and the identifiable net assets obtained by the acquirer in a business combination shall be measured at the fair values. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains forms the acquiree as business reputation. The direct relevant expenses occurred from the enterprise combination should be included in the current gains and losses when occurred. The combination costs of the acquirer and the identifiable net assets obtained by it in the combination shall be measured according to their fair values at the acquiring date. The difference between the fair value of the assets paid out by the Company and its book value should be included in the current gains and losses. The purchase date refers to the date that the purchaser acquires the control right of the acquiree.

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

6. Methods for Preparing Consolidated Financial Statements

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

The consolidated financial statement of the Company is compiled according to the regulations of No. 33 of ASBE-Consolidated Financial Statement and the relevant regulations and as for the whole significant come-and-go balance, investment, transaction and the unrealized profits should be written off when compiling the consolidated financial statement. The portion of a subsidiary's shareholders' equity and the portion of a subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Recognition Standard for Cash and Cash Equivalents

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

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

(1) Foreign currency business
Concerning the foreign-currency transactions that occurred, the foreign currency shall be converted into the recording currency according to the middle price of the market exchange rate disclosed by the People’s Bank of China on the date of the transaction. Among the said transactions that occurred, those involving foreign exchanges shall be converted according to the exchange rates adopted in the actual transactions.
On the balance sheet date, the foreign-currency monetary assets and the balance of the liability account shall be converted into the recoding currency according to the middle price of the market exchange rates disclosed by the People’s Bank of China on the Balance Sheet Date. The difference between the recording-currency amount converted according to the exchange rate on the Balance Sheet Date and the original book recording-currency amount shall be recognized as gains/losses from foreign exchange. And the exchange gain/loss caused by the foreign-currency borrowings related to purchasing fixed assets shall be handled according to the principle of capitalizing borrowing expenses; the exchange gain/loss incurred in the establishment period shall be recorded into the establishment expense; others shall be recorded into the financial expenses for the current period.
On the balance sheet date, the foreign-currency non-monetary items measured by historical cost shall be converted according to the middle price of the market exchange disclosed by the People’s Bank of China on the date of the transaction, with no changes in the original recording-currency amount; while the foreign-currency non-monetary items measured by fair value shall be converted according to the middle price of the market exchange disclosed by the People’s Bank of China on the date when the fair value is recognized, and the exchange gain/loss caused thereof shall be recognized as the gain/loss from fair value changes and recorded into the gain/loss of the current period.
(2) Translation of foreign currency
The assets and liabilities items among the balance sheet of the foreign operation shall be translated at a spot exchange rate on the balance sheet date. Among the owner’s equity items, except for the items as “undistributed profits”, other items shall be translated at the spot exchange rate at the time when they are incurred. And the revenues and expenses items among the balance sheet of the foreign operation shall be translated at the approximate exchange rate of the transaction date. The difference caused from the above transaction of the foreign currency statement should be listed in the other comprehensive income among the owners’ equities.

10. Financial Instruments

Classification of Financial Instruments

(1) The Company classifies the financial assets into the following three categories based on the business model for financial assets management and characteristics of contractual cash flow of financial assets:

① Financial assets measured at amortized cost

② Financial assets measured at fair value and changes thereof recorded into other comprehensive income

③ Financial assets at fair value through profit or loss

The classification of debt instrument investment depends on the Company's business model in which it holds the investment; the classification of equity instrument investment depends on whether the Company has made the irrevocable option of measuring the investment at fair value with changes recognized into other comprehensive income at the initial recognition. Only when changing the business model of a financial asset will the Company reclassify all affected relevant financial assets.

(2) Financial liabilities are classified into the following two categories:

① Financial liabilities at fair value through profit or loss

② Financial liabilities measured at amortized cost

Recognition Basis for Financial Instruments:

(1) Financial assets measured at amortized cost

The financial assets of the Company are classified as financial assets measured at amortized cost when meet the following conditions at the same time:

① The business mode of the Company to manage the financial assets targets at collecting the contractual cash flow.

② The contract of the financial assets stipulates that the cash flow generated in the specific date is the payment of the interest based on the principal and outstanding principal amount.

(2) Financial assets measured at fair value and changes thereof recorded into other comprehensive income

The financial assets of the Company are classified as financial assets measured at fair value and changes thereof recorded into other comprehensive income when meet the following conditions at the same time:

① Business mode for managing financial assets of the Company takes contract cash flow collected as target and selling as target.

② The contract of the financial assets stipulates that the cash flow generated in the specific date is the payment of the interest based on the principal and outstanding principal amount.

At initial recognition, the Company may designate non-trading equity instrument investments as financial assets measured at fair value with changes recognized into other comprehensive income, present them as other equity instrument investment items, and recognize dividend income when conditions are met (The designation should not be revoked once made).

Such designated equity instrument investments should not include the following: The purpose of acquiring the financial asset is for sale in a short term; at initial recognition, the equity instrument investment is part of an identifiable financial asset portfolio under centralized management, and there is objective evidence proving an actual short-term profit model recently; the investment is a derivative instrument (excluding derivative instruments conforming with the definition in financial guarantee contracts and designated as effective hedging instruments).

(3) Financial assets at fair value through profit or loss

The Company classifies financial assets except for above-mentioned financial assets measured at amortized cost and financial assets measured at fair value and changes thereof recorded into other comprehensive income as financial assets at fair value through profit or loss.

For financial assets formed from contingent consideration recognized by the Company in business combinations not under common control, they should be classified as financial assets measured at fair value with changes included into current profits/losses.

At initial recognition, financial assets can be designated as those measured at fair value with changes included into current profits/losses (The designation should not be revoked once made) if it can eliminate or obviously reduce accounting mismatching.

For mixed contracts containing one or more embedded derivatives with the master contract not classified as the aforementioned financial assets, the Company may designate them in entirety as a financial instrument measured at fair value with changes included into current profits/losses, with the exception of the following:

① The embedded derivative(s) will not cause significant changes to the cash flow of the mixed contracts.

② When determining whether to split similar mixed contracts at initial recognition, the Company is able to decide that the embedded derivatives included in the contracts should not be split almost without any analysis. If the prepayment right of embedded loans allows the holder to pay off loans in advance at an amount close to the amortized cost, that prepayment right does not need to be split.

(4) Financial liabilities at fair value through profit or loss

This category consists of trading financial liabilities (including derivative instruments belonging to financial liabilities) and those designated as financial liabilities at fair value through profit or loss.

In business combinations not under common control, the financial liabilities formed from contingent consideration recognized by the Company as a purchaser should be treated in accounting as financial liabilities measured at fair value with changes included into current profits/losses.

At initial recognition, to provide more relevant accounting information, the Company designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value with changes included into current profits/losses (The designation shall not be revoked once made)

① The financial liability is able to eliminate or obviously reduce accounting mismatching.

② In accordance with corporate risk management or investment strategies in official written documents, management and performance appraisals are conducted on financial liabilities portfolio or financial assets and financial liabilities portfolio based on fair value, based on which a reporting is provided to key management personnel within a company.

(5) Financial liabilities measured at amortized cost

The Company classifies financial liabilities except for the following as financial liabilities measured at amortized cost:

① Financial liabilities at fair value through profit or loss

② Financial liabilities formed due to transfer of financial assets failing to comply with the derecognition condition or continuously getting involved in transferred financial assets

③ Financial guarantee contract not in the ① and ② of this Article and commitments of loans with the interest rate lower than the market interest rate not in the ① of this article.

Initial Measurement of Financial Instruments:

Financial assets or liabilities shall be measured at their fair values when initially recognized. For financial assets or liabilities at fair value through profit or loss, the transaction expenses thereof shall be directly included into the current profit or loss; for other financial assets or liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

The fair value generally is the transaction price of relevant financial assets or liabilities. When there is difference between the fair value thereof and the transaction price thereof, treat them in the following cases:

At initial recognition, when the fair value of financial assets or financial liabilities is determined based on the quotations of the same assets or liabilities on active markets or by the valuation technology that only uses observable market data, the difference between that fair value and the trade price should be recognized as a gain or loss.

When the fair value of financial assets or financial liabilities is recognized in other ways at initial recognition, the difference between that fair value and the trade price should be deferred. After the initial recognition, based on the extent of changes of a factor in an accounting period, the deferred difference should be recognized as a gain or loss during the accounting period. Such factors should be limited to factors that will be considered by market players in pricing the financial instrument, including time.

Subsequent Measurement of Financial Instruments:

After the initial recognition, for various financial assets, the subsequent measurement at amortized cost, at fair value and changes thereof recorded into other comprehensive income or at fair value through profit or loss shall be respectively made.

The amortized cost of financial assets or financial liabilities should be recognized by the result of making the following adjustments to the initially recognized amount of the financial assets or financial liabilities:

Deduct the repaid principal.

Add or minus the cumulative amortization formed from the amortization of the difference between the initially recognized amount and the amount on the maturity date in the effective interest method.

Deduct cumulative withdrawn provisions for losses (applicable to financial assets only).

Other than financial assets, gains or losses from financial liabilities measured at amortized cost that are not part of any hedging relationship are included into current profits/losses at derecognition, or recorded into profits/losses for the related period at amortization in the effective interest method.

When the Company designates financial liabilities as those measured at fair value with changes included into current profits/losses in accordance with standards and regulations at initial recognition, the amount of changes in the fair value of the financial liabilities arising from the credit risk changes of the Company itself will be recorded into other comprehensive income, and other fair value changes will be recorded into current profits/losses. However, if such accounting treatment causes or expands the accounting mismatching in profits/losses, all gains or losses from the financial liabilities (including the amount affected by credit risk changes of the Company itself) will be recorded into current profits/losses.

Derecognition of Financial Instruments:

(1) Financial assets shall be derecognized when meets one of the following conditions:

① The contractual right to collect the cash flow of the financial assets has been terminated.

② The financial asset has been transferred and the transfer conforms to the regulations governing the derecognition of financial assets in the Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets. The derecognition of financial assets or liabilities in the Standards refers to that the Company transferred the financial assets or liabilities previously recognized out of the balance sheet.

(2) Derecognition condition for financial liabilities

In case of current obligation of financial liabilities (or partial financial liabilities) being terminated, derecognition of such financial liabilities (or partial financial liabilities) is conducted by the Company. If the Company (borrower) concludes an agreement with the lender to replace original financial liabilities with new ones and contact terms of new financial liabilities are different from those of original financial liabilities, derecognition of original financial liabilities and recognition of new financial liabilities shall be conducted.

In case of material alteration of contract terms of original financial liabilities (partial financial liabilities) by the

Company, derecognition of original financial liabilities and recognition of new financial liabilities as per modified terms shall be conducted.

In case of derecognition of financial liabilities (partial financial liabilities), the Company includes the balance between its carrying value and payment consideration (including non-cash assets transferred out or borne liabilities) into the current profit or loss.

When the Company repurchases part of financial liabilities, the overall book value of the financial abilities will be distributed in the proportion of the fair value of the part continuing to be recognized and that of the derecognized part on the repurchase date in the overall fair value. The difference between the book value distributed to the derecognized part and the consideration paid (including non-cash assets transferred out or liabilities borne) should be recorded into current profits/losses.

Recognition Basis and Measurement Method for Transfer of Financial Assets:

In the event of the transfer of a financial asset, the Company will assess the extent to which it retains the risks and rewards of the asset and treats them in the following cases:

(1) If almost all risks and rewards of ownership of the financial asset are transferred, the financial asset is derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.

(2) If almost all risks and rewards of ownership of the financial asset are retained, the financial asset is continuously recognized.

(3) If almost all risks and rewards of ownership of the financial asset are neither transferred nor retained, the Company shall treat them in the following cases according to whether the control over the financial asset has been retained:

① If the control over the financial asset has not been retained, the Company shall derecognize the financial asset, and separately recognize the rights and obligations arising or retained in the transfer as assets or liabilities.

② If the control over the financial asset has been retained, the Company shall continuously recognize the related financial asset and corresponding liabilities according to the extent of continuous involvement in the transferred financial asset. The extent of continuous involvement in the transferred financial asset refers to the extent of risks or rewards born by the Company generated from the value variation of the transferred financial asset.

The principle of substance outweighing formalization is adopted for judging whether the transfer of financial assets meets the aforementioned conditions for the derecognition of financial assets. The Company classifies the transfer of financial assets into whole transfer and partial transfer of financial assets:

(1) When the whole transfer of financial assets meets the derecognition conditions, the difference between the following two items should be recorded into current profits/losses:

① book value of the transferred financial assets on the date of derecognition.

② sum of the consideration received from the transfer of the financial assets, and the corresponding derecognized portion (The financial assets involved in the transfer are financial assets measured at fair value with changes recorded into other comprehensive income) of the cumulative fair value changes originally directly recorded into other comprehensive income.

(1) When financial assets are partially transferred and the whole transferred part meets the derecognition conditions, the overall book value of the financial assets before the transfer should be apportioned between the derecognized part and the part continuing to be recognized (In such case, the retained service assets should be regarded as part of the financial assets continuing to be recognized) by their respective relative fair values on the date of transfer, and the difference between the following two items should be recorded into current profits/losses:

① book value of the derecognized part on the date of derecognition.

② sum of the consideration received from the derecognized part, and the corresponding derecognized portion (The financial assets involved in the transfer are financial assets measured at fair value with changes recorded into other comprehensive income) of the cumulative fair value changes originally recorded into other comprehensive income.

When the transfer of financial assets does not meet the derecognition conditions, the financial assets should continue to be recognized and the consideration received should be recognized as financial liabilities.

Recognition method of fair value of financial assets and financial liabilities

The fair value of financial liabilities or financial liabilities existing on active markets should be recognized by quotations on active markets; quotations on active markets includes quotations of related assets or liabilities that are easy to and can be obtained regularly from exchanges, dealers, brokers, industry groups, pricing institutions or regulatory authorities, and that can represent market transactions that actually and frequently occur on the basis of fair transactions.

For initially obtained or derivative financial assets or financial liabilities undertaken, the fair value thereof shall be recognized based on the market transaction price.

The fair value of financial assets or liabilities without active market shall be recognized by valuation techniques. In valuation, the Company adopts applicable valuation techniques supported by sufficient utilizable data and other information in current circumstances, selects input values consistent with asset or liability characteristics considered in relevant asset or liability transactions of market participators and prioritizes the applying relevant observable input values. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

Impairment Allowance for Financial Assets (excluding Accounts Receivable):

(1) Based on expected credit losses, the Company evaluates the expected credit losses of financial assets measured at amortized cost and of financial assets measured at fair value with changes recorded into other comprehensive income, carries out the accounting treatment of impairment and recognizes the provisions for losses. Expected credit losses refer to the weighted average of the credit losses of financial instruments with default risk as the weight. Credit losses refer to the difference between all contract cash flows receivable by the Company in accordance with contracts discounted by the original effective interest rate and all cash flows expected to receive, as well as the present value of all cash shortages.

(2) When one or more events with adverse effects on the expected future cash flow of financial assets occur, the financial assets turn into financial assets with credit impairment. The evidence for credit impairment of financial assets includes the following observable information:

① The issuer or the debtor encounters significant financial difficulties;

② The debtor breaches the contract, such as default or overdue payment of interests or principal;

③ The creditor makes a compromise for the debtor which would be impossible in any other circumstances out of economic or contractual consideration related to the debtor's financial difficulties;

④ The debtor will probably go bankrupt or carry out other financial restructuring;

⑤ The issuer or the debtor's financial difficulties result in the disappearance of the active markets of the financial assets;

⑥ A financial asset was bought or originated with a big discount, which reflects the fact of credit losses.

Credit impairment of financial assets can be caused by multiple events together and not necessarily by separately identifiable events.

(3) For financial assets with credit impairment bought or originated, only the cumulative changes in expected credit losses during the whole duration as at the balance sheet date since initial recognition will be recognized as provisions for losses. On each balance sheet date, the amount of changes in expected credit losses for the whole duration will be included into current profits/losses as impairment losses or gains. Even when the expected credit losses for the whole duration recognized on the balance sheet date are less than the expected credit losses reflected in the estimation of cash flows at initial recognition, the favorable changes in the expected credit losses are recognized as impairment gains.

(4) Other than the circumstances of withdrawal of provisions for losses for financial instruments in the above item (3), the Company evaluates whether the credit risk of related financial instruments has increased substantially as at each balance sheet date since initial recognition, and measures the provisions for losses and recognizes expected credit losses and the changes according to the following:

① If the credit risk of the financial instruments has increased substantially since initial recognition, the provisions for losses will be measured by the amount equivalent to the expected credit losses of the financial instruments for the whole duration. Regardless of whether the Company evaluates credit losses based on individual financial instruments or financial instrument portfolios, the amount of increase or reverse of provisions for losses formed thereof should be included into current profits/losses as impairment losses or gains.

② If the credit risk of the financial instruments has not increased substantially since initial recognition, the provisions for losses will be measured by the amount equivalent to the expected credit losses of the financial instruments for the next 12 months. Regardless of whether the Company evaluates credit losses based on individual financial instruments or financial instrument portfolios, the amount of increase or reverse of provisions for losses formed thereof should be included into current profits/losses as impairment losses or gains.

Expected credit losses for the next 12 months refer to the expected credit losses resulting from potential default events in respect of financial instruments in the 12 months (which should be the expected duration if the expected duration of the financial instruments is less than 12 months) following the balance sheet date, which are part of the expected credit losses for the whole duration.

The Company shall consider all reasonable and well-founded information, including forward-looking information. In some circumstances, the Company considers whether the credit risk has substantially increased based on portfolios to ensure that the expected credit losses for the whole duration will be recognized immediately upon substantial increase of the credit risk since the initial recognition of the financial instruments.

Offset of Financial Assets and Financial Liabilities:

Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset. But, when meeting the following conditions at the same time, the financial assets and financial liabilities shall be presented in the balance sheet with the net amount after the set-off:

(1) The Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities;

(2) The Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

11. Notes Receivable

On the basis of expected credit losses, the company evaluates the expected credit losses of financial instruments on the basis of single item and combination, carries out impairment treatment and confirms the loss provision. For the notes receivable, the company divides the notes receivable into bank acceptance bill combination and commercial acceptance bill combination according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combination. For the notes receivable divided into portfolios, the company shall, when evaluating the expected credit losses, consider the reasonable and reasonable information related to the past events, the current situation and the forecast of future economic conditions, determine the expected credit loss rate and calculate the expected credit losses.

12. Accounts Receivable

(1) Accounts Receivable

For accounts receivable, regardless of whether it contains significant financing elements, the company always measures its loss provision in accordance with the amount equivalent to the expected credit loss in the whole duration, and the resulting increase or refunded amount of loss provision is recorded as impairment loss or profit in the current profit and loss. The company combines the accounts receivable with similar credit risk characteristics (aging), and estimates the proportion of bad debt provision for the accounts receivable based on all reasonable and valid information, including forward-looking information, as follows:

Aging	Withdrawal proportion of accounts receivable	Withdrawal proportion of other receivables
Within 1 year (including 1 year)	2.00%	2.00%
1 to 2 years	5.00%	5.00%
2 to 3 years	15.00%	15.00%
3 to 4 years	30.00%	30.00%
4 to 5 years	60.00%	60.00%
Over 5 years	100.00%	100.00%

If there is objective evidence that a certain account receivable has suffered from credit impairment, the company shall separately make bad debt provision for the account receivable and confirm the expected credit loss.

(2)Other receivables

For the measurement of impairment loss of other receivables, the measurement method of impairment loss of the aforementioned receivables shall be applied.

13. Inventory

Is the Company subject to any disclosure requirements for special industries?

No

(1) Category of Inventory

Inventory refers to the held-for-sale finished products or commodities, goods in process, materials consumed in the production process or the process providing the labor service etc. Inventory is mainly including the raw materials, low priced and easily worn articles, unfinished products, inventories and work in process–outsourced etc.

(2) Pricing method

Purchasing and storage of the various inventories should be valued according to the planed cost and the dispatch be calculated according to the weighted average method; carried forward the cost of the finished products according to the actual cost of the current period and the sales cost according to the weighted average method.

(3) Determination basis of the net realizable value of inventory and withdrawal method of the provision for falling price of inventory

At the balance sheet date, inventories are measured at the lower of the costs and net realizable value. When all the inventories are checked roundly, for those which were destroyed, outdated in all or in part, sold at a loss, etc, the Company shall estimate the irrecoverable part of its cost and withdrawal the inventory falling price reserve at the year-end. Where the cost of the single inventory item is higher than the net realizable value, the inventory falling price reserve shall be withdrawn and recorded into profits and losses of the current period. Of which: in the normal production and operating process, as for the commodities inventory directly for sales such as the finished products, commodities and the materials for sales, should recognize the net realizable value according to the amount of the estimated selling price of the inventory minuses the estimated selling expenses and the relevant taxes; as for the materials inventory needs to be processed in the normal production and operating process, should recognize its net realizable value according to the amount of the estimated selling price of the finished products minuses the cost predicts to be occur when the production completes and the estimated selling expenses as well as the relevant taxes; on the balance sheet date, for the same inventory with one part agreed by the contract price and other parts not by the contract price, should be respectively recognized the net realizable value. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis; for large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories.

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

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

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

14. Assets Held for Sale

The Company recognizes the components (or the non-current assets) which meet with the following conditions as assets held for sale:

(1) The components must be immediately sold only according to the usual terms of selling this kind of components under the current conditions;

(2) The Company had made solutions on disposing the components (or the non-current assets), for example, the Company should gain the approval from the shareholders according to the regulations and had acquired the approved from the Annual General Meeting or the relevant authority institutions;

(3) The Company had signed the irrevocable transformation agreement with the transferee;

(4) The transformation should be completed within 1 year.

15. Long-term Equity Investments

(1) Judgment standard of joint control and significant influences

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Group which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.

(2) Recognition for initial investment cost

The initial investment cost of the long-term equity investment shall be recognized by adopting the following ways in accordance with different methods of acquisition:

1) As for those forms under the same control of the enterprise combine, if the combine party takes the cash payment, non-cash assets transformation, liabilities assumption or equity securities issuance as the combination consideration, should take the shares of the book value by the ultimate control party in the consolidate financial statement of the owners' equities of the combiners acquired on the merger date as the initial investment cost. The difference between the initial investment cost and the book value of the paid combination consideration or the total amount of the issued shares of the long-term equity investment should be adjusted the capital reserve; If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. To include each direct relevant expense occurred when executing the enterprise merger into the current gains and losses; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

2) As for long-term equity investment acquired through the merger of enterprises not under the same control, its initial investment cost shall regard as the combination cost calculated by the fair value of the assets, equity instrument issued and liabilities incurred or undertaken on the purchase date adding the direct cost related with the acquisition. The identifiable assets of the combined party and the liabilities (including contingent liability) undertaken on the combining date shall be measured at the fair value without considering the amount of minority interest. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The acquirer shall record the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the consolidated income statement directly. The agent expense and other relevant management expenses such as the audit, legal service and evaluation consultation occurs from the enterprise merger, should be included in the current gains and losses when occur; while the handling charges and commission occurs from the issuing the equity securities or the bonds for the enterprise merger should be included in the initial measurement amount of the shareholders' equities or the liabilities.

3) Long-term equity investment obtained by other means

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

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

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

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

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

(3) Subsequent measurement and recognition of profits and losses

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

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

Company holds the shares of an entity below 50%, but has a real control to the said entity, then the said entity shall be its subsidiary company.

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Investment Property

Measurement mode of investment real estate:
Measurement of cost model
Depreciation or amortization method
The investment real estate shall be measured at its cost. Of which, the cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expense directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The investment real estate invested by investors shall be recorded at the value stipulated in the investment contracts or agreements, but the unfair value appointed in the contract or agreement shall be entered into the account book at the fair value.
As for withdrawal basis of provision for impairment of investment real estates, please refer to withdrawal method for provision for impairment of fixed assets.

17. Fixed Assets

(1) Recognition Conditions

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

(2) Depreciation Method

Category of fixed assets	Depreciation method	depreciable life	Salvage value	Annual deprecation
Housing and building	Straight-line method	20-40		2.50%-5%
Machinery equipment	Straight-line method	6-15		6.67%-16.67%
Transportation equipment	Straight-line method	5-10		10%-20%
Other equipment	Straight-line method	5-10		10%-20%

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

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

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

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

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

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

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

The fixed assets by finance lease should take the lower one between the fair value of the leasing assets and the current value of the minimum lease payment on the lease starting date as the entry value. As for the minimum lease payment which be regarded as the entry value of the long-term accounts payable, its difference should be regarded as the unrecognized financing expense. For the initial direct expenses occur in the lease negotiations and the signing process of the lease contracts that attribute to the handling expenses, counsel fees, travel expenses and stamp taxes of the lease items, should be included in the charter-in assets value. The unrecognized financing expenses should be amortized by adopting the actual interest rate during the period of the lease term.

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

18. Construction in Progress

(1) Valuation of the progress in construction

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

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

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

19. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs
The borrowing costs shall include the interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing costs occurred belong to specifically borrowed loan or general borrowing used for the acquisition and construction of investment real estates and inventories over one year (including one year) shall be capitalized, and record into relevant assets cost. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The borrowing costs shall not be capitalized unless they simultaneously meet the following three requirements: (1) The asset disbursements have already incurred; (2) The borrowing costs have already incurred; and (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.
(2) The period of capitalization of borrowing costs
The borrowing costs arising from acquisition and construction of fixed assets, investment real estates and inventories, if they meet the above-mentioned capitalization conditions, the capitalization of the borrowing costs shall be measured into asset cost before such assets reach to the intended use or sale, Where acquisition and construction of fixed assets, investment real estates and inventories is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended, and recorded into the current expense, till the acquisition and construction of the assets restarts. When the qualified asset is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased, the borrowing costs occurred later shall be included into the financial expense directly at the current period.
(3) Measurement method of capitalization amount of borrowing costs
As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.
Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

20. Intangible Assets

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

(1) Pricing method of intangible assets
Intangible assets purchased should take the actual payment and the relevant other expenses as the actual cost.
For the intangible assets invested by the investors should be recognized the actual cost according to the value of the investment contracts or agreements, however, for the value of the contracts or agreements is not fair, the actual cost should be recognized according to the fair value.
For the intangible assets acquires from the exchange of the non-currency assets, if own the commercial nature, should be recorded according to the fair value of the swap-out assets; for those not own the commercial nature,

should be recorded according to the book value of the swap-out assets.
For the intangible assets acquires from the debts reorganization should be recognized by the fair value.
(2) Amortization method and term of intangible assets
As for the intangible assets with limited service life, which are amortized by straight-line method when it is available for use within the service period, shall be recorded into the current profits and losses. The Company shall, at least at the end of each year, check the service life and the amortization method of intangible assets with limited service life. When the service life and the amortization method of intangible assets are different from those before, the years and method of the amortization shall be changed.
Intangible assets with uncertain service life may not be amortized. However, the Company shall check the service life of intangible assets with uncertain service life during each accounting period. Where there are evidences to prove the intangible assets have limited service life, it shall be estimated of its service life, and be amortized according to the above method mentioned.
The rights to use land of the Company shall be amortized according to the rest service life.

(2) Accounting Polices of Internal R & D Expenses

The internal research and development projects of an enterprise shall be classified into research phase and development phase: the term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge; the term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.
The Company collects the expenses of the corresponding phases according to the above standard of classifying the research phase and the development phase. The research expenditures for its internal research and development projects of an enterprise shall be recorded into the profit or loss for the current period. The development expenditures for its internal research and development projects of an enterprise may be capitalized when they satisfy the following conditions simultaneously: it is feasible technically to finish intangible assets for use or sale; it is intended to finish and use or sell the intangible assets; the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; the development expenditures of the intangible assets can be reliably measured.

21. Impairment of Long-term Assets

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Group should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible intangible assets should be tested for decrease in value no matter whether it exists.
If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined

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

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

22. Long-term Deferred Expenses

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

23. Payroll

(1) Accounting Treatment of Short-term Compensation

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

(2) Accounting Treatment of the Welfare after Demission

The Company classifies the welfare plans after demission into defined contribution plans and defined benefit plans. Welfare plans after demission refers to the agreement on the welfare after demission reaches between the Company and the employees, or the regulations or methods formulated by the Company for providing the welfare after demission for the employees. Of which, defined contribution plans refers to the welfare plans after demission that the Company no more undertake the further payment obligations after the payment of the fixed expenses for the independent funds; defined benefit plans, refers to the welfare plans after demission except for the defined contribution plans.

Defined contribution plans

During the accounting period that the Company providing the service for the employees, the Company should recognize the liabilities according to the deposited amount calculated by defined contribution plans, and should be included in the current gains and losses or the relevant assets cost.

(3) Accounting Treatment of the Demission Welfare

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

(4) Accounting Treatment of Other Long-term Welfare for Staff

Naught

24. Provisions

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

25. Revenue

Is the Company subject to any disclosure requirements for special industries?
No
Has implemented new standards governing revenue or not
□ Yes √ No

(1) Recognition of revenue from sale of goods: the revenue from selling shall be recognized by the following conditions: The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable

way; the relevant revenue and costs of selling goods can be measured in a reliable way. The amount of the revenue from selling shall ascertain the revenue incurred by selling goods in accordance with the received or receivable price stipulated in the contract or agreement signed between the enterprise and the buyer, unless the received or receivable amount as stipulated in the contract or agreement is unfair.

(2) Recognition of revenue from providing labor services: When the total revenue and costs from providing labor can be measured in a reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be measured in a reliable way, the revenue from providing labor shall be recognized. If the Company can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method on the date of the balance sheet, otherwise the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred and expected to be compensated. The Company recognized the completion process of the transaction concerning the labor services according to the proportion of the occurred cost of the estimated total cost. The total amount of the revenue from providing services should be recognized according to the contract price received or receivable from the accepting of the labor services or the agreement price except for those unfair prices.

(3) Recognition of the revenue from transferring use rights of assets: When the relevant economic benefits are likely to flow into the enterprises and the amount of revenues can be measured in a reliable way, the revenue from abalienating the right to use assets shall be recognized. The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate； the amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement； as for the rental revenue: the amount of the rental revenue from the operation lease should be recognized according to the straight-line method during each period of the lease term or accrued into the current gains and losses if rental actual occurred.

26. Government Subsidies

(1) Type

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

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

(2) Recognition of Government Subsidies

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

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

(3) Accounting Treatment

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

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

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

The government subsidies recognized with relevant deferred income balance but need to return shall be used to offset the book balance of relevant deferred income, the excessive part shall be included in the current gains and losses or adjusting the book value of assets for the government subsidies assets-related that offset the book value of relevant assets when they are initially recognized; those belong to other cases shall be directly included in the current gains and losses.

27. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Basis of recognizing the deferred income tax assets

According to the difference between the book value of the assets and liabilities and their tax basis, A deferred tax assets shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The recognition of the deferred income tax assets is limited by the income tax payable that the Company probably gains for deducting the deductible temporary differences. At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it’s probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it’s probable that sufficient taxable profit will be available.

(2) Basis of recognizing the deferred income tax liabilities

According to the difference between the book value of the assets and liabilities and their tax basis, A deferred tax liabilities shall be measured in accord with the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

28. Lease

(1) Accounting Treatment of Operating Lease

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

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

(2) Accounting Treatments of Financial Lease

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

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

29. Other Significant Accounting Policies and Estimates

(1) Operation termination

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

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

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

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

(2) Hedging accounting

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

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

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

The hedging should be executed by the hedging accounting methods when satisfying the following conditions at the same time:
1) At the commencement of the hedging, the enterprise shall specify the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging.
2) The hedging expectation is highly efficient and meets the risk management strategy, which is confirmed for the hedging relationship by enterprise at the very beginning.
3) For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall make the enterprise faced to the risk of changes in cash flow, which will ultimately affect the profits and losses.
4) The effectiveness of hedging can be reliably measured.
5) The hedging is highly effective in accounting period in which the hedging relationship is specified.

30. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

√ Applicable □ Not applicable

Changes to the accounting policies and why	Approval process	Remark
The Notice on Revising and Issuing the Formats of 2019 Financial Statements for General Enterprises issued by the Ministry of Finance on 30 April 2019 requires the companies which have implemented the new standards governing financial instruments but not the new standards governing revenue and lease or companies which have implemented the new standards governing financial instruments and revenue but not the new standards governing lease to adjust items of financial statements in line with requirements in Appendix 1 and Appendix 2 of this Notice.	On 27 August 2019, the Company held the 20th Meeting of the 8th Board of Directors and the 16th Meeting of the 8th Supervisory Committee and approved the *Proposal on Changes of Some Accounting Policies*	Refer to (1) of other notes for details
The Company starts to implement the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments, which revised and issued by the Ministry of Finance in March 2017 and hereinafter collectively referred to as new standards governing financial instruments since 1 January 2019 which stipulate that the company shall classify and measure financial instruments in accordance with regulations on the execution date, when the data of comparative	On 9 April 2019, the Company held the 17th Meeting of the 8th Board of Directors and 13th Meeting of the 8th Supervisory Committee and approved the *Proposal on Changes in Some Accounting Policies*	Refer to (2) of other notes for details

financial statements of prior years do not comply with the new standards, no adjustment is made by the Company.		

Other notes:

(1) Influence of Changes in Formats of Financial statements

Affected items in the consolidated balance sheet and amount thereof:

31 December 2018		1 January 2019	
Notes receivable and accounts receivable	874,229,941.58	Notes receivable	495,370,782.47
		Accounts receivable	378,859,159.11
Notes payable and accounts payable	1,030,130,275.77	Notes payable	438,375,400.00
		Accounts payable	591,754,875.77

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

31 December 2018		1 January 2019	
Notes receivable and accounts receivable	790,877,079.72	Notes receivable	490,519,795.91
		Accounts receivable	300,357,283.81
Notes payable and accounts payable	987,550,797.44	Notes payable	425,995,400.00
		Accounts payable	561,555,397.44

(2) Influence of Execution of New Standards Governing Financial Instruments

Affected items in the consolidated balance sheet and amount thereof:

Item	31 December 2018	Affected amount		1 January 2019
		Affected by classification and measurement	Affected by impairment of financial assets	
Available-for-sale financial assets	498,851,369.49	-498,851,369.49		
Other investments in equity instruments		498,851,369.49		498,851,369.49

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

Item	31 December 2018	Affected amount		1 January 2019
		Affected by classification and measurement	Affected by impairment of financial assets	
Available-for-sale financial assets	470,940,000.00	-470,940,000.00		
Other investments in equity instruments		470,940,000.00		470,940,000.00

(2) Changes in Accounting Estimates

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

Consolidated Balance Sheet

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Monetary capital	800,960,036.69	800,960,036.69	
Settlement reserve			
Interbank loans granted			
Trading financial assets			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	495,370,782.47	495,370,782.47	
Accounts receivable	378,859,159.11	378,859,159.11	
Financing backed by accounts receivable			
Prepayments	11,352,297.10	11,352,297.10	
Premiums receivable			
Reinsurance receivables			
Receivable reinsurance contract reserve			
Other receivables	9,244,584.42	9,244,584.42	
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	557,953,891.70	557,953,891.70	
Contract assets			
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets	34,357,608.97	34,357,608.97	
Total current assets	2,288,098,360.46	2,288,098,360.46	
Non-current assets:			
Loans and advances to customers			
Investments in debt obligations			

Available-for-sale financial assets	498,851,369.49		-498,851,369.49
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investments in other equity instruments		498,851,369.49	498,851,369.49
Other non-current financial assets			
Investment property			
Fixed assets	50,656,007.63	50,656,007.63	
Construction in progress	511,250,371.37	511,250,371.37	
Productive living assets	89,090,384.71	89,090,384.71	
Oil and gas assets			
Right-of-use assets			
Intangible assets	103,092,879.38	103,092,879.38	
R&D expense			
Goodwill			
Long-term prepaid expense			
Deferred income tax assets	979,822.71	979,822.71	
Other non-current assets			
Total non-current assets	1,253,920,835.29	1,253,920,835.29	
Total assets	3,542,019,195.75	3,542,019,195.75	
Current liabilities:			
Short-term borrowings	27,000,000.00	27,000,000.00	
Borrowings from central bank			
Interbank loans obtained			
Trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	438,375,400.00	438,375,400.00	
Accounts payable	591,754,875.77	591,754,875.77	
Advances from customers	34,500,232.97	34,500,232.97	
Financial assets sold under repurchase agreements			
Customer deposits and interbank deposits			

Payables for acting trading of securities			
Payables for underwriting of securities			
Payroll payable	50,500,592.99	50,500,592.99	
Taxes payable	7,066,085.89	7,066,085.89	
Other payables	199,412,250.90	199,412,250.90	
Including: Interest payable			
Dividends payable	3,891,433.83	3,891,433.83	
Handling charges and commissions payable			
Reinsurance payables			
Contract liabilities			
Liabilities directly associated with assets classified as held for sale			
Current portion of non-current liabilities	18,500,000.00	18,500,000.00	
Other current liabilities	2,082,985.18	2,082,985.18	
Total current liabilities	1,369,192,423.70	1,369,192,423.70	
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings	2,000,000.00	2,000,000.00	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term payroll payable			
Provisions			
Deferred income	59,928,484.84	59,928,484.84	
Deferred income tax liabilities	47,971,780.36	47,971,780.36	
Other non-current liabilities			
Total non-current liabilities	109,900,265.20	109,900,265.20	
Total liabilities	1,479,092,688.90	1,479,092,688.90	
Owners' equity:			
Share capital	561,374,326.00	561,374,326.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			

Capital reserves	164,328,665.43	164,328,665.43	
Less: Treasury stock			
Other comprehensive income	264,405,675.00	264,405,675.00	
Specific reserve	15,182,958.83	15,182,958.83	
Surplus reserves	320,133,050.15	320,133,050.15	
General reserve			
Retained earnings	717,883,351.33	717,883,351.33	
Total equity attributable to owners of the Company as the parent	2,043,308,026.74	2,043,308,026.74	
Non-controlling interests	19,618,480.11	19,618,480.11	
Total owners' equity	2,062,926,506.85	2,062,926,506.85	
Total liabilities and owners' equity	3,542,019,195.75	3,542,019,195.75	

Note for adjustment

Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Monetary capital	759,404,219.72	759,404,219.72	
Trading financial assets			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	490,519,795.91	490,519,795.91	
Accounts receivable	300,357,283.81	300,357,283.81	
Financings backed by accounts receivable			
Prepayments	4,768,038.11	4,768,038.11	
Other receivables	21,681,331.85	21,681,331.85	
Including: Interest receivable			
Dividends receivable			
Inventories	437,423,195.46	437,423,195.46	
Contract assets			
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets	23,099,858.67	23,099,858.67	
Total current assets	2,037,253,723.53	2,037,253,723.53	

Non-current assets:			
Investments in debt obligations			
Available-for-sale financial assets	470,940,000.00		-470,940,000.00
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	241,752,730.03	241,752,730.03	
Investments in other equity instruments		470,940,000.00	470,940,000.00
Other non-current financial assets			
Investment property	50,656,007.63	50,656,007.63	
Fixed assets	413,186,680.19	413,186,680.19	
Construction in progress	87,007,215.91	87,007,215.91	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	72,184,608.63	72,184,608.63	
R&D expense			
Goodwill			
Long-term prepaid expense			
Deferred income tax assets	930,641.19	930,641.19	
Other non-current assets			
Total non-current assets	1,336,657,883.58	1,336,657,883.58	
Total assets	3,373,911,607.11	3,373,911,607.11	
Current liabilities:			
Short-term borrowings	10,000,000.00	10,000,000.00	
Trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	425,995,400.00	425,995,400.00	
Accounts payable	561,555,397.44	561,555,397.44	
Advances from customers	32,072,387.55	32,072,387.55	
Contract liabilities			
Payroll payable	43,597,759.22	43,597,759.22	
Taxes payable	2,443,767.89	2,443,767.89	

Other payables	185,022,961.56	185,022,961.56	
Including: Interest payable			
Dividends payable	3,243,179.97	3,243,179.97	
Liabilities directly associated with assets classified as held for sale			
Current portion of non-current liabilities	18,500,000.00	18,500,000.00	
Other current liabilities			
Total current liabilities	1,279,187,673.66	1,279,187,673.66	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term payroll payable			
Provisions			
Deferred income	59,928,484.84	59,928,484.84	
Deferred income tax liabilities	46,659,825.00	46,659,825.00	
Other non-current liabilities			
Total non-current liabilities	106,588,309.84	106,588,309.84	
Total liabilities	1,385,775,983.50	1,385,775,983.50	
Owners' equity:			
Share capital	561,374,326.00	561,374,326.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	183,071,147.70	183,071,147.70	
Less: Treasury stock			
Other comprehensive income	264,405,675.00	264,405,675.00	
Specific reserve	15,182,958.83	15,182,958.83	
Surplus reserves	320,133,050.15	320,133,050.15	
Retained earnings	643,968,465.93	643,968,465.93	
Total owners' equity	1,988,135,623.61	1,988,135,623.61	
Total liabilities and owners' equity	3,373,911,607.11	3,373,911,607.11	

Note for adjustment

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

□ Applicable √ Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Payable to sales revenue	17%, 16%, 13%, 11%, 10%, 6%
Urban maintenance and construction tax	Taxable turnover amount	Tax paid in accordance with the tax regulations of tax units location
Enterprise income tax	Taxable income	25% or 15% or 5%
Education surcharge	Taxable turnover amount	5%

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

Name	Income tax rate
Changzhou Housheng Investment Co., Ltd.	5%
Changchai Co., Ltd.	15%
Changchai Wanzhou Diesel Engine Co., Ltd.	15%
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	25%
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	25%
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	25%
Jiangsu Changchai Machinery Co., Ltd.	25%

2. Tax Preference

In 2018, the Company has been identified as High-tech Enterprises, therefore, it enjoys 15-percent preferential rate for corporate income tax; the Company's controlling subsidiary—Changchai Wanzhou Diesel Engine Co., Ltd., the controlling subsidiary company, shall pay the corporate income tax at tax rate 15% from 1 January 2011 to 31 December 2020 in accordance with the Notice of the Ministry of Finance, the General Administration of Customs of PRC and the National Administration of Taxation about the Preferential Tax Policies for the Western Development. Changzhou housheng investment co., LTD., a holding subsidiary, will collect enterprise income tax at a reduced rate of 5% from January 1, 2019 solstice on December 31, 2021 according to the notice of implementing the preferential tax reduction and exemption policy for small and micro enterprises issued by the ministry of finance and the state administration of taxation.

3. Other

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

1. Monetary Capital

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	401,268.09	441,363.70
Bank deposits	493,219,001.11	684,620,907.41
Other monetary capital	134,862,508.92	115,897,765.58
Total	628,482,778.12	800,960,036.69

At the end of Reporting Period, the monetary fund of the Company used restrictedly was RMB134,862,508.92, among which cash deposit of bank acceptance bill was RMB134,862,508.92.

2. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	445,812,473.66	495,370,782.47
Total	445,812,473.66	495,370,782.47

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

□ Applicable √ Not applicable

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

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	412,187,005.64	
Total	412,187,005.64	

3. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable for which bad debt provision separately accrued	31,080,167.94	3.12%	30,192,731.52	97.14%	887,436.42	32,020,727.53	5.13%	31,133,291.11	97.23%	887,436.42
Of which:										
Accounts receivable with significant single amount for which bad debt provision separately accrued	28,205,070.58	2.83%	27,317,634.16	96.85%	887,436.42	28,205,070.58	4.52%	27,317,634.16	96.85%	887,436.42
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,875,097.36	0.29%	2,875,097.36	100.00%	0.00	3,815,656.95	0.61%	3,815,656.95	100.00%	0.00
Accounts receivable withdrawal of bad debt provision by group	965,983,824.54	96.88%	223,598,580.68	23.15%	742,385,243.86	591,489,450.66	94.87%	213,517,727.97	36.10%	377,971,722.69
Of which:										
Total	997,063,992.48	100.00%	253,791,312.20	25.45%	743,272,680.28	623,510,178.19	100.00%	244,651,019.08	39.24%	378,859,159.11

Accounts receivable for which bad debt provision separately accrued:

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdrawal
Customer 1	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 2	1,161,700.00	580,850.00	50.00%	Expected to difficultly recover
Customer 3	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 4	2,484,497.34	2,177,910.92	87.66%	Expected to difficultly recover
Customer 5	3,279,100.00	3,279,100.00	100.00%	Expected to difficultly recover
Customer 6	2,068,377.01	2,068,377.01	100.00%	Expected to difficultly recover
Customer 7	5,359,381.00	5,359,381.00	100.00%	Difficult to recover
Customer 8	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 9	1,679,109.54	1,679,109.54	100.00%	Difficult to recover
Customer 10	1,470,110.64	1,470,110.64	100.00%	Expected to difficultly recover
Other	2,875,097.36	2,875,097.36	100.00%	Expected to difficultly recover
Total	31,080,167.94	30,192,731.52	--	--

Accounts receivable withdrawal of bad debt provision by group:

Unit: RMB

Aging	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Subtotal of within 1 year	721,064,680.68	14,421,293.61	2.00%
1 to 2 years	25,520,630.47	1,276,031.52	5.00%
2 to 3 years	9,204,859.37	1,380,728.91	15.00%
3 to 4 years	4,527,490.28	1,358,247.08	30.00%
4 to 5 years	1,259,710.47	755,826.28	60.00%
Over 5 years	204,406,453.27	204,406,453.27	100.00%
Total	965,983,824.54	223,598,580.68	--

Notes of the basis of recognizing the group:

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

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance

Within 1 year (including 1 year)	721,064,680.68
1 to 2 years	25,520,630.47
2 to 3 years	9,204,859.37
Over 3 years	241,273,821.96
3 to 4 years	4,527,490.28
4 to 5 years	2,421,410.47
Over 5 years	234,324,921.21
Total	997,063,992.48

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

Information of withdrawal of bad debt provision:

Unit: RMB

Item	Beginning balance	Changes in the Reporting Period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	
Bad debt provision	244,651,019.08	9,140,293.12			253,791,312.20
Total	244,651,019.08	9,140,293.12			253,791,312.20

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

At the period-end, the total top 5 of the ending balance of the accounts receivable collected according to the arrears party was RMB506,859,995.98 accounting for 51.05% of the total ending balance of accounts receivable. And the ending balance of bad debt provision withdrawn was RMB10,137,199.92.

4. Prepayments

(1) List by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	7,211,398.19	76.08%	9,535,876.40	84.01%
1 to 2 years	642,569.54	6.78%	437,529.70	3.85%
2 to 3 years	256,574.65	2.71%	57,536.24	0.51%
Over 3 years	1,368,524.68	14.44%	1,321,354.76	11.63%
Total	9,479,067.06	--	11,352,297.10	--

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

At the period-end, the total top 5 of the ending balance of the prepayments collected according to the prepayment target was RMB2,155,392.45 accounting for 22.74% of the total ending balance of prepayments.

5. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable	0.00	
Dividend receivable	0.00	
Other receivables	10,675,479.55	9,244,584.42
Total	10,675,479.55	9,244,584.42

(1) Other receivables

1) Other Receivables Classified by Accounts Nature

Unit: RMB

Nature	Ending carrying value	Beginning carrying value
Margin and cash pledge	4,200.00	4,200.00
Intercourse funds	26,523,461.40	25,451,250.34
Petty cash and borrowings by employees	1,392,153.09	1,232,153.09
Other	15,865,412.52	15,546,601.57
Total	43,785,227.01	42,234,205.00

2) Withdrawal of Bad Debt Provision

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	8,679,465.27
1 to 2 years	1,854,683.70
2 to 3 years	320,558.17
Over 3 years	32,930,519.87
3 to 4 years	152,883.41
4 to 5 years	70,403.10
Over 5 years	32,707,233.36
Total	43,785,227.01

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

Information of withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period		Ending balance
		Withdrawal	Reversal or recovery	
Other receivables	32,989,620.58	120,126.88		33,109,747.46
Total	32,989,620.58	120,126.88		33,109,747.46

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

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of other receivables%	Ending balance of bad debt provision
Changzhou Changjiang Casting Materials Co., Ltd.	Intercourse funds	5,000,000.00	Within 1 year	11.42%	100,000.00
Changzhou Compressors Factory	Intercourse funds	2,940,000.00	Over 5 years	6.71%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	6.52%	2,853,188.02
Changzhou New District Accounting Centre	Intercourse funds	1,626,483.25	Over 5 years	3.71%	1,626,483.25
Changzhou Group Settlement Centre	Intercourse funds	1,140,722.16	Over 5 years	2.61%	1,140,722.16
Total	--	13,560,393.43	--	30.97%	8,660,393.43

6. Inventory

Whether the Company has executed the new income standards

√Yes □ No

(1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves of inventory or	Carrying value	Carrying amount	Falling price reserves of inventory or	Carrying value

		depreciation reserves of contract performance cost			depreciation reserves of contract performance cost	
Raw materials	85,753,215.70	5,761,479.77	79,991,735.93	134,454,498.93	5,845,504.24	128,608,994.69
Goods in process	150,248,131.41	24,091,709.62	126,156,421.79	166,798,553.34	24,187,100.54	142,611,452.80
Materials processed on commission	12,093,880.81	1,075,756.43	11,018,124.38	13,330,233.29	993,300.18	12,336,933.11
Finished goods	277,626,321.85	16,116,367.39	261,509,954.46	288,979,920.46	16,035,855.03	272,944,065.43
Low priced and easily worn articles	3,654,121.30	2,222,808.74	1,431,312.56	3,632,711.20	2,180,265.53	1,452,445.67
Total	529,375,671.07	49,268,121.95	480,107,549.12	607,195,917.22	49,242,025.52	557,953,891.70

Whether the Company needs to comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 4 - Listed companies engaged in seed industry and planting business

No

(2) Falling Price Reserves of Inventories and Depreciation Reserves of Contract Performance Cost

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	5,845,504.24	0.00	0.00	84,024.47	0.00	5,761,479.77
Goods in process	24,187,100.54	0.00	0.00	95,390.92	0.00	24,091,709.62
Materials processed on commission	993,300.18	82,456.25	0.00	0.00	0.00	1,075,756.43
Finished goods	16,035,855.03	80,512.36	0.00	0.00	0.00	16,116,367.39
Low priced and easily worn articles	2,180,265.53	42,543.21	0.00	0.00	0.00	2,222,808.74
Total	49,242,025.52	205,511.82	0.00	179,415.39	0.00	49,268,121.95

7. Other Current Assets

Whether the Company has executed the new income standards

√Yes □ No

Unit: RMB

Item	Ending balance	Beginning balance
The VAT tax credits	6,768,809.68	25,962,369.29
Bank financial products	0.00	0.00
Prepaid expense	87,542.21	86,761.81
Securities company financial product	9,500,000.00	8,253,873.41
Other	12,457.79	54,604.46
Total	16,368,809.68	34,357,608.97

8. Long-term Equity Investment

Unit: RMB

Investees	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserves
		Additional investment	Reduced investment	Gain or loss recognized under the equity method	Adjustment of other comprehensive income	Changes in other equity	Cash bonus or profit announced to issue	Withdrawal of depreciation reserves	Other		
I. Joint ventures											
II. Associated enterprises											
Beijing Tsinghua Industrial Investment Management Co.,	44,182.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	44,182.50	44,182.50

Ltd.										
Subtotal	44,182.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	44,182.50	44,182.50
Total	44,182.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	44,182.50	44,182.50

9. Other Equity Instrument Investment

Unit: RMB

Item	Ending balance	Beginning balance
Foton Automobile	342,465,000.00	262,990,000.00
Bank of Jiangsu	130,680,000.00	107,460,000.00
Jiangsu Expressway Co., Ltd.	537,000.00	490,000.00
Jiangsu Liance Electromechanical Technology Co., Ltd.	7,200,000.00	7,200,000.00
Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership)	100,000,000.00	100,000,000.00
Kailong High Technology Co., Ltd.	20,001,268.00	20,001,268.00
Guizhou Warmen Pharmaceutical Co, Ltd.	200,104.80	200,104.80
Guizhou Anda Energy Technology Co., Ltd.	195,297.49	195,297.49
Henan Lantian Gas Co., Ltd.	160,744.76	160,744.76
Anhui Hofo Electromechanical Co., Ltd.	138,441.76	
Hebei Songhe Recycling Resources Co., Ltd.	104,699.44	104,699.44
Hunan Litian High-tech Materials Co., Ltd.	49,255.00	49,255.00
Total	601,731,811.25	498,851,369.49

Non-trading equity instrument investment disclosed by category

Unit: RMB

Item	Dividend income recognized	Accumulative gains	Accumulative losses	Amount of other comprehensive transferred to retained earnings	Reason for assigning to measure by fair value of which changes be included to other comprehensive income	Reason for other comprehensive income transferred to retained earnings
Changzhou					Judged by	

Synergetic Innovation Private Equity Fund (Limited Partnership)					management layer meaningfully	
Jiangsu Liance Electromechanical Technology Co., Ltd.					Judged by management layer meaningfully	
Kailong High Technology Co., Ltd.					Judged by management layer meaningfully	
Foton Automobile					Judged by management layer meaningfully	
Bank of Jiangsu					Judged by management layer meaningfully	
Jiangsu Expressway Co., Ltd.					Judged by management layer meaningfully	

On April 9, 2019, the company's eighth seventeen board meetings, reviewed and adopted the "about the company involved in the financial assets held by the business loan refinancing bill, agree that the company will, no more than 100 million shares held by" fukuda car "shares and 18 million shares of stock bank in jiangsu province to participate in to refinance securities lending transactions. At the end of the reporting period, the company still had 280,000 shares of foton motor during the loan period.

10. Investment Property

(1) Investment Property Adopting the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and	Land use	Construction in	Total

	buildings	right	progress	
I. Original carrying value	87,632,571.14			87,632,571.14
1.Beginning balance				
2.Increased amount of the period				
(1) Outsourcing				
(2) Transfer from inventories/fixed assets/construction in progress				
(3)Enterprise combination increase				
3.Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	87,632,571.14			87,632,571.14
II.Accumulative depreciation and accumulative amortization				
1.Beginning balance	36,976,563.51			36,976,563.51
2.Increased amount of the period	1,104,170.40			1,104,170.40
(1) Withdrawal or amortization	1,104,170.40			1,104,170.40
3.Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	38,080,733.91			38,080,733.91
III.Depreciation reserves				
1.Beginning balance				
2.Increased amount of the period				
(1) Withdrawal				
3.Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance				
IV. Carrying value				
1.Ending carrying value	49,551,837.23			49,551,837.23
2.Beginning carrying value	50,656,007.63			50,656,007.63

(2) Investment Property Adopted the Fair Value Measurement Code

□ Applicable √ Not applicable

11. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	473,064,733.73	511,250,371.37
Total	473,064,733.73	511,250,371.37

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Other equipment	Total
I. Original carrying value					
1. Beginning balance	447,076,373.55	936,110,914.94	18,083,828.53	44,422,389.46	1,445,693,506.48
2. Increased amount of the period					
(1) Purchase					
(2) Transfer from construction in progress	0.00	6,833,909.02	0.00	172,389.13	7,006,298.15
(3) Enterprise combination increase					
3. Decreased amount of the period					
(1) Disposal or scrap		1,369,274.57		3,257,085.78	4,626,360.35
4. Ending balance	447,076,373.55	941,575,549.39	18,083,828.53	41,337,692.81	1,448,073,444.28

II.Accumulative depreciation					
1. Beginning balance	265,778,832.18	619,622,564.64	13,341,638.03	34,205,985.26	932,949,020.11
2. Increased amount of the period	8,608,066.58	33,218,854.43	1,263,298.28	1,974,286.00	45,064,505.29
(1) Withdrawal	8,608,066.58	33,218,854.43	1,263,298.28	1,974,286.00	45,064,505.29
3. Decreased amount of the period	0.00	1,242,002.26	0.00	3,256,927.59	4,498,929.85
(1) Disposal or scrap	0.00	1,242,002.26	0.00	3,256,927.59	4,498,929.85
4. Ending balance	274,386,898.76	651,599,416.81	14,604,936.31	32,923,343.67	973,514,595.55
III.Depreciation reserves					
1. Beginning balance		1,494,115.00			1,494,115.00
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal or scrap					
4. Ending balance		1,494,115.00			1,494,115.00
IV. Carrying					

value					
1. Ending carrying value	172,689,474.79	288,482,017.58	3,478,892.22	8,414,349.14	473,064,733.73
2. Beginning carrying value	181,297,541.37	314,994,235.30	4,742,190.50	10,216,404.20	511,250,371.37

12. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	80,277,379.05	89,090,384.71
Total	80,277,379.05	89,090,384.71

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Trial production workshop project technology center	14,349,461.80		14,349,461.80	14,349,461.80		14,349,461.80
Casting renovation project	396,000.00		396,000.00	396,000.00		396,000.00
Expansion capacity of multi-cylinder (The 2nd Period)	11,375,531.74		11,375,531.74	11,371,098.24		11,371,098.24
Diesel Engine Cylinder Body	23,485,515.70		23,485,515.70	19,061,813.95		19,061,813.95

Flexible Manufacturing Line						
35KV Substation	1,402,649.07		1,402,649.07	1,321,959.41		1,321,959.41
Equipment to be installed and payment for projects	29,268,220.74		29,268,220.74	42,590,051.31		42,590,051.31
Total	80,277,379.05		80,277,379.05	89,090,384.71		89,090,384.71

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

Unit: RMB

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: Amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Trial production workshop project technology	2,289.63	14,349,461.80	0.00	0.00	0.00	14,349,461.80	62.67%	Uncompleted	0.00	0.00	0.00%	Other

center												
Expansion capacity of multi-cylinder (The 2nd Period)	7,019.00	11,371,098.24	4,433.50		0.00	11,375,531.74	91.94%	Uncompleted	0.00	0.00	0.00%	Other
Diesel Engine Cylinder Body Flexible Manufacturing Line	11,604.00	19,061,813.95	4,423,701.75	0.00	0.00	23,485,515.70	43.40%	Uncompleted	0.00	0.00	0.00%	Other
35KV Substation		1,321,959.41	80,689.66	0.00	0.00	1,402,649.07		Uncompleted	0.00	0.00	0.00%	Other
Total	20,912.63	46,104,333.40	4,508,824.91	0.00	0.00	50,613,158.31	--	--	0.00	0.00	0.00%	--

13. Intangible Assets

(1) List of Intangible Assets

Unit: RMB

Item	Land use right	Software	License fee	Total
I. Original carrying value				

1. Beginning balance	144,770,507.85	11,517,579.94	5,488,000.00	161,776,087.79
2. Increased amount of the period				
(1) Purchase				
(2) Internal R&D				
(3) Business combination increase				
3. Decreased amount of the period				
(1) Disposal				
4. Ending balance	144,770,507.85	11,517,579.94	5,488,000.00	161,776,087.79
II. Accumulated amortization				
1. Beginning balance	48,128,022.51	9,549,052.64	1,006,133.26	58,683,208.41
2. Increased amount of the period	1,486,425.13	906,524.78	274,399.98	2,667,349.89
(1) Withdrawal	1,486,425.13	906,524.78	274,399.98	2,667,349.89
3. Decreased amount of the period				
(1) Disposal				
4. Ending balance	59,614,447.64	10,455,577.42	1,280,533.24	61,350,558.30
III. Depreciation reserves				
1. Beginning balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
4. Ending balance				
IV. Carrying value				
1. Ending carrying value	95,156,060.21	1,062,002.52	4207466.76	100,425,529.49
2. Beginning carrying value	96,642,485.34	1,968,527.30	4,481,866.74	103,092,879.38

14. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	6,401,000.68	979,822.71	6,401,000.68	979,822.71

Total	6,401,000.68	979,822.71	6,401,000.68	979,822.71

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Assets evaluation appreciation for business combination not under the same control	4,867,828.96	1,216,957.24	5,247,821.44	1,311,955.36
Changes in fair value of other equity instrument investment	413,807,500.00	62,071,125.00	311,065,500.00	46,659,825.00
Total	418,675,328.96	63,288,082.24	316,313,321.44	47,971,780.36

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductable temporary difference	320,481,664.50	320,481,664.50
Total	320,481,664.50	320,481,664.50

15. Other Non-current Assets

Whether the Company has executed the new income standards

√Yes □ No

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Entrusted loans	0.00	0.00	0.00	4,000,000.00	4,000,000.00	0.00
Total	0.00	0.00	0.00	4,000,000.00	4,000,000.00	0.00

16. Short-term Borrowings

(1) Category of Short-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage loans	7,000,000.00	7,000,000.00
Guaranteed loans	10,000,000.00	10,000,000.00
Credit loans	5,000,000.00	10,000,000.00
Total	22,000,000.00	27,000,000.00

17. Notes Payable

Unit: RMB

Category	Ending balance	Beginning balance
Bank's acceptance bill	498,805,800.00	438,375,400.00
Total	498,805,800.00	438,375,400.00

18. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Loans	534,631,506.05	591,754,875.77
Total	534,631,506.05	591,754,875.77

19. Advances from Customers

Whether the Company has executed the new income standards

√ Yes □ No

(1) List of Advances from Customers

Unit: RMB

Item	Ending balance	Beginning balance
Loans	58,809,277.68	34,500,232.97
Total	58,809,277.68	34,500,232.97

20. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	50,500,592.99	130,770,536.38	150,036,105.05	31,235,024.32
II. Post-employment benefit-defined contribution plans		16,142,912.97	16,142,912.97	
Total	50,500,592.99	146,913,449.35	166,179,018.02	31,235,024.32

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	41,939,857.83	110,265,454.00	129,160,534.40	23,044,777.43
2.Employee welfare	89,592.74	1,568,150.28	1,467,821.58	189,921.44
3. Social insurance		7,901,233.35	7,901,233.35	
Of which: Medical insurance premiums		6,550,754.26	6,550,754.26	
Work-related injury insurance		653,467.90	653,467.90	
Maternity insurance		697,011.19	697,011.19	
4. Housing fund		8,704,590.00	8,704,590.00	
5.Labor union budget and employee education budget	8,471,142.42	2,331,108.75	2,801,925.72	8,000,325.45
Total	50,500,592.99	130,770,536.38	150,036,105.05	31,235,024.32

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits		15,706,350.31	15,706,350.31	
2. Unemployment insurance		436,562.66	436,562.66	
Total		16,142,912.97	16,142,912.97	

21. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	1,063,147.40	876,055.81
Corporate income tax	1,789,869.44	3,665,483.92
Personal income tax	18,174.27	140,662.05
Urban maintenance and construction tax	20,540.15	993,210.56
Property tax	30,187.88	94,256.40
Land use tax	21,000.00	100,135.19
Stamp duty	6,673.85	4,594.61
Education Surcharge	14,671.54	116,355.46
Comprehensive fees	0.00	1,075,134.76
Environmental protection tax	292.59	197.13
Total	2,964,557.12	7,066,085.89

22. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable	0.00	
Dividends payable	3,891,433.83	3,891,433.83
Other payables	188,181,372.94	195,520,817.07
Total	192,072,806.77	199,412,250.90

(1) Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Ordinary share dividends	3,243,179.97	3,243,179.97
Dividends for non-controlling shareholders	648,253.86	648,253.86
Total	3,891,433.83	3,891,433.83

Other explanations, including important dividends payable that have not been paid for more than one year, shall disclose the reason for the non-payment: shareholders have not received dividends for more than one year.

(2) Other Payables

1) Other Payables Listed by Nature of Account

Unit: RMB

Item	Ending balance	Beginning balance
Margin & cash pledged	4,067,802.52	3,369,213.08
Intercourse funds among units	15,026,254.32	10,977,924.77
Intercourse funds among individuals	452,065.24	375,201.04
Sales discount and three guarantees	150,267,114.56	144,278,468.99
Other	18,368,136.30	36,520,009.19
Total	188,181,372.94	195,520,817.07

23. Current Portion of Non-current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Current portion of long-term borrowings	18,500,000.00	18,500,000.00
Total	18,500,000.00	18,500,000.00

24. Other Current Liabilities

Whether the Company has executed the new income standards

√ Yes □ No

Unit: RMB

Item	Ending balance	Beginning balance
Electric charge	2,664,523.79	2,082,985.18
Total	2,664,523.79	2,082,985.18

25. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government subsidies	59,928,484.84	0.00	0.00	59,928,484.84	

Total	59,928,484.84			59,928,484.84	--

Item involving government subsidies:

Unit: RMB

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Amount offset cost in the Reporting Period	Other changes	Ending balance	Related to assets/related to income
Electric control of diesel engine research and development and industrialization allocations	646,800.00						646,800.00	Related to assets
National major project special allocations	28,770,000.00						28,770,000.00	Related to assets
Remove compensation	20,511,684.84						20,511,684.84	Related to assets
Research and	10,000,000.00						10,000,000.00	Related to assets

development and industrialization allocations of national III/IV standard high-powered efficient diesel engine for agricultural use								

26. Share Capital

Unit: RMB

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

27. Capital Reserves

Unit: RMB

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

28. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period						Ending balance
		Income before taxation in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Recorded in other comprehensive income in prior period and transferred in retained earnings in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
I. Other comprehensive income that will not be reclassified to profit or loss	264,405,675.00	102,742,000.00	0.00	0.00	15,411,300.00	87,330,700.00		351,736,375.00
Changes in fair value of other equity instrument investment	264,405,675.00	102,742,000.00	0.00	0.00	15,411,300.00	87,330,700.00		351,736,375.00
Total of other comprehensive income	264,405,675.00	102,742,000.00			15,411,300.00	87,330,700.00	0.00	351,736,375.00

29. Specific Reserve

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Safety production cost	15,182,958.83			15,182,958.83
Total	15,182,958.83			15,182,958.83

30. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	306,976,192.25			306,976,192.25
Discretional surplus reserves	13,156,857.90			13,156,857.90
Total	320,133,050.15			320,133,050.15

31. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	717,883,351.33	679,131,047.06
Beginning balance of retained earnings after adjustments	717,883,351.33	679,131,047.06
Add: Net profit attributable to owners of the Company as the parent	19,058,025.07	18,638,557.66
Less: Withdrawal of statutory surplus reserves		
Dividend of ordinary shares payable	14,034,358.15	16,841,229.78
Ending retained earnings	722,907,018.25	680,928,374.94

32. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,099,044,681.77	958,911,511.17	1,170,216,312.13	1,021,184,769.09
Other operations	16,785,163.82	11,527,336.19	16,544,580.13	13,170,139.90
Total	1,115,829,845.59	970,438,847.36	1,186,760,892.26	1,034,354,908.99

Whether the Company has executed the new income standards

√ Yes □ No

33. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and	574,471.12	845,650.36

construction tax		
Education Surcharge	266,336.51	642,651.03
Property tax	1,986,524.35	2,069,927.39
Land use tax	1,713,504.95	1,586,101.00
Stamp duty	456,518.80	513,699.80
Other		81,443.68
Total	4,997,355.73	5,739,473.26

34. Selling Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Office expenses	2,915,326.32	3,386,449.10
Employee's remuneration	12,563,212.25	13,325,262.47
Sales promotional expense	3,165,350.00	4,262,413.37
Three guarantees	31,616,012.47	23,686,879.68
Transport charge	1,767,281.30	2,858,745.16
Other	6,231,216.64	4,708,326.08
Total	58,258,398.98	52,228,075.86

35. Administrative Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Office expenses	6,785,232.65	5,654,457.09
Employee's remuneration	11,852,036.58	12,037,442.78
Depreciation and amortization	7,665,203.65	5,697,101.23
Transport fees	1,205,423.26	1,056,769.14
Repair charge	992,564.62	1,032,605.25
Safety expenses	1,005,623.68	414,850.19
Other	4,596,610.42	2,474,389.63
Total	34,102,694.86	28,367,615.31

36. R&D Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Direct input expense	19,912,601.44	21,463,512.92
Employee’s remuneration	8,459,434.34	10,053,265.32
Depreciation and amortization	1,367,141.44	1,406,084.20
Entrusted R&D charges	0.00	700,000.00
Other	325,106.24	444,009.71
Total	30,064,283.46	34,066,872.15

37. Finance Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expense	1,567,625.50	1,805,097.10
Less: Interest income	1,642,256.03	891,663.17
Net foreign exchange gains or losses	-1,047,246.55	-1,336,510.72
Other	-658,934.54	290,739.67
Total	-1,780,811.62	-132,337.12

38. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Government subsidies	129,300.00	129,600.00

39. Investment Income

Unit: RMB

Item	Reporting Period	Same Period of last year
Investment income received from holding of available-for-sale financial assets		21,000.00
Investment income received from disposal of securities companies’ financial products	179,073.85	355,091.68
Total	179,073.85	376,091.68

40. Credit Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year

Bad debt loss of other receivables	-9,260,420.00	
Entrusted loan impairment loss	4,000,000.00	
Total	-5,260,420.00	

41. Asset Impairment Loss

Whether the Company has executed the new income standards

√ Yes □ No

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss		-9,843,236.55
II. Loss on inventory valuation and contract performance cost	-26,096.43	-114,220.19
Total	-26,096.43	-9,957,456.74

42. Proceeds from Assets Disposal

Unit: RMB

Sources	Reporting Period	Same period of last year
Fixed asset disposal income	988,535.95	0.00

43. Non-operating Income

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Income generated from disposal of current assets	324,516.28	913,253.12	324,516.28
Gains from disposal of non-current assets		220,802.18	
Income from penalty		6,021.73	
Other	242,415.10	963,006.00	242,415.10
Total	566,931.38	2,103,083.03	566,931.38

44. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring

			profit or loss
Loss on disposal of non-current assets	215,077.98	759,756.94	215,077.98
Loss on disposal of current assets		585,214.30	
Other	2,760.00	182,194.97	2,760.00
Total	217,837.98	1,527,166.21	217,837.98

45. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	-2,998,475.83	4,352,526.65
Total	-2,998,475.83	4,352,526.65

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

Unit: RMB

Item	Reporting Period
Profit before taxation	16,108,563.59
Current income tax expense accounted at statutory/applicable tax rate	2,416,284.53
Influence of applying different tax rates by subsidiaries	1,285,450.52
Influence of income tax before adjustment	-6,700,210.88
Income tax expense	-2,998,475.83

46. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Subsidy and appropriation	129,300.00	129,600.00
Other intercourses in cash	6,528,903.17	5,101,317.80
Interest income	1,642,256.03	891,663.17
Total	8,300,459.20	6,122,580.97

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Selling expense paid in cash	22,265,032.54	21,006,830.47
Administrative expense paid in cash	15,584,623.25	14,557,302.97
Handling charge	275,426.54	282,442.51
Other	358,282.38	611,755.52
Total	38,483,364.71	36,458,331.47

Notes:

47. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	19,107,039.42	18,907,908.92
Add: Provision for impairment of assets	5,286,516.43	9,957,456.74
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	45,064,505.29	45,126,800.50
Depreciation of right-to-use assets	0.00	0.00
Amortization of intangible assets	2,667,349.89	3,009,252.65
Amortization of long-term deferred expenses	0.00	0.00
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains by “-”)	-988,535.95	521,857.30
Losses on the scrapping of fixed assets (gains by “-”)	0.00	0.00
Losses on the changes in fair value (gains by “-”)	0.00	0.00
Financial expenses (gains by “-”)	-1,780,811.62	668,251.41
Investment losses (gains by “-”)	0.00	-376,091.68
Decrease in deferred income tax assets (increase by “-”)	0.00	0.00
Increase in deferred income tax liabilities (decrease by “-”)	0.00	0.00
Decrease in inventory (increase by “-”)	77,794,149.72	84,613,078.27
Decrease in accounts receivable from operating activities (increase by “-”)	-400,095,623.42	-250,092,116.94
Increase in payables from operating activities (decrease by “-”)	80,746,953.05	84,973,677.86
Other	-2,976,019.99	-2,918,928.18

Net cash flows generated from operating activities	-154,227,704.77	-5,608,853.15
2. Investing and financing activities that do not involving cash receipts and payment:	--	--
Debt transferred as capital		0.00
Convertible corporate bond due within one year		0.00
Fixed assets from financing lease		0.00
3. Net increase in cash and cash equivalents	--	--
Ending balance of cash	493,620,269.20	282,312,926.17
Less: Beginning balance of cash	687,439,682.49	325,263,654.43
Less: Beginning balance of cash equivalents		0.00
Net increase in cash and cash equivalents	-193,459,370.39	-42,950,728.26

(2) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	476,941,653.95	687,439,682.49
Including: Cash on hand	401,268.09	441,363.70
Bank deposit on demand	470,286,840.55	684,620,907.41
Other monetary capital on demand	2,001,365.45	2,017,368.48

48. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary capital	134,862,508.92	As cash deposit for bank acceptance bill
Houses and buildings	2,936,446.13	Mortgaged for borrowings from banks
Land use right	995,328.00	Mortgaged for borrowings from banks
Machinery equipment	48,181,935.62	Mortgaged for borrowings from banks
Total	186,976,218.67	--

49. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB

Monetary capital	--	--	
Of which: USD	5,085,852.32	6.8740	34,960,148.85
HKD	275,388.80	0.8797	242,259.52
SGD	54,427.95	5.0805	276,521.20
Accounts receivable	--	--	
Of which: USD	9,846,283.21	6.8740	67,683,350.78
EUR			
HKD			

50. Government Subsidy

(1) Basic Information on Government Subsidy

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Tractor project of Luoyang hilly land	66,000.00	Other income	66,000.00
Specific fund for municipal-level foreign trade development	63,300.00	Other income	63,300.00

VIII. Changes of Consolidation Scope

1. Changes in Combination Scope for Other Reasons

Note to changes in combination scope for other reasons (such as newly establishment or liquidation of subsidiaries, etc.) and relevant information:

The information of newly establishment of subsidiaries

On 25 February 2019, the interim board meeting held by Changchai Company, Limited (hereinafter referred as "the Company"), examined and approved the proposal of establishing wholly-owned subsidiary to implement the production project of light duty engine and casting, agreed the Company to set up a wholly-owned subsidiary in RMB300 million to implement the production project. The subsidiary completed the registration procedures and gained the business license issued by Administrative Approval Bureau of Changzhou National High-tech Industry Development Zone (Xinbei District) with the corporate name of Jiangsu Changchai Machinery Co., Ltd. and the registered capital RMB300 million. For the detailed information, see the Announcement of Foreign Investment and Establishing the Wholly-owned Subsidiary (Announcement No. 2019-004) and Announcement of Procedures of Foreign Investment and Establishing the Wholly-owned Subsidiary (Announcement No. 2019-005) in Security Times, Ta Kung Pao and the cninfo website on February 26, 2019 and March 7, 2019.

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

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

Notes to holding proportion in subsidiary different from voting proportion:

Basis of holding half or less voting rights but still controlling the investee and holding more than half of the voting rights but not controlling the investee:

Significant structural entities and controlling basis in the scope of combination:

Basis of determining whether the Company is the agent or the principal:

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
Changchai Wanzhou Diesel Engine Co., Ltd.	40.00%			
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	5.00%			

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

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Changchai Wanzhou Diesel Engine Co., Ltd.	112,303,839.91	27,016,071.00	139,319,910.91	22,588,500.69	0.00	22,588,500.69	110,589,006.95	27,493,776.10	138,082,783.05	19,608,386.99	2,000,000.00	21,608,386.99
Changzhou Changchai Housheng Agricultural	33,803,254.87	567,302.35	34,370,557.22	33,567,100.58	0.00	33,567,100.58	35,776,302.79	625,680.72	36,401,983.51	35,028,512.30	0.00	35,028,512.30

Equipment Co., Ltd.												

Unit: RMB

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Changchai Wanzhou Diesel Engine Co., Ltd.	23,600,857.49	257,014.16	257,014.16	-862,600.33	27,534,782.67	603,341.04	603,341.04	-817,231.49
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	6,815,423.91	-570,014.57	-570,014.57	-1,101,489.23	11,788,194.43	560,296.88	560,296.88	-6,844,681.85

(4) Financial Support or Other Supports Provided to Structural Entities Incorporated into the Scope of Consolidated Financial Statements

The Company provided Changzhou Changchai Housheng Agricultural Equipment Co., Ltd. bank loan guarantee with RMB20 million at the end of the period.

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

Notes to the structured entity excluded in the scope of consolidated financial statements:

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

X. The Risk Related to Financial Instruments

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

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

(I) Credit Risk

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

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

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

(II) Liquidity Risk

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

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

(III) Market Risk

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

1. Interest Rate Risk

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

2. Foreign Exchange Risk

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

XI. The Disclosure of Fair Value

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

Unit: RMB

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(III) Other equity instrument investment	473,682,000.00			473,682,000.00
Total assets consistently measured by fair value	473,682,000.00			473,682,000.00
II. Inconsistent fair value measurement	--	--	--	--

XII. Related Party and Related-party Transactions

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

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company	Proportion of voting rights owned by the Company as the parent against the Company
Changzhou Investment Group Co., Ltd.	No. 23, 25, 27, 29 Yanling West Road	Investment service	RMB1.2 billion	30.43%	30.43%

Notes: Information on the Company as the parent

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

2. Subsidiaries of the Company

Refer to Note IX Equity in Other Entities for details.

3. Information on the Joint Ventures and Associated Enterprises of the Company

Refer to Note IX Equity in Other Entities for details of significant joint ventures or associated enterprises of the Company.

4. Information on Other Related Parties

Name	Relationship with the Company
Synergetic Innovation Fund Management Co., Ltd.	The director of the Company serves as the senior management of the company

5. Related-party Transactions

No.

6. Other

No.

XIII. Commitments and Contingency

1. Significant Commitments

Significant commitments on balance sheet date

As of 30 June 2019, there was no significant commitment for the Company to disclose.

2. Contingency

(1) Significant Contingency on Balance Sheet Date

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

Notes:

About the lawsuit case of Shandong Hongli Group Co., Ltd., the accused company owed accumulatively RMB 14.36 million to the Company. The Company sued to Changzhou Intermediate People’s Court in 2001 and sued for compulsory execution in April 2002. Currently, the defendant has started the bankruptcy procedure. The aforesaid payment has arranged for the full provision for bad debts.

(2) In Despite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements

There was no significant contingency in the Company.

XIV. Events after Balance Sheet Date

1. Significant Non-adjusted Events

Unit: RMB

Item	Content	Influence number to the financial position and operating results	Reason of inability to estimate influence number
Significant foreign investment	The Company accepted the transfer of capital contribution right with RMB50 million of Jiangsu Housheng New Energy Technology Co., Ltd. from Changzhou Synergetic Innovation Private Equity Fund (Limited Partnership) in July 2019, and has subscribed the capital contribution.		Under the pilot production stage, it is uncertain for the future operation condition

XV. Other Significant Events

1. Segment Information

(1) Basis for Determination of Segments and Governing Accounting Policies

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

(2) Other Significant Transactions and Events with Influence on Investors' Decision-making

There are no significant transactions and events with influence on investors' decision-making at the period-end.

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

1. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable for which bad debt provision separately accrued	31,068,167.94	3.46%	30,180,731.52	97.14%	887,436.42	35,823,767.01	6.85%	32,806,077.14	91.58%	3,017,689.87
Of which:										
Accounts receivable with significant single amount for which bad debt provision separately accrued	28,205,070.58	3.14%	27,317,634.16	96.85%	887,436.42	32,008,110.06	6.12%	28,990,420.19	90.57%	3,017,689.87
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,863,097.36	0.32%	2,863,097.36	100.00%	0.00	3,815,656.95	0.73%	3,815,656.95	100.00%	
Accounts receivable withdrawal of bad debt provision of by	866,444,672.05	96.54%	201,992,552.68	23.31%	664,452,119.37	487,566,507.88	93.15%	190,226,913.94	39.02%	297,339,593.94

group										
Of which:										
Total	897,512,839.99	100.00%	232,173,284.20	25.87%	665,339,555.79	523,390,274.89	100.00%	223,032,991.08	42.61%	300,357,283.81

Accounts receivable for which bad debt provision separately accrued:

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdrawal
Customer 1	1,902,326.58	1,902,326.58	100.00%	Difficult to recover
Customer 2	1,161,700.00	580,850.00	50.00%	Expected to difficultly recover
Customer 3	6,215,662.64	6,215,662.64	100.00%	Difficult to recover
Customer 4	2,484,497.34	2,177,910.92	87.66%	Expected to difficultly recover
Customer 5	3,279,100.00	3,279,100.00	100.00%	Expected to difficultly recover
Customer 6	2,068,377.01	2,068,377.01	100.00%	Expected to difficultly recover
Customer 7	5,359,381.00	5,359,381.00	100.00%	Difficult to recover
Customer 8	2,584,805.83	2,584,805.83	100.00%	Difficult to recover
Customer 9	1,679,109.54	1,679,109.54	100.00%	Difficult to recover
Customer 10	1,470,110.64	1,470,110.64	100.00%	Expected to difficultly recover
Other	2,863,097.36	2,863,097.36	100.00%	Expected to difficultly recover
Total	31,068,167.94	30,180,731.52	--	--

Accounts receivable withdrawal of bad debt provision of by group:

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Within 1 year (including 1 year)	653,939,222.84	13,078,784.46	2.00%
		0.00	
1 to 2 years	19,477,754.24	973,887.71	5.00%
2 to 3 years	5,005,462.35	750,819.35	15.00%

3 to 4 years	875,236.20	262,570.86	30.00%
4 to 5 years	551,265.32	330,759.19	60.00%
Over 5 years	186,595,731.10	186,595,731.10	100.00%
Total	866,444,672.05	201,992,552.68	--

Notes to the basis for the determination of the groups:

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

□ Applicable √ Not applicable

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

Information of withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	
Bad debt provision	223,032,991.08	9,140,293.12			232,173,284.20
Total	223,032,991.08	9,140,293.12			232,173,284.20

(3) Top 5 Accounts Receivable in Ending Balance Collected according to the Arrears Party

The total top 5 accounts receivable in ending balance collected according to the arrears party was RMB506,859,995.98, accounting for 56.47% of the total ending balance of accounts receivable. The corresponding ending balance of bad debt provision withdrawn was RMB10,137,199.92.

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	23,668,652.76	21,681,331.85
Total	23,668,652.76	21,681,331.85

(1) Other Receivables

1) Other Receivables Classified by Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Cash deposit and margin	4,200.00	4,200.00

Intercourse funds among units	36,584,562.50	36,267,607.16
Petty cash and borrowings by employees	625,874.64	596,876.87
Other	17,125,861.51	15,364,366.83
Total	54,340,498.65	52,233,050.86

2) Withdrawal of Bad Debt Provision

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

□ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	27,175,672.59
1 to 2 years	1,795,421.38
2 to 3 years	269,006.89
3 to 4 years	96,930.77
4 to 5 years	60,094.33
Over 5 years	24,943,372.69
Total	54,340,498.65

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

Information of withdrawal of bad debt provision

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period		Ending balance
		Withdrawal	Reversal or recovery	
Bad debt provision	30,551,719.01	120,126.88		30,671,845.89
Total	30,551,719.01	120,126.88		30,671,845.89

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

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables%	Ending balance of bad debt provision
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	Intercourse funds	10,000,000.00	Within 1 year	18.40%	200,000.00

Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	Intercourse funds	8,360,314.98	Within 1 year	15.38%	167,206.30
Changzhou Compressors Factory	Intercourse funds	2,940,000.00	Over 5 years	5.41%	2,940,000.00
Changchai Group Imp. & Exp. Co., Ltd.	Intercourse funds	2,853,188.02	Over 5 years	5.25%	2,853,188.02
Changzhou New District Accounting Centre	Intercourse funds	1,626,483.25	Over 5 years	3.00%	1,626,483.25
Total	--	25,779,986.25	--	47.44%	7,786,877.57

3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	251,752,730.03		251,752,730.03	241,752,730.03		241,752,730.03
Investment to joint ventures and associated enterprises	44,182.50	44,182.50	0.00	44,182.50	44,182.50	44,182.50
Total	251,796,912.53	44,182.50	251,752,730.03	241,796,912.53	44,182.50	241,752,730.03

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease				Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Withdrawal of depreciatio	Other		

				n reserve			
Changchai Wanzhou Diesel Engine Co., Ltd.	51,000,000.00	0.00	0.00	0.00	0.00	51,000,000.00	0.00
Changzhou Changchai Benniu Diesel Engine Fittings Co., Ltd.	96,466,500.00	0.00	0.00	0.00	0.00	96,466,500.00	0.00
Changzhou Housheng Investment Co., Ltd.	40,000,000.00	0.00	0.00	0.00	0.00	40,000,000.00	0.00
Changzhou Changchai Housheng Agricultural Equipment Co., Ltd.	7,000,000.00	0.00	0.00	0.00	0.00	7,000,000.00	0.00
Changzhou Fuji Changchai Robin Gasoline Engine Co., Ltd.	47,286,230.03	0.00	0.00	0.00	0.00	47,286,230.03	0.00
Jiangsu Changchai Machinery Co., Ltd.	0.00	10,000,000.00	0.00	0.00	0.00	10,000,000.00	0.00
Total	241,752,730.03	10,000,000.00				251,752,730.03	

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Invest	Begin	Increase/decrease	Endin	Endin

ee	ning balance (carrying value)	Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other	g balance (carrying value)	g balance of depreciation reserve
I. Joint ventures											
II. Associated enterprises											
Beijing Tsinghua Xingye Industrial Investment Management Co., Ltd.	44,182.50									44,182.50	44,182.50
Subtotal	44,182.50									44,182.50	44,182.50
Total	44,182.50									44,182.50	44,182.50

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,016,544,011.76	895,758,979.30	1,105,442,892.03	978,595,283.86
Other operations	16,785,163.82	11,527,336.19	15,892,231.12	12,482,560.63
Total	1,033,329,175.58	907,286,315.49	1,121,335,123.15	991,077,844.49

Whether the Company has executed the new income standards

√ Yes □ No

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Investment income from holding of held-to-maturity investment	0.00	21,000.00
Total	0.00	21,000.00

XVII. Supplementary Materials

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

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses on the disposal of non-current assets	988,535.95	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	129,300.00	
Gain/loss from change of fair value of trading assets and liabilities, and derivative financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities, derivative financial assets and liabilities, and other creditors' investment, other than valid hedging related to the Company's common businesses	179,073.85	
Reversed portions of impairment allowances for loan by mandate which are tested individually for impairment	4,000,000.00	
Other non-operating income and expenses other than the above	349,093.41	
Less: Income tax effects	822,508.89	

Non-controlling interests effects	-7,375.16	
Total	4,830,869.48	--

Notes: The non-recurring items shall be presented by the amount before tax.

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

☑ Applicable √ Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	0.97%	0.0339	0.0339
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	0.73%	0.0253	0.0253

3. Differences between Accounting Data under Domestic and Overseas Accounting Standards

(1) Differences of Net Profit and Net Assets Disclosed in Financial Reports Prepared under International and Chinese Accounting Standards

□ Applicable √ Not applicable

(2) Differences of Net Profit and Net Assets Disclosed in Financial Reports Prepared under Overseas and Chinese Accounting Standards

□ Applicable √ Not applicable

Part XI Documents Available for Reference

(I) The financial statements signed and sealed by the Company's legal representative, General Manager and head of the financial department (accountant in charge).

(II) The originals of all the Company's documents and announcements which were disclosed on the website designated by the CSRC during the Reporting Period.

(III) The Interim Report disclosed in other securities markets.

The above-mentioned documents available for reference are all kept in the Secretariat of the Board of Directors of the Company and the Shenzhen Stock Exchange.

This Interim Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

The Board of Directors

Changchai Company, Limited

29 August 2019