

**ZHEJIANG WANFENG AUTO WHEEL CO., LTD**



**万丰奥威 002085**

**WANFENG AUTO WHEEL**

# **2020 Annual Report**

**April 2021**

## **Section I: Important Notes, Contents and Definitions**

The Board of Directors, Board of Supervisors, Directors, Supervisors and Senior Management of Zhejiang Wanfeng Auto Wheel Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this report shall be authentic, accurate, complete, and free from material misstatement whether due to false record, misleading statement or significant omission, and they will bear both individual and joint legal liabilities.

Chen Bin, the Company's legal representative, Dong Ruiping, the person in charge of accounting work, and Chen Shanfu, the person in charge of the accounting department (accounting officer), hereby declare that the financial statements in the annual report are true, accurate and complete.

All directors attended the board meeting to review this report.

The information pertaining to future plans and performance forecasts in this report is uncertain and does not constitute a substantial commitment to investors. The Company are exposed to risks of macroeconomic and industry conditions, fluctuations in the RMB exchange rate, raw material prices, rising labor costs, trade barriers, and the impact of COVID 19. Investors are advised to pay attention to investment risks.

Pre-arranged profit distribution plan approved by the Board of Directors: distribute 1.0 Yuan cash dividends per 10 common stocks (tax inclusive) and 0 stock dividend to all shareholders, on the basis of 2,072,107,520 shares (total issued shares of 2,186,879,678 minus repurchased shares of 114,772,158).

If there is no specific explanation or otherwise stated in tables, the currency in this report is RMB or yuan used interchangeably.

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

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## Definitions

Items	Refers to	Definition
Company, the Company, Wanfeng Auto Wheel, We	Refers to	Zhejiang Wanfeng Auto Wheel Co., Ltd
Group, the Group	Refers to	The Company and its subsidiaries
Wanfeng Group	Refers to	Wanfeng Auto Holding Group Co., Ltd.
Wanfeng Motorcycle Wheel	Refers to	Zhejiang Wanfeng Motorcycle Wheel Co., Ltd.
Ningbo Aoweier	Refers to	Ningbo Aoweier Wheel Co., Ltd.
Guangdong Motorcycle Wheel	Refers to	Guangdong Motor Wheel Co., Ltd.
Weihai Magnesium	Refers to	Weihai Wanfeng Magnesium Technology Development Co., Ltd.
Weihai Wanfeng	Refers to	Weihai Wanfeng Auto Wheel Co., Ltd.
Jilin Wanfeng	Refers to	Jilin Wanfeng Auto Wheel Co., Ltd.
India Wanfeng	Refers to	Wanfeng Aluminum Wheel (India) Pty. Co., Ltd
Chongqing Wanfeng	Refers to	Chongqing Wanfeng Auto Wheel Co., Ltd
Shanghai Dacromet	Refers to	Shanghai Dacromet Coating Industry Co., Ltd
Ningbo Dacromet	Refers to	Ningbo Economic and Technological Development Zone Dacromet Coating Industry Co., Ltd
Shangda Tu Fu	Refers to	Zhejiang Wanfeng Shangda Coating Technology Co., Ltd.
Wanfeng Meridian	Refers to	Wanfeng MLTH Holdings Co., Ltd
Meridian New Material	Refers to	Wanfeng Meridian New Material Technology Co., Ltd.
Weiwan Lianchuang	Refers to	Shandong Weiwan Ke Chuanglian Engineering Technology Co., Ltd.
Shanghai Fengtu	Refers to	Shanghai Fengtu Automobile Technology Co., Ltd.
Wuxi Xiongwei	Refers to	Wuxi Xiongwei Precision Technology Co., Ltd.

Wuxi Geoff	<b>Refers to</b>	Wuxi Geoff Machinery Technology Co., Ltd.
Yancheng Xiongwei	<b>Refers to</b>	Yancheng Xiongwei Auto Parts Co., Ltd.
Yizheng Xiongwei	<b>Refers to</b>	Yizheng Xiongwei Machinery Technology Co., Ltd.
Changchun Xiongwei	<b>Refers to</b>	Changchun Xiongwei Auto Parts Co., Ltd.
Shanghai Meridian	<b>Refers to</b>	Shanghai Meridian Magnesium Products Company Limited
Suzhou Yucuiyuan	<b>Refers to</b>	Suzhou Yucuiyuan Trading Enterprise (General Partnership)
Aviation Industry or Wanfeng Aviation	<b>Refers to</b>	Wanfeng Aviation Industry Co., Ltd.
Aircraft Industry or Wanfeng Aircraft	<b>Refers to</b>	Wanfeng Aircraft Industry Co., Ltd.
Wanfeng Jinyuan	<b>Refers to</b>	Wanfeng Jinyuan Holdings Group Co., Ltd.
Articles of Association	<b>Refers to</b>	Articles of Association of Zhejiang Wanfeng Auto Wheel Co., Ltd.
General Meeting	<b>Refers to</b>	the General Meeting of shareholders of Zhejiang Wanfeng Auto Wheel Co., Ltd.
The Board of Directors	<b>Refers to</b>	The Board of Directors of Zhejiang Wanfeng Auto Wheel Co., Ltd.
The Board of Supervisors	<b>Refers to</b>	the Board of Supervisors of Zhejiang Wanfeng Auto Wheel Co., Ltd.
The CSRC	<b>Refers to</b>	the China Securities Regulatory Commission
SZSE	<b>Refers to</b>	the Shenzhen Stock Exchange
Yuan	<b>Refers to</b>	RMB
Company Law	<b>Refers to</b>	Company Law of the People's Republic of China
Securities Law	<b>Refers to</b>	Securities Law of the People's Republic of China

## Section II: Corporate Profile and Key Financial Indicators

### I. Corporate Information

Stock Abbreviation	Wanfeng Auto Wheel	Ticker	002085
Listed Security Exchange	Shenzhen Stock Exchange		
Company Name in Chinese	浙江万丰奥威汽轮股份有限公司		
Abbr. Company Name in Chinese	万丰奥威		
Company Name in English	Zhejiang Wanfeng Auto Wheel Co., Ltd		
Legal Representative	Chen Bin		
Registered Address	Xinchang County Industrial Park, Zhejiang, China		
Registered Address Post code	312500		
Office Address	Xinchang County Industrial Park, Zhejiang, China		
Office Address Post code	312500		
Official website	<a href="http://www.wfaw.com.cn">http://www.wfaw.com.cn</a>		
E-mail	wfirm@wfjt.com		

### II. Contact Information

	Board Secretary	Securities Affairs Representative
Name	Zhang Yinfeng	Li Ya
Address	Xinchang County Industrial Park, Zhejiang, China	Xinchang County Industrial Park, Zhejiang, China
Tel.	0575-86298339	0575-86298339
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### III. Information Disclosure and Place of the Report

Information Disclosure Media	<i>Securities Times</i>
Annual Report Publishment Website Designated by China Securities Regulatory Commission	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Company's Annual Report Prepared Place	Office of the Board of Directors, Zhejiang Wanfeng Auto Wheel Co., Ltd., Xinchang County Industrial Park, Zhejiang, China

### IV. Registration Changes

Institution Code	913300007324065674
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<p><b>Changes in the Company's principal business since its listing</b></p>	<p>1. In June 2011, with the approval of the CSRC (CSRC issued the "Approval of the Zhejiang Wanfeng Auto Wheel Co., Ltd. to issue shares and purchase assets from Wanfeng Auto Holding Group Co., Ltd." (CSRC Permit [2011] No. 1005), the Company acquired 75% of Wanfeng Motorcycle Wheels, and thereby added motorcycle wheel to its principal business.</p> <p>2. In November 2013, the Company's General Meeting of Shareholders approved the acquisition of Shanghai Dacromet Coating Industry Co., Ltd. The Company thereby added environmental coating to its principal business.</p> <p>3. In December 2015, with the approval of the CSRC, the Company acquired 100% shares of Wanfeng Meridian for RMB 1.35 billion in cash raised from a private placement. The Company thereby added lightweight magnesium alloy auto parts to its principal business.</p> <p>4. In June 2018, with the approval of the Company's Extraordinary General Meeting of Shareholders, the company acquired 95% shares of Wuxi Xiongwei Precision Technology Co., Ltd. for 1.254 billion yuan in cash, and added the die stamping auto parts to its principal business.</p> <p>5. In April 2020, with the approval of the Company's Extraordinary General Meeting of Shareholders, the Company acquired 55% shares of Wanfeng Aircraft Industry Co., Ltd, and added general aviation aircraft manufacturing to its principal business.</p>
<p><b>Previous changes in controlling shareholders</b></p>	<p>No Change</p>

## V. Other Relevant Information

### Accounting firm hired by the Company

<p><b>Accounting Firm Name</b></p>	<p>Ernst &amp; Young Hua Ming Certified Public Accountants (Special General Partnership)</p>
<p><b>Accounting Firm Address</b></p>	<p>50th Floor, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai</p>
<p><b>Signing Accountant</b></p>	<p>Yin Guowei; Zhou Hao</p>

Sponsor institutions engaged by the Company to perform duties of continuous supervision during the reporting period

Applicable  Not applicable

Financial advisors engaged by the Company to perform duties of continuous supervision during the reporting period

Applicable  Not applicable

## VI. Key Accounting Data and Financial Indicators

Whether the Company performed a retrospective adjustment or restatement of previous accounting data

√ Yes  No

Retrospective adjustment or restatement reason:

Business combination under the same control

Unit: RMB unless otherwise

	2020	2019		YoY %	2018	
		Before	After	After	Before	After
<b>Operating Revenue</b>	10,699,224,904.57	10,787,734,491.15	12,635,131,976.26	-15.32%	11,005,069,692.59	12,558,190,252.99
<b>Net Income Attributable to Shareholders of the Listed Company</b>	565,820,630.75	769,318,977.36	895,769,920.83	-36.83%	958,699,967.31	1,086,024,287.66
<b>Net Income Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses</b>	415,879,097.84	578,267,116.50	578,267,116.45	-28.08%	733,675,219.16	733,675,219.16
<b>Net Cash Flow Generated by Operating Activities</b>	1,735,780,906.42	1,362,402,127.06	1,420,368,879.77	22.21%	1,316,448,423.97	1,548,633,356.11
<b>Basic EPS (RMB/ share)</b>	0.27	0.36	0.41	-34.15%	0.44	0.50
<b>Diluted EPS (RMB/ share)</b>	0.27	0.36	0.41	-34.15%	0.44	0.50
<b>Weighted Average ROE</b>	10.27%	12.58%	9.19%	1.08%	13.93%	14.11%
		<b>2019 Year End</b>		<b>YoY%</b>	<b>2018 Year End</b>	
	<b>2020 Year End</b>	<b>Before</b>	<b>After</b>	<b>After</b>	<b>Before</b>	<b>Before</b>
<b>Total Assets</b>	15,973,225,900.87	13,988,933,546.56	18,487,249,917.89	-13.60%	13,392,895,948.68	17,560,462,236.85
<b>Net assets attributable to shareholders of the Listed Company</b>	5,353,609,030.21	6,150,821,541.43	7,992,455,452.51	-33.02%	6,330,544,402.36	7,963,848,565.52



The Company's net profit before and after deducting non-recurring profit and loss in the last three fiscal years, whichever is lower, is negative and the audit report of the last year shows that the Company's ability to continue as a going concern is uncertain

Yes  No

The lower of the net profit before and after deducting the non-recurring profit and loss is negative

Yes  No

## **VII. Differences in Accounting Data between Domestic and Overseas Accounting Standards**

### **1. Difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards and China Accounting Standards**

Applicable  Not applicable

There is no difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards (IFRS) and China Accounting Standards in the reporting period.

### **2. Difference in the financial report of net profits and net assets according to the disclosure of Overseas Accounting Standards and China Accounting Standards**

Applicable  Not applicable

There is no difference in the financial report of net profits and net assets according to the disclosure of Overseas Accounting Standards and China Accounting Standards in the reporting period.

## **VIII. Key Quarterly Financial Indicators**

Unit: RMB

	Q1	Q2	Q3	Q4
<b>Operating Revenue</b>	2,383,781,671.83	2,038,517,384.94	2,935,425,929.77	3,341,499,918.03
<b>Net Income Attributable to Shareholders of the Listed Company</b>	122,641,051.81	129,902,429.25	157,903,363.82	155,373,785.87

<b>Net Income Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses</b>	77,712,897.01	57,744,665.34	136,961,688.75	143,459,846.74
<b>Net Cash Flow Generated by Operating Activities</b>	346,389,316.54	243,417,393.50	207,968,461.35	938,005,735.03

Indicate by check mark if any material difference between the above financial indicators or their summations and those disclosed in the Company's Quarterly or Interim report.

Yes  No

The Company's operating revenue from January to March 2020 disclosed in *the Full Text of the First Quarter Report of 2020* on April 29, 2020, was 2,000,161,246.07 yuan. On April 16th, 2020, the Company acquired 55% equity of Wanfeng Aircraft Industry Co., Ltd., a company under common control, and retrospectively adjusted the same period financial data in the previous year in accordance with "Accounting Standards for Business Enterprises No. 33-Consolidated Financial Statements" to 2,383,781,671.83 yuan.

#### IX. Items and Amounts of Non-recurring Gains and Losses

Applicable  Not applicable

Unit: RMB

Items	2020FY	2019FY	2018FY
<b>Gains or Losses from Disposal of Non-current Assets (Including the Write-off for the Accrued Impairment of Assets)</b>	501,156.94	-3,277,757.06	-33,114,832.31
<b>The Government Subsidies Included in the Current Gains and Losses (Excluding the Government Subsidies Closely Related to Regular Businesses of the Company and Issued in the Quota or Quantity Based on the National Standards)</b>	104,562,193.16	91,209,395.45	97,537,996.40

<b>Net Profit and Loss for the Current Period from the Beginning of the Period to the Date of the Merger Arising from a Business Combination under the Same Control</b>	74,836,418.19	229,910,806.40	231,498,764.28
<b>Gains or Losses Attributed to the Changes in Fair Value of Held-for-trading financial assets, Derivative Financial Assets, Trading Financial Liabilities, Derivative Financial Liabilities and Investment Income from Disposal of Held-for-trading financial assets, Derivative Financial Assets, Trading Financial Liabilities, Derivative Financial Liabilities and Other Debt Investment, Excluding Hedging Businesses Related to the Regular Business Operation of the Company</b>	2,859,105.21	-1,714,863.22	78,609,340.40
<b>Reversal of provision for impairment of Account Receivables and Contract Assets</b>	4,653,372.07		1,917,307.35
<b>Non-operating Income and Expenditures Other Than the Above</b>	33,063,841.71	161,174,464.09	141,604,258.09
<b>Less: Impact of Income Tax</b>	27,235,065.43	50,675,826.88	56,040,011.85
<b>Impact of Minority Equity (after tax)</b>	43,299,488.94	109,123,414.40	109,663,753.86
<b>Total</b>	149,941,532.91	317,502,804.38	352,349,068.50

The reasons for the non-recurring gains and losses items defined or listed in the *Explanatory Announcement No.1 of Information Disclosure of Listed Companies – Non-recurring Gains and Losses* are defined as recurring gains and losses items

Applicable  Not applicable

In the reporting period, the Company did not define any non-recurring gains and losses items defined and listed in the *Explanatory Announcement No. 1 of Information Disclosure of Listed Companies – Non-recurring Gains and Losses*, as recurring gains and losses items.

### **Section III: Corporate Business Overview**

#### **I. The Principal Business of the Company during the Reporting Period**

The Company is required to comply with the disclosure requirements of the *Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 16- Listed Companies Engaged in Automobile Manufacturing Related Business*.

The Company is an international conglomerate dedicated to advanced manufacturing, with R&D centers and plants in ten countries (regions). Growing over the past two decades, the Company has established a growth strategy propelled by “dual-engine”: lightweight auto parts, and general aviation aircraft featured by the "Diamond" brand. The company has become a leader in the automotive parts sector specialized in lightweight applications of metal materials "magnesium alloys, aluminum alloys, and high-strength steels". It's subsidiary Meridian, a global leading supplier of magnesium alloy parts, has cutting-edge technology of magnesium alloy design, development, and manufacturing. The Company also operates the world-leading aluminum alloy wheels manufacturing business. Besides, Wuxi Xiongwei, another subsidiary, is a leading manufacturer of high-strength steel sheet stamping auto parts in China. In addition, the Company has a domestically leading environmental Dacromet coating business.

The Company's general aviation aircraft business has three manufacturing bases (Austria, Canada, China), three R&D centers (Austria, Canada, Czech Republic), and one provincial engineering center (China). Its subsidiary Diamond Aircraft owns the complete intellectual property (IP) of 4 series, 8 basic types and 16 models of aircraft, as well as multiple engines and flight simulators. Main aircraft models include DA20, DA40, DA42, DA50 and DART series. Diamond ranks the first for the market share of twin-engine piston aircraft, and the third for the market share of piston-engine aircraft. It is the first in the world to adopt the composite material design of general aviation aircraft. Its aircraft is the only in the industry equipped with in-house designed and manufactured engines. The economy of operation and flight range have greater advantages in similar aircraft, and it has the safest flight record among peers.

#### **(1) Lightweight metal auto parts business**

The Company's lightweight metal parts business mainly serves the automobile market. Lightweight has become an inevitable trend during the advancement of the automobile industry and an important means of automobile energy saving and emission reduction. In October 2020, the Ministry of Industry and Information Technology of China released the *Energy-saving and New Energy Vehicle Technology Roadmap 2.0*, further confirming the "low-carbon,

informatization, and intelligent" direction of global automotive technology. It also proposed the development goal for China's automotive industry to reduce total carbon emissions by more than 20% from the peak by 2035, with new energy vehicles gradually becoming mainstream products. Automotive light-weighting is the primary vehicle to meet national emission standards and reduce energy consumption and pollutant emissions. Aluminum and magnesium alloys are currently the most ideal materials for automotive light-weighting. The Company has fully entered the supply chain of core customers and established an addressable market that is based on traditional ICE automobiles, with new energy automobiles as a fulcrum, focusing on both foreign and domestic and coordinating OEMs and aftermarket. The Company gives full play to the advantages of lightweight applications of metal materials "magnesium alloy-aluminum alloy-high strength steel" and is committed to becoming a global promoter and leader of lightweight automotive metal parts.

- **Magnesium Alloy**

Magnesium alloy products are mainly supplied to renowned automakers globally as well as customers operating in aerospace, transportation, and 5G telecommunication sectors. As a global leader in the advanced treatment of lightweight magnesium alloy materials, the Company has strong integration capabilities of value chain and has marketed its products to transportation, 5G and other fields. The Company has 7 production bases in the United States, Canada, the United Kingdom, Mexico, and China (Shandong, Shanghai, and Zhejiang) and 4 R&D centers. Our main products include powertrain parts, front-end carriers, cross car beams, brackets, rear lift door inner panels etc. Our customers are mainly top-notch global brands such as Ford, GM, Porsche, Tesla, Audi, Mercedes Benz, and BMW.

- **Aluminum Alloy Wheels**

Since its establishment, the Company has committed itself to R&D, manufacturing, service of high-end aluminum alloy wheels, serving the world-known OEMs through superior product design, a sound manufacturing management system and after-sales service network. With an annual output capacity of more than 40 million sets of aluminum alloy wheels (including Aluminum Alloy Motorcycle Wheels), it has become a global leader in the respective industry segments. In the "Industry 4.0" era, the Company has built a smart factory, the first among its peers, and has explored an innovative model featured by digital intelligence and care to environment. The Company's has 5 production bases for aluminum alloy wheels in Xinchang and Ningbo of Zhejiang Province, Weihai of Shandong Province, Jilin of Jilin Province, and Chongqing. The Company continues to implement the "26313+N" marketing strategy (US pedigree: GM, Ford; European pedigree: Volkswagen, BMW, Mercedes-Benz, Stellantis (Fiat Chrysler & Peugeot), Land Rover; Japanese pedigree: Toyota, Honda, Nissan; Korean pedigree: Hyundai-Kia; Chinese pedigree Chery, BYD, JAC; + N, new energy vehicle customers), advocate intelligent manufacturing in the wheel industry, and enhance the Company's international influence in product quality, R&D, and design.

In the motorcycle wheel segment, the Company has always been centering on "India, Indonesia, Pakistan, Brazil and China" markets, with "Honda and Yamaha" as the long-term strategic partners, Dachangjiang, Suzuki and HERO as major customers complemented by BMW, Harley-Davidson and Ducati in the premium market.

In recent years, the automotive industry has undergone some challenges. The Company has increased investment in nimble production capacity against those challenges. Under the new cycle of recovery in the automotive industry, the Company's ready-to-use production capacity is expected to drive aluminum alloy wheel business to bottom out. As the chair unit of the National Motorcycle Wheel Committee, we are entering a new era of informatization, scientific and intelligentization for advanced manufacturing. The Company is well positioned to benefit from the high-end trend of the motorcycle industry and the upgrading of product structure, through its global production network and technological advantage.

- **High-strength Steel Die Stamping Parts**

Wuxi Xiongwei's main products are automotive stamping parts and molds, focusing on automotive body systems, which includes seat parts and body accessories, such as seat frames and adjustment structures, seat belt buckles, airbags stamping parts, door hinges, etc. It has 4 production bases in Wuxi Yizheng and Yancheng of Jiangsu Province and Changchun of Jilin Province, with an annual capacity of 350 million parts. With leading R&D, design, and manufacturing capabilities in mold, it has become a core supplier of globally renowned manufacturers such as Faurecia, Brose, Autoliv, Adient, and Johnson Controls. By continuously optimizing the design of products, introducing advanced mold design system, and adopting the world's advanced automated continuous stamping for all products, it has improved product quality and reduced costs. It has been awarded the "Best Supplier" and "Excellent Supplier" from customers such as Yanfeng Adient and Faurecia. It also has synergistic coordination with the Company's magnesium and aluminum alloy business segments, through mold R&D, stamping process linkage, production base collaboration, and customer interaction.

- **Environmentally Friendly Dacromet Coating**

The Company's environmentally friendly Dacromet coating business includes metal bolt manufacturing and processing, mechanical parts coating treatment, coating equipment manufacturing, etc. With production and technical application capabilities of Chromium-free Dacromet coating processing, solution manufacturing and coating equipment production throughout the industrial chain, the Company has 3 production bases in Shanghai, Ningbo and Jiaying of Zhejiang Province and an annual capacity over 70,000 tons, taking a leading position in China and synergizing well with other business segments. The Company has taken the lead in the application of digitalization and Chromium-free coating technology and has the world's advanced chromium-

free coating production line to ensure that the product quality meets the "EU ROHS Directive" standards. The multifunctional composite coating developed by the Company has been awarded the honor of "National Key New Product", "Shanghai Key New Product" and "Quality Trusted Key Brand of China's Environmentally Friendly Product" several times. The Company has established strategic partnerships with globally recognized brands such as Delta, Geomet, and Zintech. Customers widely spread in industries such as automobile, rail transit, wind power, mechanical engineering, and construction. The Company has completed the order delivery of the core components of the Shenzhou spacecraft for many times.

## **(2) General aviation aircraft manufacturing business**

In April 2020, the Company acquired 55% equity of Wanfeng Aircraft Industry which thereby became a Company's controlling subsidiary. Wanfeng Aircraft Industry is a specialized general aviation aircraft manufacturer integrating independent R&D, top-level design, advanced manufacturing, and sales services. Its main revenue sources from aircraft sales, after-sales services, aircraft manufacturing licensing and other revenues. Its subsidiary Diamond Aircraft has the cutting-edge IPs, new material technology and advanced manufacturing, with three design and R&D centers (Austria, Canada, Czech Republic), one provincial engineering center (China) and three manufacturing bases (Austria, Canada, China). Customers include flight academies, airlines, aviation clubs and private pilots, and they are supported by 192 service centers in 90+ countries.

In February 2021, Wanfeng Aircraft Industry introduced Qingdao Wansheng Chengfeng Equity Investment Partnership (Limited Partnership), controlled by Qingdao City Construction Investment Group Co., Ltd, as a strategic investor. Post transaction, the Company retains 55% of the shares of the Aircraft Industry, with Qingdao Wansheng Chengfeng Equity Investment Partnership (limited partnership) holding 35% and Wanfeng Aviation Industry holding 10% of the shares in Aircraft Industry, respectively. The Company will work closely with its partners to accelerate the growth of and tap the trillion-dollar domestic general aviation market and strive to build Wanfeng Aircraft Industry into a global leader of innovative manufacturing. With the promulgation of supportive national policies, such as the *Overall Plan for Building The Low-altitude Flight Service Guarantee System* and the *China Civil Aviation Four Features Airport Construction Action Plan (2020-2035)*, China's general aviation industry has begun to accelerate. The aircraft manufacturing business will become a new growth engine for the Company in near future.

## **II. Significant Changes in Main Assets**

### **1. Significant changes in main assets**

Main assets	Explanation on Major Changes
<b>Equity</b>	At the end of 2020, equity decreased by RMB 12,253,800 compared with the beginning of the year, a decrease of 69.8%, mainly due to the withdrawal of the Aircraft Industry from the original 20% equity of China Electronics Technology Group Wuhu General Aviation Industry Research Institute Co., Ltd.
<b>Fixed assets</b>	At the end of 2020, fixed assets decreased by RMB 241,196,200 compared with the beginning of the year, down 4.72%, mainly due to the depreciation of fixed assets.
<b>Intangible assets</b>	At the end of 2020, intangible assets decreased by RMB 112,746,600 or 6.34% from the beginning of the year, mainly due to the amortization of intangible assets.
<b>Construction in progress</b>	Construction in progress at the end of 2020 decreased by RMB 167,378,700 compared with the beginning of the year, a decrease of 39.26%, which was mainly due to the fact that the assets of the Meridian US plant reached a usable state and transferred to fixed assets.
<b>Cash &amp; cash equivalents</b>	At the end of 2020, cash & cash equivalents decreased by RMB 777,775,100 or 31.71% from the beginning of the year, mainly due to the payment of acquiring 55% of equity in the Aircraft Industry.
<b>Other receivables</b>	At the end of 2020, other receivables decreased by RMB 848,007,500 from the beginning of the year, or 92.54%, mainly due to the recovery of financial assistance from controlling shareholders and related parties.
<b>Development expenditure</b>	The development expenditure in 2020 is RMB 70,537,900 at the end of the year, mainly due to the capitalization of the Aircraft Industry's research and development expenses.
<b>Deferred tax assets</b>	The deferred income tax assets at the end of 2020 increased by RMB 74,732,200 over the beginning of the year, an increase of 39.60%, which was mainly due to the steady growth of the aircraft manufacturing business, without compensating the recognition of deferred income tax assets for losses.in the current period
<b>Other non-current assets</b>	At the end of 2020, other non-current assets decreased by RMB 43,194,500 compared with the beginning of the year, a decrease of 85.27%, which was mainly due to the decrease in prepayments for equipment during the period.

## 2. Major overseas assets

Applicable  Not applicable

## III. Core Competencies Analysis

The Company is required to comply with the disclosure requirements of the *Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 16- Listed Companies Engaged in Automobile Manufacturing Related Business*.



By the acquisition of Aircraft Industry, the Company has established the “dual-engine” growth strategy in lightweight auto parts and general aviation aircraft manufacturing. Whether in the auto parts industry or the general aviation aircraft industry, the Company has competitive advantages in terms of leading industry position, brand customers, global bases, R&D technology, global enterprise management and unique corporate culture. During the reporting period, the Company did not experience any serious impact on its core competitiveness due to equipment or technology upgrades, and the departure of core management teams or key technical personnel.

## **1. Global leader advantage**

Growing over the past two decades, the Company has become a leader in the automotive parts sector specialized in lightweight applications of metal materials "magnesium alloys, aluminum alloys, and high-strength steels". It's subsidiary Meridian, a global leading supplier of magnesium alloy parts, has cutting-edge technology of magnesium alloy design, development, and manufacturing. The Company also operates the world-leading aluminum alloy wheels manufacturing business. Besides, Wuxi Xiongwei, another subsidiary, is a leading manufacturer of high-strength steel sheet stamping auto parts in China.

As the world's top 3 general aviation aircraft manufacturer, Aircraft Industry has a high reputation leading in this field. According to GAMA (General Aviation Manufacturers Association) data, the aircraft delivered by Diamond Aircraft in 2019 accounted for 15.4% of the global piston general aviation aircraft delivered that year. It has three major aircraft manufacturing bases in Austria, Canada, and China (Zhejiang Xinchang). Its subsidiary Diamond Aircraft company has the competitive advantages in engine manufacturing, new material technology and advanced manufacturing. Our customers are in Europe, North America, Asia-Pacific, Middle East and other regions.

## **2. Intelligent manufacturing advantage**

The intelligent manufacturing system focuses on Industry 4.0 and transformation & upgrading, reflecting efficiency improvements. By procurement of cutting-edge intelligent manufacturing equipment, automation of existing production lines and construction of new smart factories, the Company has transformed and upgraded production, improved labor efficiency. At present, the company has 8 proprietary core technologies including fully automatic casting system, large-scale thin-wall magnesium alloy die-casting technology, dynamic balance control technology, casting lightweight casting technology, etc., which have been all commercialized.

### 3. Top-notch customer advantage

Following “26313+N” customer strategy, the auto parts business has been integrated into the supply chain of core customers, forming a market pattern of "traditional ICE cars + new energy vehicles" and "OEMs + aftermarket". The Company has long-term cooperation with top-notch brands— Porsche, BMW, Mercedes-Benz., Land Rover, Tesla, Volkswagen, Audi, Toyota, GM, Ford, Volvo, Nissan, Hyundai, and other top international automakers, while providing service to emerging new energy vehicles brands. In terms of motorcycle aluminum alloy wheels business, the Company has established a global customer base with "Honda and Yamaha" as strategic partners, Dachangjiang, Suzuki and HERO as major customers complemented by BMW, Harley-Davidson and Ducati in the premium market.

Diamond Aircraft holds a total of 39 trademarks and has obtained the Design Organization Approval (DOA) and the DUA Aeronautical R&D Organization Certification issued by the European Aviation Safety Agency (EASA). It's one of the few companies in the industry to obtain these certificates.

### 4. Global scale production advantage

The Company's auto parts and aircraft manufacturing businesses have established manufacturing bases and R&D centers in 10 countries around the world, including 18 plants in 7 provinces of China. Meridian has formed a global network with full production processes in 7 physical factories across 5 countries in America, Europe, and Asia. The Company’s motorcycle wheel subsidiary has built production facilities in India. Aircraft Industry has established main production bases in Austria, Canada, and China, with 192 sales & service centers in more than 90 countries around the world. The Company's global network has complementary advantages by resource sharing and interactive development.



## **5. R&D technological advantage**

Aiming to "grow stronger by science and technology", the Company always takes technological innovation as an important measure to improve core competitiveness. Making full use of the resources offered by its controlling shareholder Wanfeng Group, such as academician workstation and doctoral workstation, and relying on the national technology center of China, the Company has long-term industry-university-research cooperation with China Automotive Technology Research Center, Beijing Machinery Research Institute and Zhejiang University. The Company has a global R&D center for lightweight magnesium alloy in Canada, as well as aircraft R&D centers in Austria, Canada and Czech. This promotes the advancement of new projects and increases the added value of products in high-end markets. The Company has accumulated over 1,400 patents. Relying on accumulated production experience and enriched R&D capabilities, the Company has participated in the drafting and revision of national (industry) standards for the wheel industry for several times. The Company presided over or participated in the formulation of 3 international standards, 27 national and industry standards, of which 9 were drafted. The continuous R&D investment has enabled the Company to seize the opportunity in China's aluminum wheel field and gradually become the forefront in international wheel industry. Meridian won the 2020 Automotive Magnesium Casting Product Design Award issued by the International Magnesium Association (IMA), and the new diamond DA50 model won the German aviation magazine Aerokurier 2020 Most Innovative Award in 2020.

The Company reserves a large number of general aviation R&D and design talents, and has general aircraft R&D and design technologies featuring aero engines, composite materials, and new piston fixed-wing aircraft design. To comply with the requirements of the European Aviation Safety Agency on the roadmap of green energy aviation technology development, the Company pioneered the design and development of hybrid aircraft and has successfully test flighted the first gasoline-electric hybrid aircraft, achieving a breakthrough in the general aviation industry.

## **6. International management advantage**

From serving international customers in early stage to the subsequent cross-border M&A and integration, the Company successfully explored its own path, forming Wanfeng's unique management solution and team. By integrating Wanfeng's philosophy with local culture, the Company has achieved remarkable success among its Chinese peers.

Through the existing integrated management, cost control management and quality and safety management system advantages of listed companies, the Company has strengthened building international and professional teams, provided core personnel with competitive salaries and related benefits. The Company fully promoted exchanges between excellent domestic and cross-

board management and R&D technical personnel. Through the promotion of an effective performance management system, the establishment and improvement of a talent training system, the Company creates a good atmosphere for rapid growth and development of talents, enhances team cohesion, and ensures the stability of core personnel.

## **7. Corporate culture advantage**

As an international conglomerate in the advanced manufacturing field for nearly 20 years, the Company has always adhered to the values of "eternal value enhancement and continuous dedication to society", advocating the business philosophy of "people-oriented, governing the enterprise according to law, and driving success with innovation", and creating a "work happily and live joyfully" atmosphere for employees. The Company has always focused on the real economy, promoting the spirit of craftsmanship. By introducing international talents, the Company has laid a solid foundation for achieving the vision of "being recognized globally and becoming a long-standing enterprise" and the goal of "being strong, reputable and sustainable".

## **Section IV: Management's Discussion and Analysis**

### **I. Business review for the reporting period**

In 2020, the Company booked total revenue of 10.699 billion yuan, a decrease of 0.82% and 15.32% from before and after retrospective adjustment, respectively. The Company realized total net profit of 566 million yuan attributable to shareholders of listed company, a decrease of 26.45% and 36.83% from before and after retrospective adjustment, respectively.

In April 2020, the Company acquired 55% of the shares in Wanfeng Aircraft Industry and established a growth strategy driven by the "dual-engine". The automotive metal lightweight parts business has been negatively affected by the Covid-19 pandemic and China-US trade frictions. The Company actively and orderly resumed work and, strengthened staff training and protection, and implemented cost reduction and efficiency enhancement initiatives, while actively responding to trade tariff issues. The Company reviewed its business strategies, improved customer communication, adjusted business structure, effectively reduced the decline in operating performance and generated follow-up growth momentum. The general aviation aircraft business has also been affected to a certain extent by the Covid-19 pandemic, which is mainly reflected in the delays in the acceptance and delivery of foreign aircraft orders and revenue recognition. The Company strengthened collaborations with government agencies of countries where it has operations, resumed factory production in an orderly manner, and launching of new aircraft models. Meanwhile, the Company actively carried out licensing and technology transfer business for aircraft and components, achieving mass production and sales from Chinese aircraft market. There efforts have reduced the impact of foreign delivery delays on operating performance and contributed to a substantial increase in operating performance. The Company exceeded the first-year performance guarantee and is well-positioned for sustainable development.

#### **(1) Enhance internal control system**

The Company optimized the organizational structure and management process comprehensively, enhanced the supervision of internal audit department to improve the depth and breadth of internal audit work, improved the internal control procedures, strengthened internal financial management and monitoring to prevent financial risks and internal control risks.

#### **(2) Focus on resumption of operations and advance market development steadily**

From January 2020, the Covid-19 started to spread in China and other countries. Governments across the globe have introduced a series of restrictive quarantine measures to prevent the spread of COVID 19 pandemic. The Company took swift action in response to these restrictions by ensuring the health and safety of our employees and our domestic factories resumed production in mid-February 2020. Due to the evolving pandemic and government policies, the resumption of overseas factories was delayed to May 2020. Based on the current global economic and industry situation, the Company actively made efforts to acquire new energy vehicles (NEVs) customers in the domestic market and accelerate the development of new products. The Company's magnesium alloy and stamping business units have been awarded designated projects by Faurecia China (Tesla Tier one supplier) and Yanfeng Adient, Evergrande New Energy Vehicle. The aluminum alloy wheel business obtained new projects from Toyota in Japan and FAW Toyota, FAW Hongqi, and BMW Brilliance. The motorcycle aluminum alloy wheel business has developed steadily as a whole. As the demand for large-displacement personalized motorcycles increases, the Company optimized product structure and production network, upgraded technologies, and successfully increased supplies to Qianjiang, Suzuki, Indian Honda, Yamaha, and Bajaj. In terms of the coating business, the Company increased the incremental orders from existing customers, advanced the localization of the supplier systems of Mercedes-Benz, BMW and Geely, and expanded into wind power and 5G markets.

### **(3) A clear pathway to develop automotive lightweight parts business**

As a lightweight magnesium alloy large-scale casting structure design, process and mold designer, the Company focuses on lightweight application of metal materials "magnesium alloy-aluminum alloy-high strength steel", providing customers with low-cost, optimization, and turn-key solution. At present, the Company's mature magnesium alloy products, such as cross-car beam, tailgate inner panel, front-end frame, etc., total about 100Kg. It has become the first choice for OEMs to cooperate in automotive magnesium alloy lightweight fields.

In 2020, the Company established a T3+1 strategic cooperation mechanism with T3 (China FAW Group Co., Ltd., Dongfeng Automobile Co., Ltd., and Chongqing Changan Automobile Co., Ltd., "T3"). The Company is responsible for design, manufacturing and service for large-scale magnesium alloy castings. The first batch of R&D products under the T3+1 mechanism focused on cross car beam brackets, wheels, front-end modules and gearbox housings, etc., involving nearly ten vehicle models, of which products under development or quotation include cross car beam brackets, front-end modules, display case, screen lifter bracket, and other magnesium products. With the continuous advancement of T3+1 alliance technology R&D, it will greatly promote the application and development of magnesium alloy parts in China's automobile industry and form a market-driven demonstration effect.

In 2020, new energy vehicles have shown strong resilience and endogenous power. The annual production and sales of 1.367 million and 1.336 million vehicles in Chinese market were completed, representing an increase of 10.9% and 7.5% year-on-year, respectively, maintaining a good growth trend. With its mature applications in new energy vehicles OEMs such as Tesla, NIO, Xiaopeng, and its advantages in product and technology innovation, global resource synergy, and cost leadership, Meridian provides lightweight solutions for new energy vehicles and opens up a new era for magnesium alloys application in China.

#### **(4) Acquired 55% shares from Aircraft Industry and established “dual-engine” growth strategy**

With advanced manufacturing as its core, the Company has become a global leader in aluminum alloy wheels and lightweight magnesium alloy parts, and a domestic leader in environmentally friendly Dacromet coating and high-strength steel die stamping parts. To diversify and expand in the “broad transportation” sector, the Company acquired a controlling stake in general aviation aircraft manufacturing business, leaping from auto parts to aircraft and aero parts manufacturing field. This strategic move will widen our market access, profit avenues and improve the asset quality and risk tolerance ability of the Company, ensuring the long-term sustainable growth. The establishment of “dual-engine” growth strategy, i.e., automotive lightweight parts, and general aviation aircraft, sets a clear direction for the Company to grow in the long run.

With the vision of “becoming a advocate in automotive light-weighting trend”, the Company’s auto parts business has shifted from multiple sub-leading silos model to comprehensive synergistic development. The Company will capitalize on its leading market positions in "magnesium alloy, aluminum alloy, high-strength steel metal parts", and strengthen collaboration in brand customers, R&D, global network, and management. Besides, the Company has treated NEVs as an important market development, focusing on key customers, and continuously increasing the value per customers, per brand and per vehicle to achieve the "1+1>2" synergy goal.

Capitalizing on the leading technological advantage of Diamond brand, the Company will expand the domestic flight training market, develop short-distance transportation, Air Taxi, government public services, business travel flights, aviation sports and competition markets, while strengthening the aircraft after-sales market to achieve rapid growth in domestic market. Meanwhile, it will consolidate and enhance aircraft sales in overseas market, actively expand licensing business, to ensure the sustained and steady growth of overseas market and build the aircraft manufacturing business into a leader in this field.

The Company is required to comply with the disclosure requirements of the *Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 16- Listed Companies Engaged in Automobile Manufacturing Related Business*.

Production and operation of vehicle manufacturing during the reporting period

Applicable  Not applicable

Production and operation of auto parts during the reporting period

Applicable  Not applicable

	Production Volume			Sales Volume		
	Current period	Same period of previous year	YoY %	Current period	Same period of previous year	YoY %
<b>Classified by types of parts</b>						
Automotive aluminum alloy wheels (set)	14,174,994.00	16,932,994.00	-16.29%	14,087,508.00	17,180,720.00	-18.00%
Stamping parts (set)	230,722,938.00	261,183,567.00	-11.66%	228,255,135.00	271,869,402.00	-16.04%
Magnesium alloy die casting parts (set)	14,869,805.00	18,511,085.00	-19.67%	13,138,601.00	16,303,410.00	-19.41%
<b>Classified by aftermarket</b>						
Automotive aluminum alloy wheels AM (set)	2,104,207.00	1,734,183.00	21.34%	1,774,347.00	1,491,868.00	18.93%
<b>Classified by region</b>						
<b>Other classification</b>						

Reasons for a year-on-year change of more than 30%

Applicable  Not applicable

Parts sales model

The Company's auto parts sales are mainly OEM-based.

The Company operates auto finance business

Applicable  Not applicable

The Company operates new energy vehicle related business

Applicable  Not applicable

Production and operation of new energy vehicles and parts



Unit: RMB unless otherwise stated

Product Category	Production Capacity	Production Volume (set)	Sales Volume (set)	Sales Revenue
Automotive aluminum alloy wheels	--	648,094	677,321	167,711,492.15
Stamping parts	--	3,138,575	2,867,775	14,089,208.52
Magnesium alloy die casting parts	--	84,193	58,834	19,972,503.69

New energy vehicle subsidy income  
None

## II. Main Business Analysis

### 1. Overview

Please refer to details in “I. Overview” of “Section IV Management Discussion and Analysis”

### 2. Revenue and cost

#### (1) Operating Revenue structure

Unit: RMB

	2020		2019		YoY %
	Amount	% of Operating Revenue	Amount	% of Operating Revenue	
<b>Total operating revenue</b>	10,699,224,904.57	100%	12,635,131,976.26	100%	-15.32%
<b>By industries</b>					
Automotive metal lightweight parts manufacturing	9,068,833,929.89	84.76%	10,787,734,491.15	85.38%	-15.93%
Aircraft manufacturing	1,630,390,974.68	15.24%	1,847,397,485.11	14.62%	-11.75%
<b>By products</b>					
Automotive metal lightweight parts	9,068,833,929.89	84.76%	10,787,734,491.15	85.38%	-15.93%
General aviation aircraft	1,630,390,974.68	15.24%	1,847,397,485.11	14.62%	-11.75%

By region					
Mainland China	4,686,803,547.58	43.81%	5,250,462,160.15	41.55%	-10.74%
Overseas	6,012,421,356.99	56.19%	7,384,669,816.11	58.45%	-18.58%

**(2) Industries, products, or regions accounting for more than 10% of the Company's operating revenue or operating profit.**

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Operating Cost	Gross Profit Margin	YoY % of Operating Revenue	YoY % of Operating Cost	YoY % of Gross Profit Margin
<b>Classified by Industry</b>						
Automotive metal lightweight parts manufacturing	9,068,833,929.89	7,392,811,290.04	18.48%	-15.93%	-14.09%	-1.75%
Aircraft manufacturing	1,630,390,974.68	1,146,598,775.38	29.67%	-11.75%	-11.31%	-0.35%
Total	10,699,224,904.57	8,539,410,065.42	20.19%	-15.32%	-13.73%	-1.47%
<b>Classified by Products</b>						
Automotive metal lightweight parts	9,068,833,929.89	7,392,811,290.04	18.48%	-15.93%	-14.09%	-1.75%
General aviation aircraft	1,630,390,974.68	1,146,598,775.38	29.67%	-11.75%	-11.31%	-0.35%
Total	10,699,224,904.57	8,539,410,065.42	20.19%	-15.32%	-13.73%	-1.47%
<b>Classified by Region</b>						
Mainland China	4,686,803,547.58	3,838,683,119.22	18.10%	-10.74%	-1.61%	-7.59%
Overseas	6,012,421,356.99	4,700,726,946.20	21.82%	-18.58%	-21.61%	3.02%
Total	10,699,224,904.57	8,539,410,065.42	20.19%	-15.32%	-13.73%	-1.47%

If the company's principal business data caliber is adjusted during the reporting period, the company's principal business data after caliber adjusted at the end of the reporting period of last year

□ Applicable √ Not applicable

**(3) If revenue from physical products sales greater than revenue from providing services**√ Yes  No

Industry classification	Items	Unit	2020 FY	2019 FY	YoY %
Manufacturing industry	sales volume	RMB	10,295,928,707.36	12,240,494,250.98	-15.89%
	production volume		8,140,569,295.3	9,297,765,650.22	-12.45%
	inventory volume		745,299,986.77	779,307,046.36	-4.36%

Explanations on relevant data changed for more than 30% on a year-over-year base.

 Applicable  Not applicable**(4) The implementation of the major sales contracts that the Company has signed up to the reporting period.** Applicable  Not applicable**(5) Composition of operating costs**

Classified by industry

Unit: RMB

Industries	Cost items	2020 FY		2019 FY		YoY %
		Amount	% of operating cost	Amount	% of operating cost	
Auto parts manufacturing	Direct material	4,576,690,709.14	64.34%	5,192,093,268.87	62.39%	-11.85%
	Labor	868,846,427.62	12.21%	1,082,744,369.16	13.01%	-19.76%
	Depreciation & consumables	1,117,423,142.42	15.71%	1,334,103,265.83	16.03%	-16.24%
	Fuel power	420,297,291.69	5.91%	542,357,997.58	6.52%	-22.51%

	Outsourcing processing cost	130,458,718.16	1.83%	170,920,400.82	2.05%	-23.67%
	<b>Sub total</b>	7,113,716,289.03	100%	8,322,219,302.26	100%	-14.52%
Aircraft manufacturing	Direct material	805,804,284.12	70.50%	838,066,207.84	64.86%	-3.85%
	Labor	209,858,641.99	18.36%	316,241,746.51	24.47%	-33.64%
	Depreciation & consumables	112,309,518.91	9.83%	121,485,027.07	9.40%	-7.55%
	Fuel power	9,075,584.32	0.79%	10,441,846.95	0.81%	-13.08%
	Outsourcing processing	5,858,073.54	0.51%	5,911,463.12	0.46%	-0.90%
	<b>Sub total</b>	1,142,906,102.88	100%	1,292,146,291.49	100%	-11.55%

Notes

None

**(6) Whether the consolidation scope has changed during the reporting period**√ Yes  No

During the reporting period, the Company acquired 55% of the equity of Wanfeng Aircraft Industry Co., Ltd. for RMB 2,418,075,000 and completed the industrial and commercial change registration of the equity transfer on April 16, 2020, and the consolidated scope of the Company's statements added Wanfeng Aircraft Industry Co., Ltd.

**(7) Significant changes or adjustments to the Company's business, products, or services during the reporting period**√ Applicable  Not applicable

During the reporting period, the consolidated scope of the Company's statements added Wanfeng Aircraft Industry Co., Ltd. The Company's principal business scope includes general aviation aircraft.

**(8) Main customers and main suppliers****The Company's main customers**

<b>Total sales amount of the top five customers (RMB)</b>	2,921,615,150.81
<b>Total sales amount of the top five customers as a % of total annual sales</b>	28.38%
<b>Sales from related parties among the top five customers as a % total annual sales</b>	0.00%

### Profile of the Company's top 5 customers

No.	Customer Name	Sales (RMB)	% of total sales
1	First	1,156,533,240.24	11.23%
2	Second	805,714,890.04	7.83%
3	Third	422,130,318.19	4.10%
4	Fourth	323,931,853.67	3.15%
5	Fifth	213,304,848.67	2.07%
<b>Total</b>	-	2,921,615,150.81	28.38%

Other information about Company's customers

Applicable  Not applicable

### The Company's main suppliers

<b>Total sales amount of the top five suppliers (RMB)</b>	1,830,796,702.40
<b>Total sales amount of the top five suppliers as a % of total annual sales</b>	23.65%
<b>Sales from related parties among the top five suppliers as a % total annual sales</b>	0.00%

### Profile of the Company's top 5 suppliers

No.	Supplier Name	Purchase (RMB)	% of total purchase
1	First	632,766,433.08	8.17%
2	Second	403,054,824.11	5.21%
3	Third	344,790,054.40	4.45%
4	Fourth	238,938,716.18	3.09%

<b>5</b>	Fifth	211,246,674.62	2.73%
<b>Total</b>		1,830,796,702.40	23.65%

Other information about Company's suppliers

Applicable  Not applicable

### 3. Expense

Unit: RMB

	2020 FY	2019 FY	YoY %	Notes to significant changes
<b>Sales expense</b>	202,937,418.90	326,373,313.10	-37.82%	Mainly due to the adjustment of the transportation expenses that were originally collected as sales expenses to the fulfillment costs according to the new revenue standards
<b>Administration expense</b>	590,837,746.38	669,461,795.85	-11.74%	
<b>Financial expense</b>	269,122,000.97	219,013,198.53	22.88%	
<b>R&amp;D expense</b>	337,448,870.68	446,102,958.85	-24.36%	

### 4. Research and development investment

	2020 FY	2019 FY	Percentage change
<b>Number of R&amp;D personnel (person)</b>	1,576	1,603	-1.68%
<b>Proportion of R &amp; D personnel</b>	13.35%	14.49%	-1.14%
<b>R&amp;D investment (RMB)</b>	407,986,763.68	446,102,958.85	-8.54%
<b>R&amp;D investment as a percentage of operating revenue</b>	3.81%	3.53%	0.28%
<b>Capitalized amount of R&amp;D investment (RMB)</b>	70,537,893.00	0.00	
<b>Capitalized R&amp;D expense as a percentage of R&amp;D investment</b>	17.29%	0.00%	17.29%

Reasons for the significant change of total R&D investment as a percentage of operating revenue as compared to last year

Applicable  Not applicable

Reasons for the substantial changes in the capitalization rate of R&D investment and its rationality

Applicable  Not applicable

The capitalization rate of R&D investment in 2020 is 17.29%, which is mainly due to the capitalization of R&D expenses of the controlling subsidiary Aircraft Industry.

## 5. Cash flow

Unit: RMB

Items	2020 FY	2019 FY	YoY %
<b>Cash inflow from operating activities</b>	11,092,029,864.02	12,823,629,497.66	-13.50%
<b>Cash outflow from operating activities</b>	9,356,248,957.60	11,403,260,617.89	-17.95%
<b>Net cash flow from operating activities</b>	1,735,780,906.42	1,420,368,879.77	22.21%
<b>Cash inflow from investment activities</b>	1,673,233,118.74	2,492,182,608.25	-32.86%
<b>Cash outflow from investment activities</b>	598,702,345.98	3,109,509,375.99	-80.75%
<b>Net cash flow from investment activities</b>	1,074,530,772.76	-617,326,767.74	274.06%
<b>Cash inflow from financing activities</b>	4,747,409,710.84	5,210,444,193.61	-8.89%
<b>Cash outflow from financing activities</b>	7,578,184,122.46	5,786,693,748.16	30.96%
<b>Net cash flow from financing activities</b>	-2,830,774,411.62	-576,249,554.55	-391.24%
<b>Net increase in cash and cash equivalents</b>	-14,281,113.87	258,679,854.07	-105.52%

Explanation of the main influencing factors of significant year-on-year changes in relevant data

√ Applicable □ Not applicable

1. The net cash flow from operating activities increased by 22.21% over the same period last year, mainly due to the decrease in the payment of taxes, employee compensation and benefits and related expenses during the reporting period due to the impact of the epidemic.
2. Cash inflow from investment activities decreased by 32.86% from the same period last year, mainly due to the year-on-year decrease in other cash received related to investment activities, which was due to the return of funds and interest from related parties in the same period last year.
3. Cash outflow from investment activities decreased by 80.75% compared with the same period last year, which was mainly due to the borrowing of funds from related parties in the same period last year.
4. Net cash flow from investment activities increased by 274.06% compared with the same period last year, which was mainly due to the significant decrease in cash outflow from investment activities compared with the same period last year.

5. Cash outflow from financing activities increased by 30.96% year-on-year, which was mainly due to the payment for the acquisition of 55% of the equity in the aircraft industry during the reporting period.
6. The net cash flow from financing activities decreased by 391.24% over the same period of the year, mainly due to the impact of cash outflows from financing activities.
7. The net increase in cash and cash equivalents decreased by RMB 273 million compared with the same period last year, which was mainly due to the decrease in net cash flow from investment activities compared with the same period last year.

Explanation of the reason for the significant difference between the Company's net cash flow generated from operating activities during the reporting period and the current year's net profit.

Applicable  Not applicable

### III. Non-Core Business Analysis

Applicable Not applicable

Unit: RMB

	Amount	Proportion to Net Income	Notes to Changes	Sustainability
Investment Income	612,550.85	0.07%		no
Gains or Losses from Change in Fair Value	2,246,554.36	0.27%		no
Asset Impairment	-10,179,361.63	-1.23%	Mainly for the provision of asset impairment losses after the inventory valuation	no
Non-operating Revenue	43,050,711.82	5.19%	Mainly for this reporting period, Meridian's US factory received insurance claims	no
Non-operating Cost	9,986,870.11	1.20%	Mainly for public welfare donation expenditure and asset destruction and scrapping	no
Other Gains	104,562,193.16	12.61%	Mainly government subsidies	no
Credit Impairment Loss	-7,223,519.05	-0.87%	Mainly accrued for bad debt losses of accounts receivable	no

### IV. Assets and Liabilities Analysis



## 1. Material Changes of Assets

The Company will implement the new revenue standards or new lease standards for the first time since 2020 and adjust the implementation of relevant items in the financial statements at the beginning of the year.

√Applicable □Not applicable

Unit: 10,000 RMB

	2020 Year End		2020 Year Beginning		YoY %	Notes to Significant Changes
	Amount	% of Total Assets	Amount	% of Total Assets		
<b>Cash and Cash Equivalents</b>	167,498	10.49%	245,275	13.27%	-2.78%	Mainly due to payment for acquiring 55% equity of Aircraft Industry during the reporting period
<b>Account Receivables</b>	231,498	14.49%	255,570	13.82%	0.67%	
<b>Inventory</b>	230,991	14.46%	239,395	12.95%	1.51%	
<b>Investment Property</b>	0.00					
<b>Long-term Equity Investment</b>	57	0.00%	1,261	0.07%	-0.07%	Mainly due to the withdrawal of the Aircraft Industry from the original 20% equity of China Electronics Technology Group Wuhu General Aviation Industry Research Institute Co., Ltd.
<b>Fixed Asset</b>	487,246	30.50%	511,366	27.66%	2.84%	
<b>Construction in Progress</b>	25,897	1.62%	426,35	2.31%	-0.69%	Mainly because the assets reach the usable state and turn into fixed assets
<b>Short-term Borrowings</b>	354,430	22.19%	307,012	16.61%	5.58%	Mainly due to the needs of operation and acquisition projects during the reporting period, which increased bank loans
<b>Long-term Borrowings</b>	117,920	7.38%	116,522	6.30%	1.08%	Mainly due to the needs of operation and acquisition projects during the reporting period, which increased bank loans
Non-current Liabilities due within one year	69,443	4.35%	57,197	3.09%	1.26%	Mainly due to the needs of operation and acquisition projects during the reporting period, which increased bank loans

Prepaid Payments	15,814	0.99%	17,360	0.94%	0.05%	
Other Account Receivables	6,832	0.43%	91,633	4.96%	-4.53%	Mainly due to the recovery of financial assistance from controlling shareholders and related parties during the reporting period
Other Current Asset	9,560	0.60%	11,701	0.63%	-0.03%	
Intangible Asset	166,543	10.43%	177,818	9.62%	0.81%	
Goodwill	166,299	10.41%	170,116	9.20%	1.21%	
Deferred tax asset	26,344	1.65%	18,871	1.02%	0.63%	
Other current Asset	9,560	0.60%	11,701	0.63%	-0.03%	
Notes Payables	19,287	1.21%	21,860	1.18%	0.03%	
Contract Liabilities	51,284	3.21%	64,857	3.51%	-0.30%	
Other Account Payables	38,422	2.41%	72,729	3.93%	-1.52%	Mainly due to the decrease in the amount of engineering equipment payable during the reporting period and the payment of Suzhou Yucuiyuan's investment
Differed Tax Liabilities	26,863	1.68%	26,823	1.45%	0.23%	Mainly due to the steady growth in the performance of the aircraft manufacturing business, the deferred income tax assets are recognized in the current period without making up for losses

## 2. Assets and liabilities Measured at Fair Value

√ Applicable □ Not applicable

Unit: 10,000 RMB

Items	Opening Balance	Change in Profit and Loss through Fair Value in the Current Period	Cumulative Change in Equity through Fair Value	Accrual Impairments in the Current Period	Current Purchase Amount	Current Sale Amount	Other Changes	Closing Balance
<b>Financial Assets</b>								

<b>1. Held-for-trading financial assets (Excluding Derivative Financial Assets)</b>	6,303	196					5,997	503
<b>2. Derivative Financial Assets</b>		29						29
<b>Subtotal of financial assets</b>	6,303	225					5,997	531
<b>Total</b>	6,303	225					5,997	531
<b>Financial Liabilities</b>	0.00							0.00

Whether there were any material changes on the measurement attributes of major assets of the Company

During the reporting period:

Yes  No

### 3. Assets right restrictions as of the end of reporting period

Details are disclosed in "Section XII Item 7, 81: Assets with Restricted Ownership or Use Right" of this report

## V. Investment Analysis

### 1. Overview

Applicable  Not applicable

<b>Investment during the Reporting Period (RMB)</b>	<b>Investment over the Corresponding Period of Last Year (RMB)</b>	<b>YOY %</b>
2,769,704,594.31	1,031,209,167.78	168.59%

### 2. Significant equity investment during the reporting period

√Applicable □ Not applicable

Unit: Million RMB

Invested company name	Main business	Investment method	Invested amount	Shareholding	Funds source	Progress	Expected income	Current period investment profit or loss	If involved in lawsuit	Disclosure date	Disclosure reference
Aircraft Industry	Aircraft manufacturing and sales	Acquisition	2,418	55.00%	Self-funded	Completed 55% equity transfer	290	340	Yes	Feb 25, 2020	"Announcement on the Acquisition of 55% Equity and Related Transactions of Wanfeng Aircraft Industry Co., Ltd." disclosed in "Securities Times" and www.cninfo.com.cn
Total	--	--	2,418	--	--	--	290	340	--	--	--

### 3. Significant non-equity investment during the reporting period

□ Applicable √ Not applicable

### 4. Financial asset portfolio

#### (1) Securities Investments

□ Applicable √ Not applicable

No securities investment during the reporting period

## **(2) Derivatives Investments**

Applicable  Not applicable

No derivatives investments during the reporting period

## **5. Usage of raised funds**

Applicable  Not applicable

No usage of raised funds during the reporting period

## **VI. Disposal of Significant Assets and Equity**

### **1. Disposal of significant assets**

Applicable  Not applicable

During the reporting period, there was no disposal of significant assets.

### **2. Sales of significant equity**

Applicable  Not applicable

## **VII. Major Subsidiaries and Investees Analysis**

Applicable  Not applicable

Information about major subsidiaries, and investees that contribute above 10% of the Company's net Profit.

Unit: RMB

Company name	Company Type	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Wanfeng MLTH Holdings Co., Ltd	Subsidiary	Mainly engaged in the design, research and development, manufacturing and sales of lightweight magnesium materials and components for automobiles and motorcycles	USD 76,001,900	3,435,371,228.62	2,076,513,724.18	2,557,650,411.18	228,875,241.33	176,910,509.14
Wuxi Xiongwei Precision Technology Co., Ltd.	Subsidiary	Mainly engaged in the design, manufacture and sales of automotive stamping parts and their automated stamping dies and precision molds	RMB 79,000,000	1,192,080,356.54	914,479,480.16	753,572,627.73	135,228,963.33	117,389,834.06
Wanfeng Aircraft Industry Co., Ltd.	Subsidiary	Mainly engaged in the design, experiment, production, sales and maintenance of general aircraft, helicopters, aviation engines, avionics and mechanical systems; technology development and consulting services.	RMB 60,000,000	4,690,103,855.76	3,645,828,950.31	1,630,390,974.68	293,762,210.43	340,429,883.23

## Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company name	Method of acquisition and disposal of subsidiaries	Impact on performance
Wanfeng Aircraft Industry Co., Ltd.	The company acquired 55% of the shares of Wanfeng Aircraft Industry Co., Ltd. and completed the industrial and commercial change registration of the equity transfer on April 16, 2020	The net profit of the Aircraft Industry in 2020 is 340,429,900 yuan, and the contribution goes to the parent net profit of 187,236,400 yuan.

## Explanation on main shareholding companies

1. Wholly owned subsidiary: Wanfeng MLTH Holdings Co., Ltd

Wanfeng MLTH Holdings Co., Ltd was established in the United Kingdom on November 6, 2013, with its management headquarter in Ontario, Canada. Wanfeng Meridian is a global leader in the magnesium alloy die-casting business. It has cutting-edge core technology in the industry. Its production bases are located in the United States, Canada, the United Kingdom, Mexico, China, and other places. It's in the business of design, R&D, manufacturing, and sales of lightweight magnesium materials and automobiles and motorcycles components. The registered capital is 76,001,900 US dollars, and the Company holds 100% of the shares.

As of December 31, 2020, total assets were 3,345,371,200 yuan, net assets were 2,076,513,700 yuan; operating revenue in 2020 was 2,576,504,000 yuan; net profit was 176,910,500 yuan, a decrease of 25.89% from the same period last year, mainly due to the impact of the epidemic and orders decrease.

2. Controlling subsidiary: Wuxi Xiongwei Precision Technology Co., Ltd.

Wuxi Xiongwei Precision Technology Co., Ltd. was established in June 2003. The main business is design, manufacture and sales of automotive stamping parts, automated stamping dies and precision molds. The registered capital is RMB 79 million, and the Company holds 95% of the shares.

As of December 31, 2020, total assets of 1,190,080,400 yuan, net assets of 914,479,500 yuan; operating revenue of 753,572,600 yuan in 2020; net profit of 117,389,800 yuan, a decrease of 19.85% from the previous year, mainly due to the decrease in gross profit affected by the epidemic.

3. Controlling subsidiary: Wanfeng Aircraft Industry Co., Ltd.

Wanfeng Aircraft Industry Co., Ltd. was established in March 2018. Aircraft Industry is a professional general aircraft manufacturer integrating independent R&D, top-level design, advanced manufacturing, and sales services. It is one of the world's top three fixed-wing general aircraft manufacturers. With 600 million yuan registered capital, the Company holds 55% of the shares.

As of December 31, 2020, the total assets were 4,690,103,900 yuan and the net assets were 3,645,829,900 yuan; the operating revenue in 2020 was 1,630,391,000 yuan; the net profit was 340,429,900 yuan, an increase of 48.07% over the same period of the previous year, mainly due to the optimization of product structure and gross margin improvement and the release of domestic production capacity.

## VIII. Structural Entities Controlled by the Company

Applicable  Not applicable

## IX. Outlook for the Future Development of the Company

In 2021, the Company will adhere to the general keynote of "seeking progress while maintaining stability", focusing on the real economy, promoting the spirit of craftsmanship, positioning in the big transportation, taking the two-wheel drive of industry and capital as the starting point, and relying on the ability to obtain and apply information and the system for a global enterprise. It endeavors to become a differentiated and innovative enterprise from competition, build a corporate where each member can participate, become a global all-around leader in its segments, realize the high-quality development of the enterprise and maximize the value of the enterprise, and become the creator of the world's advanced productivity.

### **1. Optimize the business structure of automotive metal lightweight parts and components, vigorously promote the expansion of the magnesium alloy business in the Asia-Pacific market, realize the defensive recovery growth of the aluminum alloy business, and conduct long-term strategic reassessment and arrangements for the high-strength steel business**

The Company's automotive metal parts industry focuses on the lightweight application of "magnesium alloy-aluminum alloy-high strength steel" metal materials, with the vision of "becoming a global automotive metal parts light-weighting promoter". The Company grasps global market trends, aligns various business units, continuously optimizes the business structure, and promote the Company's growth through technology.

(1) The automotive wheel business in the aluminum alloy business may face strong threats from China-US trade policies and domestic competitors for a long time in the future. In the short term, it will be affected by the increase in upstream raw material prices and the shortage of downstream automotive chips, and the overall business will be on defensive-offense state. The Company will adopt a differentiated strategy, give full play to the Company's forging process advantages, increase the proportion of business in the aftermarket and special-purpose fields, and increase profitability; continue to promote the "26313+N" customer target, consolidate traditional automobiles, and actively expand new energy automobile business ; Accelerate the establishment of international factories, build a global production and sales network, and effectively avoid the ongoing and possible future trade conflicts. The overall development of the Company's motorcycle business is smooth, and it will maintain its strategy of seizing increments, integrating stocks, and developing mid-to-high end market rapidly. The northern plant in India has made a good start, and is accelerating its deployment in the southern plant to seize the world's largest incremental market; integrating domestic production capacity, transforming smart factory production lines, increasing the Company's automated production capacity, and increasing its domestic market share; the



Company's high-end motorcycle products continue to sell in the market. In the future, we will continue to increase cooperation with high-end motorcycle manufacturers to build a technology-led moat. The high-strength steel stamping parts business has reached long-term strategic cooperation with the world's top first- and second-tier suppliers Yanfeng, Faurecia, Brose, Autoliv, etc. In the future, it will focus on cultivating new projects such as Japanese, European and American customers, and develop new energy vehicle market. In 2021, the Company will pay more attention to the advantages and disadvantages of high-strength steel in the field of auto parts molding and re-evaluate and arrange its positioning in the "automotive lightweight parts" industry.

- (2) The magnesium alloy business continues to maintain a double-digit R&D expense ratio and maintains an absolute lead in magnesium alloy application technology. The total amount of applied products will reach 180Kg from the current 100Kg to 2025, and single vehicle usage will increase from the current 1.5Kg Increase to 15Kg in 2025. The Company will maintain a 65% market share in the North American market, promote the rapid development of the Asian market, and gradually return to the European market. In the North American market, through in-depth on-site cooperation with automobile OEMs, the original business share is maintained, and the existing needs of customers are met. At the same time, the application of magnesium alloy components in the entire vehicle is improved from the design side. In the Asian market, especially in the Chinese market, the application of magnesium alloy components is promoted. On the one hand, the "T3+1" platform promotes the application of state-owned platforms and traditional automotive magnesium alloy components, On the other hand, in new energy vehicle market, use "NIO Business" template, strengthen the research and development source cooperation with the top 5 new energy vehicle manufacturers, grasp the opportunities of lightweight application in new energy vehicles. In the European market, strengthen cooperation with European OEMs and increase the current capacity utilization rate of Asian plants.

## **2. Build a global leader in the innovative manufacturing of general aviation aircraft**

The Company will focus on the vision of "becoming a global leader in the innovative manufacturing of general aviation aircraft", aim to achieve the top general aircraft manufacturing technology and sales volume in the world. The Company will adopt the circular progressive model of "Leading R&D—Licensing/technology transfer—Aircraft Manufacturing and Sales". High R&D investment is to maintain the world's "leading" position, "Licensing/technology transfer" is to support R&D and profits, "Manufacturing and sales" is to capture

the market share of mature markets. By matching the applicable scenarios of various general aviation in developing countries, the Company aims to gradually realize the promotion and application of general aviation aircraft in different countries and regions, and becomes the "unicorn" in general aviation sector.

- (1) Research and development business. The Company acquired the "Diamond" aircraft and successfully secured the "Crown" position of the general aviation aircraft. From its entry in the general aviation field, it has achieved a world-class leading advantage. In the future, it will continue to invest in R&D and maintain its world leading position.
  - With the top R&D platform of Diamond brand aircraft, we will continue to develop the future general aviation aircraft EVTOL through self-research and cooperation with top customers.
  - Continuously introduce competitive and leading new models in accordance with the pace of aircraft development and certification.
  - From a global perspective, focus on the "Laboratory Test Flight" project, and when the time is ripe, assist it in transforming technology into products and markets.
  
- (2) Licensing/technology transfer business. Through planned "licensing" business, we will strengthen monetization of the Company's current and future aircraft technology. For developing countries including China, we will carry out whole-aircraft licensing /technology transfer business to quickly recoup funds to meet the Company's technology R&D funding needs, and at the same time increase the Company's basic profitability.
  - Through the licensing model, build a domestic "production base" and promote the industrialization of domestic general aviation aircraft.
  - Through the technology transfer model, gradually realize the production of parts in the country where the production base is located, and form a general aviation industry ecosystem.
  
- (3) Aircraft manufacturing and sales business.
  - Strongly launch new models, head on to seize the market in mature countries for general aviation, and increase the market share of Diamond aircraft.
  - Exploration and promotion of application scenarios of general aviation aircraft in developing countries. In 2020, the Company capitalized on the domestic trainer application scenarios and successfully achieved mass production sales. In the future, new application scenarios will be continuously explored and piloted based on actual conditions to promote the advancement of the domestic general aviation market. At the same time, it will seek application scenarios and promotion models for the general aviation industry in other developing countries.

### **3. Give full play to the functions of the capital market and optimize the Company's financial structure**

According to the Company's strategic thinking of "industry and capital flying together", in 2021, we will give more consideration and make use of capital market tools to optimize the Company's financial structure and enhance the Company's profitability.

#### **Risk analysis and countermeasures**

##### **(1) Macroeconomic and industry risks and countermeasures**

In 2020, the global economy was affected by the epidemics in stages, and the automobile industry took a hit. From January to December 2020, China's automobile production and sales completed 25.225 million vehicles and 25.311 million vehicles, a year-on-year decrease of 2.0% and 1.9% respectively. The total sales of light vehicles in the United States were 14.6 million units, down 14% year-on-year and the lowest level since 14.49 million units in 2012. Affected by Covid-19 and the overall decline in the automotive industry, the industry will still face greater pressure. If the economy continues to slow down, it will lead to a continued decline in demand in the automotive industry, which will in turn have a certain impact on the Company's market structure and profitability.

In response to this risk, on the one hand, the Company closely monitors the trend of the industry, strengthens the integration and coordination of sub-leading auto parts industry, continuously strengthens collaboration of brand customer, global bases, R&D design, and management, enhances the overall competitiveness of auto parts, and increases new energy vehicles business, the value of single brand, single customer and single vehicle. on the other hand, it has increased the transformation and upgrading of enterprises, took advantage of the global competitiveness of general aviation aircraft manufacturing, further optimized the industrial layout, and improved the Company's asset quality and anti-risk capabilities.

##### **(2) International trade barrier risks and countermeasures**

In recent years, a series of overseas trade protectionist measures have had a certain impact on China's exports, and the Company is facing certain risks of export trade barriers. Especially since 2018, China-US trade frictions have continued. As a result, the tariffs on imports from China's automobiles and parts have risen. If the trade frictions continue to escalate, it will be possible to affect the Company's revenue and profitability.

In response to this risk, on the one hand, the Company launched the overseas plant project for automotive aluminum alloy wheels and leveraged the synergy

of the global bases of various segments to realize global production, refined management, convenient supply, and reduce risk of trade barriers. On the other hand, it will increase the development of the Asia-Pacific market, especially increase the market share of high-end customers, promote the development, production and delivery of Audi and Mercedes-Benz projects; take advantage of the development opportunities in the new energy vehicle market, fully cut into the supply chain of core customers, and increase market share.

### **(3) Rising energy and labor costs risks and countermeasures**

The main costs of the products are raw materials, energy, and labor costs. Since the fluctuation of raw material prices has a greater impact on the Company's operating performance, the Company has signed a price linkage mechanism with most customers to adjust product prices with fluctuations in raw material market prices. However, due to the lagging nature of the Company's product sales settlement, fluctuations in energy prices and rising labor costs have a certain impact on the Company's performance.

In response to this risk, the Company will strengthen global management coordination, reduce management costs, improve management efficiency, enhance raw material inventory management, optimize supplier management system and increase bargaining power for raw materials. And the Company will also increase its global scientific and technological research and development collaboration, reduce costs through process improvement, technological innovation, and increased automation, enhancing the Company's competitiveness.

### **(4) Currency exchange rate risks and countermeasures**

In recent years, the Company's products have been exported to the United States, India, Europe and other countries and regions. The overseas business income accounted for about 50% of the Company's main business income in the same period. The fluctuation of the RMB exchange rate will have a material impact on the Company's operating performance.

In response to this risk, the Company will reduce the exchange rate risk through global business layout. The Company will increase the development of the domestic market and increase the proportion of product sales in addition to choose cross-border RMB settlement. The financial department will strictly implement the *Internal Control Management System for Forward Foreign Exchange Settlement Business* and use tools such as forward FX settlement and sale to carry out FX hedging business in a planned way to control exchange rate risks to the greatest extent.

### **(5) Domestic aviation openness policy risks and countermeasures**

The domestic low-altitude airspace opening policy is the most important factor in the advancement of domestic general aviation industry. The degree of openness has a decisive effect on the development of the domestic general aviation industry to a certain extent, and it also has a significant impact on the growth of the Company's general aviation business.

In response to this risk, the Company will continuously and effectively communicate with the National Air Traffic Management Bureau and relevant management departments. Currently, Wanfeng Aviation has been selected to conduct pilot projects. The low-altitude opening has also been substantially expanded. As Wanfeng Aviation actively strives to obtain the support from relevant management departments, Wanfeng's aviation business has not been restrained in this slow opening process but has accumulated more development opportunities and advantages.

#### **(6) Impact of pandemic risks and countermeasures**

At the beginning of January 2020, the COVID 19 pandemic has spread in China and other countries. Governments of various countries have introduced a series of restrictive quarantine measures. The resumption of overseas factories has been delayed than originally planned, and short-term order delivery has been affected.

In response to this risk, the Company puts the health and safety of its employees at the highest priority, actively enforced the local governments' requirements, strictly performs normal epidemic prevention and control work, and assume social responsibilities. The Company will strengthen raw material price cost control and customer demand tracking, rely on the Company's global information technology to improve efficiency and efficiency, ensure stable production and operation, meet customer requirements, and minimize the adverse impact of the epidemic on production and operation.

#### **X. Reception of activities including research, communication and interviews during the report period**

##### **Registration form for reception of research, communication, interviews, and other activities during the reporting period**

Applicable  Not applicable

Reception date	Venue	Reception method	Visitor type	Visitor name	Discussion	Index of the basic situation of the survey
2020.09.02	Company's conference room	Site visit	Institution investor	Shanghai Shenjiu Asset Management	The Company's main business, lightweight magnesium alloy business and the synergy of various business lines.	"Record of Investor Relations Activities on September 2, 2020" published by the Company on the website <a href="http://irm.p5w.net/ssgs/S002085/?code=002085">http://irm.p5w.net/ssgs/S002085/?code=002085</a> on September 3, 2020.
2020.09.03	Shanghai Meridian Magnesium Products Co., Ltd conference room	Site visit	Institutional investor	China International Capital Corporation, Foresight Fund Management	The Company's main business, the competitive advantages, and future prospects of Meridian products.	"Record of Investor Relations Activities on September 3, 2020" published by the Company on the website <a href="http://irm.p5w.net/ssgs/S002085/?code=002085">http://irm.p5w.net/ssgs/S002085/?code=002085</a> on September 4, 2020.
2020.09.21	Company's conference room	Site visit	Institutional investor	Shanghai Jingjing Investment Management, Jingsheng Investment (Beijing)	The Company's main business, magnesium alloy and general aviation aircraft manufacturing business	"Record of Investor Relations Activities on September 21, 2020" published by the Company on the website <a href="http://irm.p5w.net/ssgs/S002085/?code=002085">http://irm.p5w.net/ssgs/S002085/?code=002085</a> on September 22, 2020.
2020.11.09	Company's conference room	Conference call	Institutional investor	China International Capital Corporation and other 30 institutions	The Company's lightweight business, automotive lightweight strategy and magnesium alloy "T3+1" progress	"Record of Investor Relations Activities on November 9, 2020" published by the Company on the website <a href="http://irm.p5w.net/ssgs/S002085/?code=002085">http://irm.p5w.net/ssgs/S002085/?code=002085</a> on November 11, 2020.
2020.11.10	Company's conference room	Site visit	Institutional investor	China Knowledge (Singapore)	The Company's main business, lightweight strategy, general aviation market and aircraft manufacturing business	"Record of Investor Relations Activities on November 10, 2020" published by the Company on the website <a href="http://irm.p5w.net/ssgs/S002085/?code=002085">http://irm.p5w.net/ssgs/S002085/?code=002085</a> on November 11, 2020.
2020.12.17	Shanghai Meridian Magnesium Products Co., Ltd conference room	Site visit	Institutional investor	Shenwan Hongyuan and other 9 institutions	The Company's main business, the competitive advantages and future development prospects of magnesium products, and magnesium alloy "T3+1"	"Record of Investor Relations Activities on December 17, 2020" published by the Company on the website <a href="http://irm.p5w.net/ssgs/S002085/?code=002085">http://irm.p5w.net/ssgs/S002085/?code=002085</a> on December 18, 2020.

## Section V: Significant Events

### I. Common Share Profit Distribution and Conversion of Capital Reserve to Share Capital

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

Applicable  Not applicable

The 2018 Second Extraordinary General Meeting of Shareholders was held on June 1, 2018. In accordance with the China Securities Regulatory Commission's *Listed Companies Supervision Guidelines No. 3-Listed Companies Cash Dividends* (China Securities Regulatory Commission Announcement [2013] No. 43), *Regarding Further Implementation The Notice on Matters Concerning the Cash Dividend Distribution of Listed Companies* (Zheng Jian Fa [2012] No. 37) and the relevant provisions of the Articles of Association, *the Company's shareholder return plan for the next three years (2018-2020)* was formulated. The form of profit distribution, the conditions that should be met at the same time when implementing cash dividends, the proportion of cash dividends, and the decision-making procedures and mechanisms for profit distribution have been clarified.

According to the "*Company's Shareholder Return Plan for the Next Three Years (2018-2020)*", the Company's board of directors consulted the opinions of independent directors and Company shareholders, and considered the Company's profitability and actual operations. According to the *2020 Semi-Annual Profit Distribution Proposal* approved on the Company's fourth extraordinary shareholder meeting in 2020, on September 10, 2020, the Company implemented the 2020 semi-annual equity distribution plan. Taking the Company's total share capital of 2,186,879,678 shares after excluding 78,431,058 shares that have been repurchased, using 2,108,448,620 shares as the base number, RMB 2.00 in cash (tax included) was distributed to all shareholders for every 10 shares, no bonus shares, and no capital reserve converted into share capital.

Special Notes on Cash Dividend Policies	
Whether they comply with the requirements of the Company's Articles of Incorporation or the resolutions of the General Meeting of Shareholders	Yes
Whether the dividend standards and proportions are distinct and clear	Yes
Whether the relevant decision-making procedures and mechanisms are complete	Yes
Whether the independent directors performed their duties and played their due role	Yes

Whether the minority shareholders have the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected:	Yes
Whether relevant conditions and procedures are compliant and transparent when the cash dividend policies are being adjusted or changes	Yes

The Company's common stock dividend distribution plan (proposal) and the capital reserve conversion plan (proposal) for the past 3 years (including this reporting period):

2018 profit distribution plan: On June 12, 2019, the Company, based on a total share capital of 2,186,879,678 shares, distributed a cash dividend of 3.0 yuan (tax included) for every 10 shares of undistributed profit to all shareholders.

2019 profit distribution plan: The Company did not distribute cash dividends in its profit distribution for 2019, no bonus shares, and no capital reserve conversion into share capital.

2020 semi-annual profit distribution plan: On September 10, 2020, taking the total share capital of 2,186,879,678 shares after excluding the 78,431,058 shares that have been repurchased, using 2,108,448,620 shares as the base, RMB 2.00 (tax included) was distributed to all shareholders for every 10 shares. No bonus shares, and no capital reserve converted into share capital.

2020 profit distribution plan: The eighth meeting of the Company's seventh board of directors approved the "2020 Profit Distribution Proposal." The company plans to use 2,072,107,520 shares (total share capital of 2,186,879,678 shares minus 114,772,158 shares that have been repurchased) as the base, and distribute cash dividends of RMB 1.0 (tax included) to all shareholders for every 10 shares. No bonus shares will be given, or capital reserve will be converted into share capital. The above plan still needs to be approved by the shareholders' meeting.

The Company's cash dividends of common shares in the past three years (including this reporting period)

Unit: 10,000 RMB

Year	Cash dividend amount (tax included)	Net profit attributable to common stock shareholders in the consolidated financial statement of the year for dividend distribution	The ratio of cash dividends to the net profit attributable to ordinary shareholders in the consolidated statements	The amount of cash dividends in other ways (such as share repurchase)	The proportion of cash dividends in other ways to the net profit attributable to ordinary shareholders in the consolidated statements	Total amount of cash dividends (including other ways)	The ratio of total amount of cash dividends (including other ways) to the net profit attributable to ordinary shareholders in the consolidated statements
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2020	42,169	56,582	74.53%			42,169	74.53%
2019	65,606	89,577	73.24%			65,606	73.24%
2018	65,606	108,602	60.41%			65,606	60.41%

During the reporting period, the company was profitable and the distributable profits to ordinary shareholders of the parent company was positive, but the Company did not propose a cash dividend distribution plan of ordinary shares.

Applicable  Not applicable

## II. Profit Distribution and Conversion of Capital Reserve to Share Capital During the Reporting Period

Applicable  Not applicable

Bonus share issued per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	1
Total capital share basis for the distribution proposal (share)	2,072,107,520
Total cash dividend (RMB) (tax inclusive)	207,210,752.00
Cash dividend amount in other ways (such as share repurchase) (RMB)	0
Total cash dividends (including other ways) (RMB)	207,210,752.00
Distributable profits (RMB)	482,774,473.27
Percentage of cash dividends of the total distributed profit (%)	100%
<b>Cash dividends</b>	
If the Company's development stage is in a mature period and there is no major capital expenditure arrangement, when the profit distribution is carried out, the proportion of cash dividends in this profit distribution should be at least 80%	
<b>Detailed description of profit distribution or capital reserves conversion plan</b>	
The eighth meeting of the Company's seventh board of directors deliberated and passed the "Proposal for Profit Distribution in 2020." The Company intends to use 2,072,107,520 shares (total share capital of 2,186,879,678 shares minus 114,772,158 shares repurchased) as the base, and distribute cash dividends of RMB 1.0 (tax included) to all shareholders for every 10 shares. No bonus shares will be given, or capital reserve will be converted into share capital. The above plan still needs to be approved by the shareholders meeting.	

### III. Performance of Commitments

#### 1. Complete and incomplete commitments of the Company and its actual controller, shareholders, related parties, acquirers, and other related parties for the commitments by the end of the reporting period.

√ Applicable  Not applicable

Commitments	Giver of commitments	Nature	Details of commitments	Date of commitments	Term of commitments	Performance
Commitment from reformation of shareholding	N/A	N/A	N/A	N/A	N/A	N/A
Commitment from M&A announcement or equity change announcement	N/A		N/A	N/A	N/A	N/A

<p><b>Commitment from asset restructuring</b></p>	<p>Chen Ailian and Wu Liangding family, the actual controllers of the controlling shareholder Wanfeng Auto Holding Group Co., Ltd.</p>	<p>Commitment to avoid horizontal competition</p>	<p>1. The controlling shareholder Wanfeng Group's commitment to avoid horizontal competition: After the completion of this reorganization, Wanfeng Group's motorcycle aluminum alloy wheel business has been incorporated into the listed company. In order to avoid horizontal competition with listed companies, Wanfeng Group has issued the "A Letter of Commitment to Avoid Horizontal Competition and Regulate Related Party Transactions", making the following commitment: "The company and its wholly-owned subsidiaries, holding subsidiaries, and other companies that the company has actual control or significant influence (referred to "The company and controlled company") will not engage in any business that occurs or may compete with Wanfeng Auto Wheel's business after the completion of this reorganization in the future. If the company and the controlled company compete with Wanfeng Auto Wheel or have conflict interest with Wanfeng Auto Wheel in business activities, the company and the controlled company will exercise the right of veto, or urge the controlled company abandons the business that may cause horizontal competition to ensure that it does not directly or indirectly compete with the Wanfeng Auto Wheel in the same industry or be injected into Wanfeng Auto Wheel at a fair market price. If there is a business opportunity within the business scope of Wanfeng Auto, the company will give priority to Wanfeng Auto Wheel. For projects that Wanfeng Auto Wheel has constructed or planned to invest in, our company will avoid the same or similar business as Wanfeng Auto Wheels in terms of investment direction and project selection and will not compete with Wanfeng Auto Wheel in the same industry in order to protect Wanfeng Auto Wheel's interests. "</p> <p>2. In order to avoid horizontal competition, Wanfeng Auto's actual controllers Chen Ailian and Wu Liangding's family issued the "Letter of Commitment on Avoiding Horizontal Competition and Regulating Related Party Transactions". Making the following commitments: "The companies and units we control will not engage in any</p>	<p>21-Jul-11</p>	<p>long-term</p>	<p>Strict performance</p>
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			<p>business that will or may compete with Wanfeng Auto Wheel after the completion of this transaction or in the future. If the companies and units we control compete with Wanfeng Auto Wheel or conflict interest with Wanfeng Auto Wheel in business activities, we will exercise the right of veto, or we will give up or prompt the company or unit we control to give up the possibility in direct or indirect horizontal competition with Wanfeng Auto Wheel in the same industry or inject all the businesses of companies or units under our control that generate horizontal competition into Wanfeng Auto Wheel at a fair market price. If there is a business opportunity within the business scope of Wanfeng Auto Wheel, we will give priority to Wanfeng Auto Wheel. For the projects that Wanfeng Auto Wheel has constructed or intends to invest in, we will avoid the same or similar to Wanfeng Auto Wheel in terms of investment direction and project selection and will not compete with Wanfeng Auto Wheel in the same industry in order to maintain Wanfeng Auto Wheel's interests.</p>			
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<b>Commitment from IPO or refinancing</b>	Chen Ailian and Wu Liangding family, the actual controllers of the controlling shareholder Wanfeng Auto Holding Group Co., Ltd.	Commitment to avoid horizontal competition	During the period of being the Company's largest shareholder and actual controller, no subsidiary companies will engage in the same or similar business as Zhejiang Wanfeng Auto Wheel Co., Ltd.	28-Nov-06	long-term	Strict performance
<b>Commitment from stock incentive</b>	N/A	N/A	N/A	N/A	N/A	N/A

<p><b>Other commitment to Company's small and medium shareholders</b></p>	<p>Chen Ailian and Wu Liangding family, the actual controllers of the controlling shareholder Wanfeng Auto Holding Group Co., Ltd.</p>	<p>Commitment to avoid horizontal competition</p>	<p>1. Do not directly or indirectly engage in the same or similar business as the listed company to avoid possible direct or indirect business competition with the production and operation of the listed company. Guarantee to take the legal and effective measures to urge other companies (excluding companies controlled by the listed company) not to engage in or participate in any activities or businesses that compete with the production and operation of the listed company.                  2.If the business activities of the promise party and its close relatives (if the promise party is a natural person) having control rights may compete with the listed company's business in the same industry in the future, the promise party will urge the promise party and the enterprises that the promise party's close relatives have control rights to abandon the business that may cause competition in the same industry and are willing to take all the responsibilities.                  3. If the promise party or other enterprises that the promise party has control have any business opportunity to engage in or participate in any activity that may compete with the production and operation of the listed company, the listed company shall be notified in a written form about the business opportunity immediately. If the listed company gives a written affirmative reply that it is willing to take advantage of the business opportunity within the reasonable time limit specified in the notice, we will try our best to provide the listed company with the business opportunity in priority.                  4. If the listed company has suffered losses due to the breach of the above-mentioned commitments by the promise party, the operating profit obtained shall belong to the listed company and shall be compensated for all losses.</p>	<p>22-Feb-20</p>	<p>long-term</p>	<p>Strict performance</p>
<p><b>Are the commitments fulfilled on time</b></p>	<p>Yes</p>					

<b>Details in unfulfilled commitments and work plan</b>	N/A
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**2. Where any profit forecast was made for any of the Company's assets or projects and the current reporting period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the profit forecast and why:**

Applicable  Not applicable

Profit forecast asset or project name	Forecast start time	Forecast end time	Forecast performance for the current period (10,000 RMB)	Actual performance for the current period (10,000 RMB)	Reason for not reaching the forecast (if applicable)	Original forecast disclosure date	Original forecast disclosure index
Aircraft Industry	Jan 1, 2020	Dec 31, 2022	28,980	33,034	N/A	Feb 25, 2020	"Announcement on the Acquisition of 55% Equity of Wanfeng Aircraft Industry Co., Ltd. and related party transaction" disclosed on www.cninfo.com and "Securities Times"

Commitments made by the Company's shareholders and counterparties in the reporting year's operating performance

Applicable  Not applicable

In 2020, the Company acquired 55% of the equity in Aircraft Industry, and the transferor Aviation Industry promised to realize the net profit attributable to the parent company in the consolidated statements of the Aircraft Industry in 2020, 2021, and 2022 (referring to the net profit after deducting non-recurring gains and losses) no less than 289.8 million yuan, 303.5 million yuan, and 366.6 million yuan respectively. If the net profit realized by Wanfeng Aircraft at the end of 2020, 2021, and 2022 fails to reach the cumulative committed net profit as of the end of the year as agreed in the profit commitment, the amount of cash that should be compensated = (accumulated commitment net profit as of the end of the current period - the accumulated realized net profit as of the end of the current period) × (the transfer price of the underlying equity / the sum of the committed net profit of each year during the profit compensation period) - the amount of compensation

**The completion of performance commitments and its impact on the impairment test of goodwill**



The transferor promises that the net profit attributable to the parent company in the consolidated statement realized by the Aircraft Industry in 2020 (net profit after deducting non-recurring gains and losses) shall not be less than 289.8 million yuan, and the figure actually realized by Aircraft Industry in 2020 was 330.34 million yuan. The management has conducted impairment tests on the goodwill of Aircraft Industry. The approved five-year financial budget has considered the impact of actual performance lower than the promised performance on future expected cash flows. Aircraft Industry has no impairment as of December 31, 2020.

#### IV. The Company's funds used by the controlling shareholder or its related parties for non-operating purposes.

√ Applicable □ Not applicable

Unit: 10,000 RMB

Name of shareholder or related party	Period of time for funds used	Reason	Beginning balance	New amount during reporting period	Repaid amount during reporting period	Ending balance as of disclosure date of annual report	Expected repayment method	Expected repayment amount	Expected repayment date
Wanfeng Group (note 1)	2019-12-5 to 2020-3-24	Lending	12,000	0	12,000	0			-
Wanfeng Group (note 1)	2019-12-5 to 2020-3-25	Lending	26,070	0	26,070	0			-
Shaoxing Jiajing Trading Co., Ltd (note 2)	2019-10-10 to 2020-3-27	Lending	4,200	0	4,200	0			-
Shaoxing Jiajing Trading Co., Ltd (note 2)	2019-10-15 to 2020-3-27	Lending	800	0	800	0			-
Shaoxing Jiajing Trading Co., Ltd (note 2)	2019-10-17 to 2020-3-27	Lending	2,000	0	2,000	0			-
Shaoxing Jiajing Trading Co., Ltd (note 2)	2019-10-21 to 2020-3-27	Lending	3,000	0	3,000	0			-
Shaoxing Jiajing	2019-10-11 to 2020-3-27	Lending	5,000	0	5,000	0			-

Trading Co., Ltd (note 2)									
Wanfeng Group (note 1)	2020.4.16 to 2020.8.17	Lending		7,200	7,200	0			
Aircraft Industry (note 4)	2020.4.16 to 2020.8.17	Lending	31,262		31,262	0			
<b>Total</b>			84,332	7,200	91,532	0	--	0	--
<b>The total amount at the end of the period as % of the most recent audited net assets</b>	0.00%								
<b>Related decision-making procedures</b>	Note 1, Note 2: The relevant decision-making procedures have not been fulfilled, and the principal and interest of the funds used have been repaid before June 2020.								
<b>The reasons for the use of non-operating funds of the new major shareholders and their affiliated companies in the current period, the accountability of the responsible persons, and the explanation of the measures taken by the board of directors</b>	<p>The "Balance of Used Funds at the Beginning of 2020" and "The Balance of Funds at the Beginning of 2020" were restated.</p> <p>Note 3: Prior to January 1, 2020, Diamond Aircrafts Industries GMBH, a subsidiary of Aircraft Industry, had borrowed funds from Wanfeng Group's subsidiary Aviation Industry of RMB 312.62 million, and the Aviation Industry had repaid the principal in August 2020. And interest of RMB 316.18 million. On December 31, 2020, the principal and interest have been fully repaid.</p> <p>Note 4: On April 16, 2020, Wanfeng Aircraft has lent RMB 72 million to Wanfeng Group. Wanfeng Group has repaid all outstanding balance and interest of RMB 73.51 million from April to August 2020.</p>								
<b>The reasons for the failure to repay the non-operating funds use as planned, the accountability situation and the explanation of the measures taken by the board of directors</b>	N/A								
<b>Disclosure index of CPA's special review opinions on funds used</b>	April 30, 2021								

**V. Explanation Given by the Board of Directors, Supervisory Committee, independent directors (if any) Regarding the "Non-standard Auditor's Report" Issued by the CPA Firm for the Reporting Period**

Applicable  Not applicable

**VI. Explanation on the changes in accounting policy, accounting estimates, and accounting methods as compared to the financial report for the prior year**

Applicable Not applicable

### New policy on revenue

In 2017, the Ministry of Finance promulgated the revised "Accounting Standards for Business Enterprises No. 14-Revenue" (Cai Kuai [2017] No. 22). The Company began accounting treatment in accordance with the newly revised standards from January 1, 2020. According to the convergence rules, the comparable period information will not be adjusted. The difference between the implementation of the new standards and the current standards on the first day will be retrospectively adjusted for retained earnings at the beginning of the reporting period.

The new revenue standard establishes a new revenue recognition model for standardizing revenue generated from contracts with customers. According to the new revenue standards, the method of revenue recognition should reflect the entity's transfer of goods or services to customers, and the amount of revenue should reflect the amount of consideration that the entity expects to be entitled to because of the transfer of these goods or services to customers. At the same time, the new revenue standard also regulates the judgments and estimates required for each step of revenue recognition. The Company only adjusts the cumulative impact of contracts that have not yet been completed on January 1, 2020. For contract changes that occurred before January 1, 2020, the Company adopts a simplified method to deal with the final results of all contracts based on contract changes, identify fulfilled and unfulfilled performance obligations, determine transaction prices, and apportion transaction prices between fulfilled and unfulfilled performance obligations.

### **VII. Explanation for retrospective restatement of major accounting errors during the reporting period**

Applicable Not applicable

During the reporting period, the Company had no major accounting error corrections requiring retrospective restatement.

### **VIII. Explanation for changes in scope of the consolidated financial statements as compared to the financial report for the prior year**

Applicable Not applicable

During the reporting period, the Company acquired 55% equity of Wanfeng Aircraft Industry Co., Ltd. for RMB 2,418.0750 million in cash. The equity transfer was completed on April 16, 2020. Wanfeng Aircraft Industry Co., Ltd. was added to the consolidated scope of the company's statements.

### **IX. Engagement and disengagement of the CPA firm**

## CPA firm engaged at present

<b>Name of the domestic CPA firm</b>	Ernst & Young Hua Ming LLP
<b>Remuneration of domestic accounting firms (in 10,000 RMB)</b>	443.8
<b>Consecutive years of the audit service provided by the domestic CPA firm</b>	18 years
<b>Name of the certified public accountants from the domestic CPA firm</b>	Yin Guowei, Zhou Hao
<b>Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm</b>	Yin Guowei (1 year), Zhou Hao (5 years)
<b>Name of overseas accounting firm (if any)</b>	Ernst & Young LLP Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
<b>Remuneration of overseas accounting firm (10,000 RMB) (if any)</b>	620.28
<b>Consecutive years of audit services of overseas accounting firms (if any)</b>	Ernst & Young LLP (8 years) Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (1 year)
<b>Name of the certified public accountant of the overseas accounting firm (if any)</b>	Elizabeth Maccabe Severin Eisl

Whether the CPA firm was changed in the current period

Yes  No

Engagement of internal control audit CPA firm, financial advisor or sponsor

Applicable  Not applicable

**X. Listing suspension and termination after disclosure of this annual report**

Applicable  Not applicable

**XI. Bankruptcy and Restructuring**

Applicable  Not applicable

No bankruptcy and restructuring happened during the reporting period.

**XII. Material Litigation and Arbitration**

Significant material litigation and arbitration

Applicable  Not applicable

No such case during the reporting period.

**XIII. Punishment and Rectification**

Applicable  Not applicable

No punishment and rectification during the reporting period

#### **XIV. The Integrity of the Company and Its Controlling Shareholders and Actual Controllers**

Applicable  Not applicable

#### **XV. The Implementation of an Equity Incentive Plan, Employee Stock Incentive Plan, or Other Incentive Plans**

Applicable  Not applicable

The Company held the first extraordinary 2018 general meeting of shareholders on January 29, 2018. The Company approved the "Company's Phase One Employee Stock Ownership Plan (Draft) and its summary" and related proposals, agreeing to implement the first phase employee's stock ownership plan. The duration of the first phase employee stock ownership plan is 24 months, starting from the date of approval of the Company's first extraordinary shareholders general meeting in 2018, i.e., from January 29, 2018 to January 28, 2020. The lock-up period is 12 months. The first phase employee stock ownership plan purchased 45,429,282 shares of Wanfeng Auto Wheel (002085) through centralized bidding in the secondary market trading system of the Shenzhen Stock Exchange, accounting for 2.08% of the Company's total share capital. The purchase has been completed within 6 months from the date of approval.

The Company approved the "Proposal on the Extension of the Company's Phase One Employee Stock Ownership Plan" on the first phase of employee stock ownership plan holders' meeting on November 20, 2019. On November 25, 2019, the Company held the sixth session of the board of directors meeting, during which the "Proposal on the Extension of the Company's Phase One Employee Stock Ownership Plan" was approved, agreeing to extend the duration of the Company's employee stock ownership plan for 12 months, that is, until January 28, 2021. During the extension period, the lock-up period will no longer be set. The employee stock ownership plan management committee can choose the opportunity to sell stocks according to the Company's stock price. If all the Company stocks held by the employee stock ownership plan are sold, the employee stock ownership plan can be terminated early.

As of the end of the reporting period, the first phase of the employee stock ownership plan has reduced its holdings by 44,200,782 shares. As of January 28, 2021, all the company stocks held by the first phase of the employee stock

ownership plan have been sold and the liquidation and distribution work has been completed.

## XVI. Significant Related-party Transaction

### 1. Significant related-party transactions arising from routine operation

√ Applicable □ Not applicable

Related Party	Relationship	Related Transaction Type	Related Transaction Content	Pricing Principles for Related Party Transactions	Related Transaction Price	Amount of Related Transaction (10,000 RMB)	Percentage in the Amount of Similar Transactions	Approved Transaction Quota (10,000 RMB)	Whether it Exceeds the Approved Quota	Settlement Method of Related Transaction	Available Market Prices for Similar Transactions	Disclosure Date	Disclosure Index
Xinchang Fangqi Investment Fund Association	Companies controlled by the same actual controller	Lease	House lease	Market price	N/A	42.5	1.88%	70	No	Transfer	N/A	26-Jun-20	The "Announcement on the Estimates of Daily Related Party Transactions in 2020" disclosed on cninfo.com.cn and Securities Times.

Shengzhou Hechuang Trading Co., Ltd.	Companies controlled by the same actual controller	Sale	Sale of molds	Market price	N/A	199.57	0.02%	8,480	No	Transfer	N/A		
Wanfeng Jinyuan Holding Group Co., Ltd	Companies controlled by the same actual controller	Lease	House lease	Market price	N/A	119.27	5.28%		No	Transfer	N/A		
Shengzhou Hechuang Trading Co., Ltd.	Companies controlled by the same actual controller	Purchase	purchase of molds and accessories	Market price	N/A	413.29	0.08%		No	Transfer	N/A		
Zhejiang Wanfeng Technology Development Co., Ltd.	Companies controlled by the same actual controller	Purchase	Purchase raw materials, equipment accessories	Market price	N/A	126.85	0.03%		No	Transfer	N/A		

Zhejiang Wanfeng Technology Development Co., Ltd.	Companies controlled by the same actual controller	Accept Service	Equipment maintenance service	Market price	N/A	96.45	73.36%		No	Transfer	N/A		
Zhejiang Wanfeng Technology Development Co., Ltd.	Companies controlled by the same actual controller	Purchase	machinery equipment	Market price	N/A	896.23	1.03%		No	Transfer	N/A		
Zhejiang Rifa Precision Machinery Co., Ltd.	Companies controlled by the same actual controller	Purchase	machinery equipment	Market price	N/A	33.25	0.01%		No	Transfer	N/A		
Zhejiang Rifa Precision Machinery Co., Ltd.	Companies controlled by controlling shareholders	purchase	raw materials and equipment accessories	Market price	N/A	0.68	0.00%	3,500	No	Transfer	N/A		



Zhejiang Wanfeng Precision Machinery Co., Ltd	Companies controlled by controlling shareholders	Provide Service	measurement repair service	Market price	N/A	5.19	0.85%		No	Transfer	N/A		
Zhejiang Rifa Precision Machinery Co., Ltd.	Companies controlled by controlling shareholders	Accept Service	equipment maintenance	Market price	N/A	39.14	29.77%		No	Transfer	N/A		
Zhejiang Wanfeng Precision Machinery Co., Ltd	Companies controlled by controlling shareholders	purchase	Equipment	Market price	N/A	312.48	0.36%		No	Transfer	N/A		
Zhejiang Wanfeng Precision Machinery Co., Ltd	Companies controlled by controlling shareholders	purchase	Equipment	Market price	N/A	86.73	0.10%		No	Transfer	N/A		

Wanfeng Group	parent company	accept service	internet and equipment maintenance service	Market price	N/A	367.84	18.81%		No	Transfer	N/A		
Wanfeng Aviation Industry Co., Ltd	Companies controlled by the same actual controller	purchase	aircraft and aviation equipment	Market price	N/A	451.32	0.09%		No	Transfer	N/A		
Wanfeng General Aviation Co., Ltd	Companies controlled by the same actual controller	Accept service	Flight chartering service	Market price	N/A	1,390.84	11.01%		No	Transfer	N/A		
Zhejiang Wanfeng Property Management Co., Ltd	Companies controlled by controlling shareholders	Accept service	Property management	Market price	N/A	371.77	27.10%	8,030	No	Transfer	N/A		

Wanfeng Aviation Industry Co., Ltd	Companies controlled by controlling shareholders	accept service	internet and equipment maintenance service	Market price	N/A	48.83	2.50%		No	Transfer	N/A		
Zhejiang Wanfeng General Aviation Co., Ltd	Companies controlled by the same actual controller	Accept service	Airport service	Market price	N/A	25.75	0.02%		No	Transfer	N/A		
Wanfeng General Aviation Co., Ltd	Companies controlled by the same actual controller	Accept service	Aircraft taking off and landing service	Market price	N/A	6.07	0.00%		No	Transfer	N/A		
Xinchang County Chitong Intelligent Equipment Co., Ltd	Companies controlled by controlling shareholders	Lease	House lease	Market price	N/A	460.84	20.40%		No	Transfer	N/A		

Zhejiang Wanfeng Industry Co., Ltd	Companies controlled by controlling shareholders	Lease	House, land lease	Market price	N/A	588.57	26.05%		No	Transfer	N/A		
Wanfeng Aviation Industry Co., Ltd	Companies controlled by controlling shareholders	Lease	House lease	Market price	N/A	192.95	8.54%		No	Transfer	N/A		
Zhejiang Wanfeng General Aviation Co., Ltd	Companies controlled by the same actual controller	Sale	Aircraft and aviation equipment	Market price	N/A	373.47	0.04%		No	Transfer	N/A		
Shanghai Wanfeng Aviation Club Co., Ltd	Companies controlled by the same actual controller	Lease	House lease	Market price	N/A	252.29	49.06%		No	Transfer	N/A		

Wanfeng General Aviation Co., Ltd	Companies controlled by controlling shareholders	Lease	Aircraft	Market price	N/A	8.85	100.00%		No	Transfer	N/A		
<b>Total</b>				--	--	6,911.02	--	20,080	--	--	--	--	--
<b>Details of returns of large sales</b>				None									
<b>The actual performance during the reporting period (if any) is estimated by category for the total amount of daily related transactions that will occur in the current period</b>				The related parties performed the purchase and sale business in accordance with the signed contract, and the execution of the contract met expectations.									
<b>Reasons for the large difference between the transaction price and the market reference price (if applicable)</b>				N/A									

## 2. Related-party transactions regarding purchase and disposal of assets or equity

√ Applicable □ Not applicable

Related Party	Relationship	Related Transaction Type	Description	Pricing Principles for Related Party Transactions	Book Value of Transferred Assets (10,000RMB)	Appraised Value of Transferred Assets (10,000 RMB)	Transfer Price (10,000 RMB)	Settlement Method of Related Transaction	Transaction Gains and Losses (10,000 RMB)	Disclosure Date	Disclosure Index
Wanfeng Aviation	Companies controlled by controlling shareholders	Equity acquisition	Acquire 55% equity of Aircraft Industry	Appraisal income method	330,098.72	488,500	241,807.50	Transfer	0	25-Feb-20	"Announcement on the Acquisition of 55% Equity and Related Transactions of Wanfeng Aircraft Industry Co., Ltd." disclosed in "Securities Times" and www.cninfo.com.cn
<b>Reasons for the large difference between the transfer price and the book value or appraised value (if any)</b>				According to the income method assessment, the value of all shareholders' equity of the Aircraft Industry on the assessment base date (September 30, 2019) is RMB 4,885 million, with an appreciation amount of RMB 1,584,112,800, and an appreciation rate of 47.99%. The evaluation is based on the Aircraft Industry's expected net income, which not only includes the income that can be generated by tangible assets, but also includes the intangible assets owned by the company (such as customer resources, technical assets, etc.). Therefore, the income method results in appreciation.							
<b>Impact on the Company's operating results and financial status</b>				The general aviation aircraft industry has broad prospects for downstream demand, with a relatively high market competitive position and good sustained profitability. At the same time, Wanfeng Aviation promises that the net profit attributable to the parent company after deducting non-recurring gains and losses from the consolidated statements realized by the Aircraft Industry in 2020, 2021, and 2022 shall not be less than 289.8 million yuan, 303.5 million yuan, and 366.6 million yuan, respectively. After the completion of this transaction, it will further enhance the business scale of the listed company and build new profit growth points, which will help increase the value of the listed company and bring better returns to the shareholders of the listed company.							
<b>If the relevant transaction involves performance agreement, the performance achieved during the reporting period</b>				In 2020, the Aircraft Industry realized net profit of 330.34 million yuan attributable to the parent company after deducting non-recurring gains and losses.							

### 3. Significant related-party transactions arising from joint investments on external parties

Applicable Not applicable

No such case in the reporting period.

#### 4. Related credit and debt transactions

Applicable  Not applicable

Whether there are non-operating related credit and debt transactions

Yes  No

Account receivable from related parties:

Related Party	Relationship	Reasons	Whether there is Non-operating Capital Occupation	Beginning Balance (10,000 RMB)	New Amount of the Current Period (10,000 RMB)	Amount Recovered in this Period (10,000 RMB)	Interest Rate	Interest of the Current Period (10,000 RMB)	Balance at the end of the Period (10,000 RMB)
Wanfeng Group (note 1)	Controlling shareholder	Lending	Yes	38,070	0	38,070	N/A	N/A	0
Shaoxing Jiajing Trading Co., Ltd. (note 2)	A legal person controlled by an associated natural person	Lending	Yes	15,000	0	15,000	N/A	N/A	0
Wanfeng Group (note 3)	Controlling shareholder	Lending	Yes	31,262	0	31,262	N/A	N/A	0
Aviation Industry (note 4)	Controlling shareholder's subsidiary	Lending	Yes	0	7,200	7,200	N/A	N/A	0
<b>The impact of related creditor's rights on the Company's operating results and financial status</b>	Note 1, Note 2: As of March 31, 2020, all non-operating funds occupied have been returned. With reference to the benchmark loan interest rate of 4.35%, the accumulative interest has been repaid RMB 12,973,600 based on the actual occupied time.								

	<p>Note 3, Note 4: In April 2020, the Company acquired 55% of the equity in the Aircraft Industry held by the Aviation Industry through a business combination under common control. The Company's audited financial statements for 2020 have consolidated Wanfeng Aircraft in accordance with the requirements of "Business Combinations Under Common Control" in the <i>Accounting Standards for Business Enterprises-Business Combinations</i> and restated the comparative data of the previous year. The capital occupation of the controlling shareholders and other related parties mentioned in Note 3. and Note 4 has been restated on the "Balance of Occupied Funds at the Beginning of 2020" and "The Balance of Funds at the Beginning of 2020" in accordance with the principle of business combination under common control.</p> <p>Note 3: Prior to January 1, 2020, Diamond Aircrafts Industries GMBH, a subsidiary of Aircraft Industry, had borrowed funds from Wanfeng Group's subsidiary Aviation Industry of RMB 312.62 million, and the Aviation Industry had repaid the principal in August 2020. And interest of RMB 316.18 million. On December 31, 2020, the principal and interest have been fully repaid.</p> <p>Note 4: From January to April of 2020, prior to business combination under common control, Wanfeng Aircraft has lent RMB 72 million to Wanfeng Group. Wanfeng Group has repaid all outstanding balance and interest of RMB 73.51 million from April to August 2020.</p>
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Account payable to related parties:

Related Party	Relationship	Reasons	Whether there is Non-operating Capital Occupation	Beginning Balance (10,000 RMB)	New Amount of the Current Period (10,000 RMB)	Amount Recovered in this Period (10,000 RMB)	Interest Rate	Interest of the Current Period (10,000R MB)	Balance at the end of the Period (10,000R MB)

## 5. Other significant related party transactions

Applicable Not applicable

No such case in the reporting period.

## XVII. Significant Contracts and Execution

### 1. Matters on trusteeship, contracting, and leasing

#### (1) Trusteeship

Applicable  Not applicable

No such case in the reporting period.

#### (2) Contracting

Applicable  Not applicable

No such case in the reporting period

#### (3) Leasing

Applicable  Not applicable

No such case in the reporting period

### 2. Significant guarantees

Applicable  Not applicable

#### (1) Guarantees

Unit: 10,000 RMB

External Guarantees from the Company and its Subsidiaries (Excluding Guarantees to the Subsidiaries)								
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Amount	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Wanfeng Group	2020-06-24	150,000	2020-11-19	52,199.2	Joint liability and several guarantee	2020-11-18 to 2024-12-31	No	Yes
<b>Total amount of external guarantee approved during the reporting period (A1)</b>		150,000		<b>Total actual amount of external guarantees during the reporting period (A2)</b>		52,199.2		
<b>The total amount of external guarantees approved at the end of the reporting period (A3)</b>		150,000		<b>Total balance of actual external guarantees at the end of the reporting period (A4)</b>		52,199.2		

Guaranteed Party	Announcement Date of Disclosure of the Guarantee Amount	Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Ningbo Orwell	24-June-20	4,000	2020.05.20	2,300	Joint liability and several guarantee	2020.4.8 - 2025.4.7	No	Yes
Ningbo Orwell	24-June-20	6,000	2020.05.29	5,500		2020.5.29 - 2021.5.28	No	Yes
Weihai Wanfeng	24-June-20	4,400	2020.02.28	4,000	Joint liability and several guarantee	2020.2.28 - 2021.2.27	No	Yes
Weihai Wanfeng	24-June-20	5,600	2019.05.10	3,000		2019.5.10 - 2022.5.10	No	Yes
Weihai Wanfeng	24-June-20	10,000	2018.11.01	5,000		2018.11.1 - 2021.10.31	No	Yes
Weihai Magnesium	24-June-20	5,000	2019.05.16	2,000	Joint liability and several guarantee	2019.5.16 - 2020.5.16	No	Yes
Weihai Magnesium	24-June-20	4,500	2020.06.04	3,500		2020.6.4 - 2021.6.4	No	Yes
Weihai Magnesium	24-June-20	20,000	2020.10.16	2,000		2020.10.16 - 2023.10.16	No	Yes
Jilin Wanfeng	24-June-20	25,500	2018.01.31	18,200	Joint liability and several guarantee	2018.1.31 - 2023.11.20	No	Yes
Jilin Wanfeng	24-June-20	12,000	2020.11.27	8,000		2020.11.27 - 2022.11.26	No	Yes
Jilin Wanfeng	24-June-20	10,000	2020.05.22	5,000		2020.05.22 - 2021.05.21	No	Yes
Jilin Wanfeng	24-June-20		2020.10.22	4,000		2020.10.22 - 2021.10.21	No	Yes
Jilin Wanfeng	24-June-20	8,000					Yes	Yes

Wanfeng Motorcycle Wheel	24-June-20	16,000			Joint liability and several guarantee		Yes	Yes
Wanfeng Motorcycle Wheel	24-June-20	48,500	2019.01.11	30,600		2019.1.11 - 2021.1.11	No	Yes
Wanfeng Motorcycle Wheel	24-June-20	15,000	2020.04.10	15,000		2020.4.10 - 2021.4.9	No	Yes
Wanfeng Motorcycle Wheel	24-June-20	5,000	2020.03.09	5,000		2020.3.9 - 2021.3.5	No	Yes
Wanfeng Motorcycle Wheel	24-June-20	5,000	2020.03.20	5,000		2020.3.20 - 2021.3.18	No	Yes
Wanfeng Motorcycle Wheel	24-June-20	10,000	2020.10.19	8,000		2020.10.19 - 2023.10.19	No	Yes
Wanfeng Motorcycle Wheel	24-June-20	5,000					Yes	Yes
India Wanfeng	24-June-20	21,000	2015.05.08	11,412	Joint liability and several guarantee	2015.5.8 - 2023.5.14	No	Yes
India Wanfeng	24-June-20						Yes	Yes
India Wanfeng	24-June-20	7,000					Yes	Yes
India Wanfeng	24-June-20	7,000	2020.02.18	2,669		2020.2.18 - 2025.2.18	No	Yes
Chongqing Wanfeng	24-June-20	10,000	2020.01.16	10,000	Joint liability and several guarantee	2020.1.16 - 2022.1.16	Yes	Yes
Chongqing Wanfeng	24-June-20	9,000						
Chongqing Wanfeng	24-June-20	5,680	2020.07.01	5,680		2020.7.1 - 2023.7.1	No	Yes
Shanghai Dacromet	24-June-20	2,500	2020.11.13	2,500	Joint liability and several guarantee	2020.11.13 - 2021.11.12	No	Yes
Shanghai Dacromet	24-June-20	8,000					Yes	Yes
Shanghai Dacromet	24-June-20	5,000					Yes	Yes
Meridian New Material	24-June-20	18,000	2017.06.23	8,227	Joint liability and several guarantee	2017.6.23 - 2023.12.25	No	Yes
Guangdong Motorcycle Wheel	24-June-20	15,000	2020.06.22	12,835	Joint liability and several guarantee	2020.6.22 - 2021.6.20	No	Yes

Ningbo Dacromet	24-June-20	2,000			Joint liability and several guarantee		Yes	Yes
Shangda Tu Fu	24-June-20	2,000			Joint liability and several guarantee		Yes	Yes
Wuxi Xiongwei	24-June-20	15,000	2020.12.02	10,000	Joint liability and several guarantee	2020.12.02 - 2021.03.23	No	Yes
Wuxi Xiongwei	24-June-20	10,000				Yes	Yes	
<b>Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)</b>				356,680	<b>Total Amount of Guarantees Towards Subsidiaries Actually Occurred during the Reporting Period (B2)</b>		110,984.18	
<b>Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)</b>				356,680	<b>Total Outstanding Guarantee Balance Towards Subsidiaries at the End of the Reporting Period (B4)</b>		189,423.04	
<b>Subsidiaries' Guarantees to Subsidiaries</b>								
<b>Guaranteed Party</b>	<b>Announcement Date of Disclosure of the Guarantee Amount</b>	<b>Guarantee Amount</b>	<b>Actual Occurrence Date</b>	<b>Actual Guarantee Amount</b>	<b>Type of Guarantee</b>	<b>Term of Guarantee</b>	<b>Due or Not</b>	<b>Guarantee for Related Parties or Not</b>
<b>The total amount of the Company's guarantees (the total of the above three items)</b>								

<b>Total Amount of Guarantees Approved during the Reporting Period (A1+B1+C1)</b>	506,680	<b>Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)</b>	163,183.38
<b>Total Amount of Guarantees Approved by the End of the Reporting Period (A3+B3+C3)</b>	506,680	<b>Total Outstanding Guarantees Balance at the End of the Reporting Period (A4+B4+C4)</b>	241,622.24
<b>Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the Company's Net Assets</b>		45.13%	
<b>Of which:</b>			
<b>The balance of guarantees provided for shareholders, actual controllers and their related parties (D)</b>			52,199.2
<b>Balance of Debt Guarantees Directly or Indirectly Offered to Guaranteed Objects with Asset-liability Ratio Exceeding 70% (E)</b>			0
<b>The amount of the total guarantee exceeding 50% of the net assets (F)</b>			112,881.43
<b>Total Amount of the Above Three Guarantees (D+E+F)</b>			165,080.63
<b>For unexpired guarantees, the guarantee liability has occurred during the reporting period or may bear joint liability for repayment (if any)</b>			none
<b>Instructions for providing external guarantees in violation of prescribed procedures (if any)</b>			none

Description of the specific circumstances of the use of composite guarantees

No

## (2) Non-compliance external guarantees

√Applicable □ Not applicable

Unit: 10,000 RMB

Guaranteed Party	Relationship with Listed Company	Amount of Non-compliance Guarantees	Percentage of the most Recent Audited Net Assets	Type of Guarantee	Term of Guarantee	Balance of Non-compliance Guarantees at the End of Reporting Period	Percentage of the most Recent Audited Net Assets	Expected Release Method	Estimated Release Amount	Estimated Release Time (Month)
Wanfeng Group	Controlling shareholder	31,350	5.10%	Pledge guarantee	2019.01.15-2020.01.15	0	0%	Released		Released
Wanfeng Group	Controlling shareholder	31,600	5.14%		2019.10.24-2020.10.23	0	0%	Released		Released
Wanfeng Group	Controlling shareholder	69,762	11.34%	Joint liability and several guarantee	2019.07.19-2024.07.18	0	0%	Released		Released
<b>Total</b>		132,712	21.58%			0	0%			

**3. Entrust others to manage cash assets****(1) Entrusted wealth management**√Applicable  Not applicable

Unit: 10,000 RMB

Specific types	Capital source	Amount	Balance before maturity	Overdue uncollected amount
Bank financial products	The Company's owned funds	267.44	0	0
<b>Total</b>		267.44	0	0

Specific situation of high-risk entrusted financial management with large single amount or low security, poor liquidity and without guarantee of principal.

 Applicable  Not applicable

Entrusted financial management expected to be unable to recover the principal or other situations that may lead to impairment.

 Applicable  Not applicable**(2) Entrusted loans** Applicable  Not applicable

No such case in the reporting period.

**4. Significant contracts in operation** Applicable  Not applicable**5. Other significant contracts** Applicable  Not applicable

No such case in the reporting period.

**XVIII. Social Responsibility****1. Fulfillment of social responsibilities**

The Company has always been adhering to the values of "eternal value enhancement and continuous dedication to society", and following the business philosophy of "green Wanfeng, digital Wanfeng, and credible Wanfeng". The Company aims to build the best-in-class enterprise leading in the industry with strong R&D capability, career development, and "Safety, Green, Health" practices. The Company will advance towards the vision of "becoming globally



recognized and long-standing enterprise”, and the goal of “being strong, reputable and sustainable”.

The Company strictly follows the *Company Law*, *Shenzhen Stock Exchange Listed Companies Stock Listing Rules*, *Shenzhen Stock Exchange Listed Companies Standard Operation Guidelines* and other relevant laws and regulations, continuously improves the corporate governance, optimizes the internal control system, and standardizes operations. The Company actively fulfills information disclosure obligations, holds performance briefings in accordance with regulations, and answers questions related to periodic reports and company operations within the scope of the rules. The Company actively maintains effective communication with investors, accepts institutional research and releases the "Investor Relations Activity Record Sheet" in a timely manner, and communicates with investors through various methods such as investor telephone calls, faxes, company websites, and investor relations interactive platforms, which has improved the Company's transparency and integrity.

With the responsibility and mission of "providing customers with high-quality products and satisfactory services", while continuously creating value for shareholders, the Company also actively assumes responsibilities to employees, customers, suppliers, society and other related parties, and adheres to the equal emphasis on economic, social and environmental benefits to achieve the Company's sustainable development.

The Company implements five major projects, including the "Caring Project, Democracy Project, Quality Project, Housing Project, and Health Project", strictly abides by *the Labor Law and Labor Contract Law*, establishes a care and rights protection organization, implements collective contracts, and protects the legal rights of employees in accordance with the law; improve the labor safety and health system, improve the labor environment, ensure the safety of employees, reduce the rate of work-related accidents, and ensure the physical and mental health of employees; conduct education and training and various recreational and sports activities to cultivate employee sentiment, created the corporate spirit of "efficiency, excellence, service, dedication", further enhance corporate cohesion, and build a harmonious win-win relationship between labor and capital; focus on the career development of employees, actively carry out employee training, encourage and support employees to participate in external training, and improve their comprehensive ability, provide more opportunities for employee development.

For shareholders, the Company improves corporate governance, strictly enforces the decisions of the shareholders meeting, accepts the supervision of the shareholders meeting, and discloses information according to law. While protecting the legitimate rights and interests of shareholders, the Company attaches importance to the return to shareholders. The Company has formulated a shareholder dividend return plan, implemented a relatively stable profit distribution plan, and provided investors with stable and reasonable returns on the premise of ensuring the Company's normal operation and long-

term development. For creditors, the Company formulates strict and feasible borrowing and repayment plans every year, and all due debts can be paid off in time, to establish a good corporate image for creditors and keep the debt financing channels open.

While pursuing economic benefits, the Company attaches great importance to environmental protection, energy conservation and consumption reduction, and regards building a green enterprise as an important part of its sustainable development strategy. The Company pays attention to social impact and social benefits to ensure that production activities meet the requirements of environmental management and reduce the impact on the environment. The environmental policy formulated by the Company is: focus on energy conservation and emission reduction, create a green environment, and build a happy home. On the one hand, comply with the laws, regulations and standards related to the ecological and environmental protection of the country (region) where it operates, and formulate and implement effective air, wastewater, waste management, and energy and water use goals, plans and measures , reduce the adverse impact on the environment; on the other hand, establish an effective information communication and consultation mechanism with the Company's internal and external stakeholders, and accept the supervision of investors and the public.

Adhering to the value of "eternally enhance value and continue to contribute to society", while the Company is growing, it actively contributes to the society. The Company focuses on four public welfare themes of "charitable donations, education, cultural and sports, community development ". After the outbreak of Covid-19, the Company immediately donated 1 million yuan to the Zhejiang Charity Federation. In the future, the Company will continue to take the initiative to assume social responsibility, support public welfare undertakings with its own actions, benefit the society, and make contributions to the construction of a harmonious and beautiful society contribution.

## **2. Fulfillment of the social responsibility of targeted poverty alleviation**

In the reporting year, the Company has not carried out targeted poverty alleviation work, and there is no follow-up targeted poverty alleviation plan for the time being.

## **3. Environmental protection**

Whether the Company or the Company's subsidiaries are critical pollutant enterprises disclosed by environmental protection authorities

Yes

Name of Company or subsidiary	Name of main pollutants and characteristic pollutants	Emission mode	Number of outlets	Distribution of emission outlets	Emission concentration	Emission standards	Total emissions	Approved total emission	Over standard emission
Wanfeng Auto Wheel	CODcr	After being treated by the sewage station, it will be discharged through nanotube	1	Inside the factory	86mg/l	GB8978-1996-level 3	13.59 ton	33.26 T/year	Reach the standard
Wanfeng Auto Wheel	Ammonia nitrogen	After being treated by the sewage station, it will be discharged through nanotube	1	Inside the factory	4.93mg/l	GB8978-1996-level 3	0.95 ton	3.33 T/year	Reach the standard
Wanfeng Auto Wheel	VOCs	After treatment, it is discharged through a 15-meter pipeline to high altitude	5	Inside the factory	17.8mg/m <sup>3</sup>	GB16297-1996-level 2	34.93 ton	83.03 T/year	Reach the standard
Wanfeng Auto Wheel	SO <sub>2</sub>	After treatment, it is discharged through a 15-meter pipeline to high altitude	3	Inside the factory	3 mg/m <sup>3</sup>	GB16297-1996-level 2	3.26 ton	16.5 T/ year	Reach the standard
Wanfeng Auto Wheel	Nox	After treatment, it is discharged through a 15-meter pipeline to high altitude	3	Inside the factory	1.34mg/m <sup>3</sup>	GB16297-1996-level 2	23.36 ton	75 T/year	Reach the standard
Wanfeng Motorcycle Wheel	CODcr	After being treated by the sewage station, it will be discharged through nanotube	2	Inside the factory	86mg/l	GB8978-1996-level 3	8.25 ton	24.62 T/ year	Reach the standard
Wanfeng Motorcycle Wheel	Ammonia nitrogen	After being treated by the sewage station, it will be discharged through nanotube	2	Inside the factory	4.93mg/l	GB8978-1996-level 3	0.825 ton	2.462 T/ year	Reach the standard
Wanfeng Motorcycle Wheel	VOCs	After treatment, it is discharged through a 15-meter pipeline to high altitude	6	Inside the factory	28.54mg/ m <sup>3</sup>	GB16297-1996-level 2	16.74 ton	164.94 T/ year	Reach the standard
Wanfeng Motorcycle Wheel	SO <sub>2</sub>	After treatment, it is discharged through a 15-meter pipeline to high altitude	7	Inside the factory	1.5mg/ m <sup>3</sup>	GB16297-1996-level 2	1.91 ton	13.32 T/ year	Reach the standard
Wanfeng Motorcycle Wheel	NO <sub>x</sub>	After treatment, it is discharged through a 15-meter pipeline to high altitude	7	Inside the factory	24mg/ m <sup>3</sup>	GB16297-1996-level 2	20.05 ton	63.2 T/ year	Reach the standard
Shanghai Dacromet	VOCs	After treatment, it is discharged through a 15-meter pipeline to high altitude	2	Inside the factory	32.7mg/m <sup>3</sup>	DB31/933-2015	/	/	Reach the standard

Weihai Wanfeng	CODcr	After being treated by the sewage station, it will be discharged through nanotube	1	Northwest corner of the factory	28mg/l	GB8978-1996-level 3	5.88 ton	6.22 T/year	Reach the standard
Weihai Wanfeng	Ammonia nitrogen	After being treated by the sewage station, it will be discharged through nanotube	1	Northwest corner of the factory	0.92 mg/l	GB8978-1996-level 3	0.59 ton	0.62 T/year	Reach the standard
Weihai Wanfeng	VOCs	After treatment, it is discharged through a 15-meter pipeline to high altitude	2	Inside the factory	2.25mg/m3	DB37/2801.5-2018	7.12 ton	9.295 T/year	Reach the standard
Weihai Wanfeng	NOx	After treatment, it is discharged through a 15-meter pipeline to high altitude	3	Inside the factory	148mg/m3	GB16297-1996-level 2; DB37/2376-2013	6.02 ton	6.134 T/year	Reach the standard
Weihai Wanfeng	SO2	After treatment, it is discharged through a 15-meter pipeline to high altitude	3	Inside the factory	7.5mg/m3	GB16297-1996-level 2; DB37/2376-2013	1.12 ton	1.87 T/year	Reach the standard
Jilin Wanfeng	SO2	After treatment, it is discharged through a 15-meter pipeline to high altitude	18	Inside the factory	9mg/ m3	GB16297-1996-level 2	5.1ton	16.3 T/year	Reach the standard
Jilin Wanfeng	NOx	After treatment, it is discharged through a 15-meter pipeline to high altitude	18	Inside the factory	31mg/ m3	GB16297-1996-level 2	15.7 ton	47.7 T/year	Reach the standard
Jilin Wanfeng	VOCs	After treatment, it is discharged through a 15-meter pipeline to high altitude	2	Inside the factory	12.56mg/ m3	GB16297-1996-level 2	48.2 ton	124.8 T/year	Reach the standard
Jilin Wanfeng	CODcr	After being treated by the sewage station, it will be discharged through nanotube	1	Inside the factory	110mg/L	GB8979-1996-level 3	18.2 ton	62 T/year	Reach the standard
Jilin Wanfeng	Ammonia nitrogen	After being treated by the sewage station, it will be discharged through nanotube	1	Inside the factory	2.05 mg/L	GB8979-1996-level 3	0.34 ton	0.9 T/year	Reach the standard
Weihai Magnesium	VOCs	After treatment, it is discharged through a 15-meter pipeline to high altitude	2	Inside the factory	4.4mg/l	DB37/2801.5-2018	1.6 ton	/	Reach the standard
Weihai Magnesium	NOx	After treatment, it is discharged through a 15-meter pipeline to high altitude	1	Inside the factory	20mg/l	GB16297-1996-level 2; DB37/2376-2013	0.86 ton	/	Reach the standard

Guangdong Motorcycle Wheel	VOCs	After treatment, it is discharged through a 15-meter pipeline to high altitude	2	Inside the factory	25.7mg/l	DB-44/816-2010-Second period	8.41 ton	26.68 T/year	Reach the standard
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### Construction and operation of pollution control facilities

The Company and its subsidiaries strictly adhere to the *Environmental Protection Law of the People's Republic of China*, *Water Pollution Prevention Law of the People's Republic of China*, *Air Pollution Prevention Law of the People's Republic of China*, *Environmental Noise Pollution Prevention Law of the People's Republic of China*, *Solid Waste Pollution Prevention Law of the People's Republic of China*, and other laws and regulations, actively adopting high-efficiency and environmentally-friendly new technologies to promote clean production in an all-round way and meet environmental protection requirements for all emission indicators.

#### (1) Wastewater treatment

The Company and its subsidiaries all have built sewage treatment stations. After pretreatment, all wastewater meets the national or local standards and discharged through nanotube.

#### (2) Waste gas treatment

Coating exhaust gas is purified and discharged through exhaust gas treatment device (zeolite runner concentration + RTO, dry filtration + activated carbon adsorption + catalytic combustion, etc.). The smelting exhaust gas is purified before discharge (bag dust removal, three-stage water shower, etc.). All emissions meet national or local regulations. At present, waste gas and wastewater treatment equipment are operating normally, and all pollutant indicators are within the specified standard range.

Shanghai Dacromet has established VOC adsorption, odor removal, and particulate matter spraying and dust removal. All three exhaust gas treatment facilities have passed the inspection and are in good operation. After the exhaust gas treatment, the emissions have reached the Shanghai air emission standard.

### (3) Solid waste treatment

In order to strengthen environmental management, raise awareness of environmental protection, and control the storage and disposal of hazardous waste, the Company supervises its subsidiaries to build standardized hazardous waste storage sites in strict accordance with the *Hazardous Waste Storage Pollution Control Standard*" (GB18597-2001), and entrust relevant qualified institutions to regulate the disposal. The relevant formalities are complete. As for general industrial solid wastes temporarily unused or unusable, our company set up storage sites or adopt harmless disposal measures.

### **Environmental Impact Assessment (EIA) of construction projects and other administrative permits for environmental protection**

The environmental impact assessment and acceptance of construction projects of the Company and its subsidiaries are declared and approved in accordance with relevant regulations, and the procedures and corresponding documents are complete.

### **Environmental Contingency Plan**

In accordance with the requirements of relevant regulations, the Company and its subsidiaries have prepared and filed "Contingency Plan for Sudden Environmental Incidents". Combined with the implementation of environmental emergency plans, the Company evaluates environmental risks, drafts plan and conducts drills annually.

### **Environmental self-monitoring program**

The Company and its subsidiaries are equipped with automatic wastewater monitors for 7\*24. The monitoring indicators, monitoring methods, implementation of emission standards and standard limits for pollutants have been clearly specified and strictly implemented. At the same time, a third-party testing agency is regularly entrusted to conduct wastewater and exhaust gas testing and issue testing reports annually.

Other environmental information that should be disclosed

Not applicable

Other environmental information

Not applicable

## **4. Fulfillment of the social responsibility of targeted poverty alleviation**

Not applicable

**XIX. Other Significant Events**

Applicable  Not applicable

There were no other significant issues that need to be explained during the current reporting period.

**XX. Significant Events of the Company's Subsidiaries**

Applicable  Not applicable

## Section VI: Changes in Shares and Information about Shareholders

## I. Changes in shares

## 1. Changes in shares

Unit: Share

	Before		Changes in the period (+, -)					After	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Subtotal	Shares	Ratio
<b>1. Shares with restriction</b>	73,144,170	3.34%				24,381,390	24,381,390	97,525,560	4.46%
1) Shares held by state									
2) Shares held by state-owned legal person									
3) Other domestic shares	73,144,170	3.34%				24,381,390	24,381,390	97,525,560	
Of which: Shares held by domestic legal person									
Shares held by domestic natural person	73,144,170	3.34%				24,381,390	24,381,390	97,525,560	



<b>4) Foreign shares</b>									
<b>Of which: Shares held by foreign legal person</b>									
<b>Shares held by foreign natural person</b>									
<b>2. Shares without restriction</b>	2,113,735,508	96.66%				-24,381,390	-24,381,390	2,089,354,118	95.54%
<b>1) RMB ordinary shares</b>	2,113,735,508	96.66%				-24,381,390	-24,381,390	2,089,354,118	95.54%
<b>2) Domestically listed foreign shares</b>									
<b>3) Overseas listed foreign shares</b>									
<b>4) Others</b>									
<b>3. Total</b>	2,186,879,678	100.00%						2,186,879,678	100.00%

Reason for the changes in share capital

Applicable  Not applicable

Approval for changes in share capital

Applicable  Not applicable

Transfer of shares

Applicable  Not applicable

Information about the implementation of share repurchase

Applicable  Not applicable

- 1) The Company held the 24th meeting of the sixth Board of Directors on December 25, 2018 and approved the "Proposal on the Repurchase of Company Shares". As of December 24, 2019, the Company share repurchase plan has expired. Accumulatively through the repurchase special securities account, 45,312,250 shares were repurchased through centralized auction trading, with a total transaction amount of 332,172,772.73 yuan. The Company's share repurchase plan has been implemented.
- 2) The Company held the 32nd meeting of the sixth Board of Directors on December 26, 2019 and approved the "Proposal on the Repurchase of Company Shares". As of December 25, 2020, the Company share repurchase plan has expired. Accumulatively through the repurchase special securities account, 35,501,808 shares were repurchased through a centralized bidding transaction, accounting for 1.62% of the company's total share capital, and the total transaction amount was 239,640,478.46 yuan. The Company's share repurchase plan has been implemented.
- 3) The Company held the sixth meeting of the seventh Board of Directors on December 30, 2020 and Approved the "Proposal on the Repurchase of Company Shares". The repurchase is to trade through the Shenzhen Stock Exchange with its own funds or self-raised funds through centralized bidding. The total amount of the repurchased shares is not less than RMB 100 million and not more than RMB 200 million. The repurchase price does not exceed RMB 11 per share (inclusive). The repurchase period is no more than 12 months from the date of approval of this repurchase plan by board of directors.

As of December 31, 2020, the Company's share repurchase plan has not yet been implemented. As of February 5, 2021, 33,958,100 shares were repurchased through a centralized bidding transaction through a special security repurchase account, accounting for 1.55% of the company's total share capital. The highest transaction price was RMB 6.91 per share and the lowest transaction price was RMB 5.25 per share, with a total transaction amount of 199,999,589.41 yuan. The Company's share repurchase plan has been implemented.

As of the disclosure date of this report, the Company has cumulatively repurchased 114,772,158 shares through centralized bidding transactions through special securities repurchase accounts, accounting for 5.25% of the company's total share capital, and the total transaction amount is 771,812,840.60 yuan.

The progress on reduction of re-purchase shares by means of centralized bidding

Applicable Not applicable

Effects of changes in share capital on the basic earnings per share (EPS), diluted EPS, net assets per share attributable to common shareholders of the Company, and other financial metrics over the last year and last period

Applicable  Not applicable

Other contents that the Company considers necessary or required by the security's regulatory authorities to disclose

Applicable  Not applicable

## 2. Changes in restricted shares

Applicable  Not applicable

Unit: Share

Name of shareholder	Opening balance of restricted shares	Vested in current period	Unlock shares in current period	Closing balance of restricted shares	Note for restricted shares	Date of unlocking
Ms. Chen Ailian	73,144,170	24,381,390	0	97,525,560	During the reporting period, Ms. Chen Ailian ceased to be a director of the Company, and all the shares she held became restricted shares.	Jan 2021
<b>Total</b>	73,144,170	24,381,390	0	97,525,560	--	--

## II. Issuance and Listing of Securities

### 1. Securities (exclude preferred share) issued during the reporting period

Applicable  Not applicable

### 2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

Applicable  Not applicable

### 3. Existent shares held by internal staff of the Company

Applicable  Not applicable

### III. Particulars about the shareholders and actual controller

#### 1. Total number of shareholders and their shareholdings

Unit: Share

<b>Total number of shareholders of common stocks at the end of the reporting period</b>	53,208	<b>Total number of shareholders of common stocks at previous month-end of this report's disclosure</b>	48,790	<b>Total number of shareholders of preferred stock with resumed voting right at the end of the reporting period</b>	0	<b>Total number of shareholders of preferred stock with resumed voting rights at previous month-end of this report's disclosure</b>	0
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Shareholding status of shareholders holding more than 5% or the top 10 shareholders.

Unit: Share

Name	Nature	Ownership	Quantity of stocks at the reporting period end	Quantity of restricted stocks held	Pledged or frozen stocks	
					Status	Quantity
Wanfeng Auto Holding Group	Domestic non-state-owned corporate	33.37%	729,697,747		Pledged	575,419,088
Aeon Life Insurance Company Limited – traditional insurance products	Other	6.28%	137,414,138			
Chen Ailian	Domestic natural person	4.46%	97,525,560	97,525,560	Pledged	79,380,000
Zhejiang Wanfeng Auto Wheel Co., Ltd - Dedicated Securities Account for Repurchase	Other	3.70%	80,814,058			
Shanghai Perseverance Asset Management L.L.P - Gaoyi Linshan No. 1 Yuanwang Fund	Other	2.03%	44,500,000			

Aeon Life Insurance Company Limited – participating insurance products		1.94%	42,329,493			
Shanghai Raas Blood Products Co. Ltd	Domestic non-state-owned corporate	1.83%	39,960,800			
Shaanxi Intl Trust-Shan Guo Tou- Jixiang Ruyi No.2 Targeted trust plan of assembled funds	Other	1.68%	36,700,000			
CCB Principal Asset Management- Industrial Bank- China Fortune Trust- China Fortune Trust-Huizhi Investments No.54 Structural trust plan of assembled funds	Other	1.67%	36,523,687			
Chang'An International Trust Co., Ltd. – Chang'An Trust-Chang'An Investment No.633 Securities Investments trust plan of assembled funds	Other	1.67%	36,420,000			
Explanation on the above-mentioned shareholders' affiliated relationship or concerted action	Among the above-mentioned top ten shareholders, Wanfeng Auto Holding Group holds 33.37% of the Company's shares and is the controlling shareholder. Ms. Ailian Chen holds 4.46% of the Company's shares and owns 39.6% of Wanfeng Auto Holding Group, therefore the actual controller of the Company. Among other shareholders, CCB Principal Asset Management- Industrial Bank- China Fortune Trust- China Fortune Trust · Huizhi Investments No.54 Structural Pooled Funds Trust Plan became a shareholder through private placement in 2015. Aeon Life Insurance Company Limited – traditional insurance products and Aeon Life Insurance Company Limited – participating insurance products are persons acting in concert. The Company is not made aware whether there is any affiliated relationship between the other shareholders or whether they are persons acting in concert.					
Explanation on the above-mentioned top ten shareholders that are engaged in margin trading business (if any)	Not applicable					

## Shareholding status of the top 10 non-restricted shareholders

Unit: Share

Name of Shareholder	Number of Common Shares Held without Restrictions at the End of the Reporting Period	Type of shares	
		Type	Amount
Wanfeng Auto Holding Group	729,697,747	RMB common stock	729,697,747
Aeon Life Insurance Company Limited – traditional insurance products	137,414,138	RMB common stock	137,414,138
Zhejiang Wanfeng Auto Wheel Co., Ltd - Dedicated Securities Account for Repurchase	80,814,058	RMB common stock	80,814,058
Shanghai Perseverance Asset Management L.L.P - Gaoyi Linshan No. 1 Yuanwang Fund	44,500,000	RMB common stock	44,500,000
Aeon Life Insurance Company Limited – participating insurance products	42,329,493	RMB common stock	42,329,493
Shanghai Raas Blood Products Co. Ltd	39,960,800	RMB common stock	39,960,800
Shaanxi Intl Trust-Shan Guo Tou- Jixiang Ruyi No.2 Targeted trust plan of assembled funds	36,700,000	RMB common stock	36,700,000
CCB Principal Asset Management- Industrial Bank- China Fortune Trust- China Fortune Trust-Huizhi Investments No.54 Structural trust plan of assembled funds	36,523,687	RMB common stock	36,523,687
Chang'An International Trust Co., Ltd. – Chang'An Trust- Chang'An Investment No.633 Securities Investments trust plan of assembled funds	36,420,000	RMB common stock	36,420,000
Chang'An International Trust Co., Ltd. – Chang'An Trust- Chang'An Investment No.669 Securities Investments trust plan of assembled funds	34,720,374	RMB common stock	34,720,374
<b>Explanation of Associated Relationship or Concerted Actions among Top Ten Common Shareholders without Trading Restrictions, and between Top Ten Common Shareholders without Trading Restrictions and Top Ten Common Shareholders</b>	Among the above-mentioned top ten shareholders, Wanfeng Auto Holding Group holds 33.37% of the Company's shares and is the controlling shareholder. Ms. Ailian Chen holds 4.46% of the Company's shares and owns 39.6% of Wanfeng Auto Holding Group, therefore the actual controller of the Company. Among other shareholders, CCB Principal Asset Management- Industrial Bank- China Fortune Trust- China Fortune		

	Trust · Huizhi Investments No.54 Structural Pooled Funds Trust Plan became a shareholder through private placement in 2015. Aeon Life Insurance Company Limited – traditional insurance products and Aeon Life Insurance Company Limited – participating insurance products are persons acting in concert. The Company is not made aware whether there is any affiliated relationship between the other shareholders or whether they are persons acting in concert.
<b>Explanation of Top Ten Common Shareholders' Participation in Securities Margin Trading (If Any) (Refer to Note 4)</b>	Not applicable

Any of the Company's top 10 common shareholders or top 10 non-restricted common shareholders conducted any agreed buy-back in the reporting period

Yes  No

No such cases during the current reporting period.

## 2. Particulars about controlling shareholder of the Company

Nature of the controlling shareholder: Natural person holding

Type of controlling shareholder: Legal person

Name	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
Wanfeng Auto Holding Group Co., Ltd.	Chen Ailian	4-Mar-98	91330624704501065X	Industrial investment; production and sales: automobile and motorcycle parts, machinery and electronic products; civil aircraft import and export; goods import and export; technology import and export.
<b>Shares held by the controlling shareholder in other listed companies through controlling or holding during the reporting period</b>			No	

Change of the controlling shareholder during the reporting period

Applicable  Not applicable

The Company's controlling shareholder has not changed during the reporting period.

### 3. Particulars about the Company's actual controller & concerted parties

Nature of the actual controller: Domestic natural person

Type of the actual controller: Natural person

Name	Relationship with the actual controller	Nationality	Whether he/she has obtained the right of residence in another country or region
Ms. Chen Ailian	Herself	China	No
Wu Liangding family (Mr. Wu Liangding and Mr. Wu Jie)	Themselves	China	No



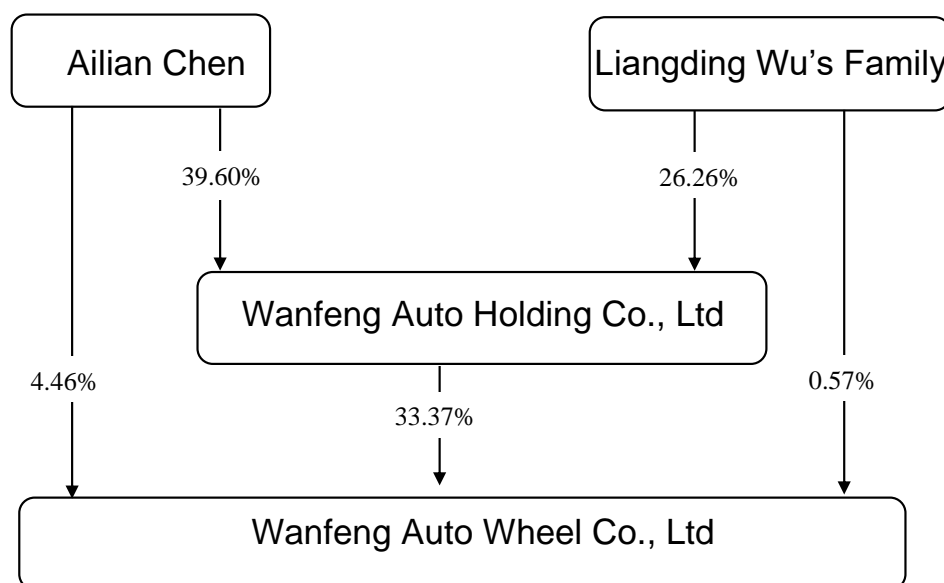
<p><b>Main occupation and position</b></p>	<p>Ms. Chen Ailian: Chinese nationality, no permanent residency abroad, born in January 1958, postgraduate degree, senior economics professional qualification; Chair of the Board of Directors of Wanfeng Auto Holding Group Co., Ltd. And Chair of Wanfeng Jinyuan Holding Group Co., Ltd.; successively won honors and titles of Chinese Business Master, National Outstanding Entrepreneur, National Outstanding Builder of Socialist Society with Chinese Characteristics, National “March 8<sup>th</sup>” Red Flag Bearer, “China’s Top Ten Outstanding Women”, “Zhejiang Merchants”, China’s most influential “Business Women Diamond Mulan”, “Hu Run Top 100 Richest Entrepreneurs”; elected as a representative of the 17<sup>th</sup> National Congress of the Communist Party of China, a representative of the 12<sup>th</sup> and 13<sup>th</sup> National People’s Congress, a member of the Non-Public Special Committee of the National Party Building Research Association, a party representative of the 11<sup>th</sup>, 12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup> of the Zhejiang Provincial Committee of the Communist Party of China; served as Vice President of China Enterprise Confederation, Vice President of Zhejiang Chamber of Commerce, Vice President of Zhejiang Federation of Industry and Commerce, President of Zhejiang Women Entrepreneurs Association, Secretary of Party Committee of Zhejiang Chamber of Commerce in Shanghai, etc.</p> <p>Mr. Wu Liangding: Chinese nationality, no permanent residency abroad, born in September 1946, senior economics professional qualification, “National Light Industry Labor Model”, founder of Zhejiang Zhongbao Industrial Holding Co., Ltd. And Zhejiang Rifa Holding Group Co., Ltd.</p> <p>Mr. Wu Jie: Chinese nationality, no permanent residency abroad, born in October 1967, Master Degree of Law, economist, currently Chair, CEO and President of Zhejiang Rifa Holding Group Co., Ltd., Chair of Zhejiang Rifa Precision Machinery Co., Ltd. He won the second prize of the National Science and Technology Progress Award, the National 863 Program CIMS Theme Work Advanced Worker, Zhejiang Outstanding Private Entrepreneur, the 3rd Zhejiang Youth Science and Technology Gold Award, Shaoxing City Youth Construction Hero, the third prize of Zhejiang Textile Industry Science, and Technology Progress Award. He is the Vice-Chair of Zhejiang Private Economic Research Association, Standing Director of China Economic Development Forum, Standing Director of Zhejiang Enterprise Confederation 5th Standing Director, 7th Shaoxing Municipal People's Congress, and many others honorary titles.</p>
<p><b>Domestic and foreign listed companies controlled in the past 10 years</b></p>	<p>Ms. Chen Ailian, Mr. Wu Liangding and Mr. Wu Jie are the actual controllers of Rifa Precision Machinery (002520.SZ).</p> <p>Ms. Chen Ailian is one of the actual controllers of Changchun Jingkai (600215.SH).</p>

Change of the actual controller during the reporting period

Applicable  Not applicable

No such change during the reporting period.

The ownership and controlling relationship between the actual controller and the Company is detailed as follows:



The actual controller controls the Company via trust or other ways of asset management

Applicable  Not applicable

**4. Particulars about other corporate shareholders with shareholding proportion over 10%**

Applicable  Not applicable

**5. Particulars on shareholding reduction restrictions for the controlling shareholders, actual controller, restructurer or other committing parties**

Applicable  Not applicable

## **Section VII: Information of Preferred Shares**

Applicable  Not applicable

No existing preferred shares for the Company during the current reporting period.

### **Section VIII: Information about Convertible Bonds**

Applicable  Not applicable

No existed Convertible bonds for the Company during the current reporting period.

## Section IX: Information about Directors, Supervisors, Senior Management

### I. Shareholding Changes of Directors, Supervisors, Senior Management

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (Shares)	Shares decreased during the Period (Shares)	Other changes (Shares)	Shares held at the end of the Period (Shares)
Chen Ailian	Director	Resigned	Female	63	2017.02.28	2020.06.08	97,525,560	0	0	0	97,525,560
Chen Bin	Chair	Incumbent	Male	41	2019.03.25	2023.06.07					
Chen Hanxia	Director	Incumbent	Female	50	2020.06.08	2023.06.07					
Dong Ruiping	Director General Manager	Incumbent	Male	50	2017.02.28	2023.06.07					
Li Yun	Director	Incumbent	Male	43	2017.02.28	2023.06.07					
Wu Xingzhong	Director	Incumbent	Male	52	2020.06.08	2023.06.07					
Zhang Yinfeng	Deputy General Manager, Director, Secretary to Board of Directors	Incumbent	Female	47	2020.06.08	2023.06.07					
Bu Yong	Director	Resigned	Male	50	2017.02.28	2020.06.08					

He Qiongwen	Director	Incumbent	Female	48	2020.06.08	2023.06.07					
Yang Haifeng	Independent Director	Resigned	Male	50	2017.02.28	2020.06.08					
Chu Minhong	Independent Director	Incumbent	Male	45	2017.02.28	2023.06.07					
Wang Xiao	Independent Director	Resigned	Male	45	2017.02.28	2020.06.08					
Xie Tao	Independent Director	Incumbent	Male	57	2020.06.08	2023.06.07					
Guan Zheng	Independent Director	Incumbent	Male	47	2020.06.08	2023.06.07					
Yang Huihui	Chair of Board of Supervisors	Resigned	Female	52	2017.02.28	2020.06.08					
Xu Zhenyu	Chair of Board of Supervisors	Resigned	Male	42	2020.06.08	2020.08.16					
Xu Zhiliang	Chair of Board of Supervisors	Incumbent	Male	50	2020.06.08	2023.06.07					
Yu Guangyao	Supervisor	Incumbent	Male	49	2017.02.28	2023.06.07					
Tong Shengkun	Supervisor	Incumbent	Male	50	2017.02.28	2023.06.07					
Yu Tingting	Supervisor	Resigned	Female	41	2017.05.22	2020.06.08					
Hu Xingxing	Supervisor	Incumbent	Female	34	2020.09.07	2023.06.07					
Chen Weidong	Supervisor	Incumbent	Male	44	2020.06.08	2023.06.07					
Yang Huasheng	Deputy General Manager	Incumbent	Male	50	2019.01.10	2023.06.07					

Wu Shaoying	Deputy General Manager	Incumbent	Male	46	2017.05.22	2023.06.07					
Chen Shanfu	CFO	Incumbent	Male	45	2017.02.28	2023.06.07					
<b>Total</b>	--	--	--	--	--	--	97,525,560	0	0	0	97,525,560

## II. Changes of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Chen Ailian	Director	Leave the position when term of office expires	2020.06.08	--
Zhang Yinfeng	Director	Leave the position when term of office expires	2020.06.08	--
Bu Yong	Director	Leave the position when term of office expires	2020.06.08	--
Yang Haifeng	Independent Director	Leave the position when term of office expires	2020.06.08	--
Wang Xiao	Independent Director	Leave the position when term of office expires	2020.06.08	--
Yang Huihui	Chair of Board of Supervisors	Leave the position when term of office expires	2020.06.08	--
Xu Zhenyu	Chair of Board of Supervisors	Resigned	2020.08.16	Passed away on 2020.08.16
Yu Tingting	Supervisor	Leave the position when term of office expires	2020.06.08	--

### III. Positions and Incumbency

Professional background, work experience and main responsibilities of the Company's current directors, supervisors, and senior management personnel.

- 1. Mr. Chen Bin:** Male, born in 1979, MBA, University of Hull. He is the Chair of Zhejiang Wanfeng Auto Wheel Co., Ltd., Director and President of Wanfeng Auto Holding Group, Chair of Wanfeng Aviation Industry Co., Ltd., Chair of Wanfeng Aircraft Industry Co., Ltd. He has successively won the awards and honors of "Chinese Master of Business Management", "Chinese Senior Economist", "Person of Year, Zhejiang Provincial Economy", "Provincial Outstanding Entrepreneur", "Provincial Outstanding Youth", "Provincial Top Ten Rising Star Zhejiang Entrepreneurs Award", "Provincial Top Ten Innovative Zhejiang Entrepreneurs", "Provincial New Zhejiang Entrepreneurs", "Provincial New Generation Entrepreneur", "Provincial Youth Entrepreneurship Award", Zhejiang "Ten Thousand Talents Program" talents etc. He was elected as the representative of the 12th and 13th People's Congress of Jilin Province, member of the 7th and 8th Standing Committee of the Shaoxing City of the CPPCC, and served as the Chair of the Wheel Committee of the China Automobile Manufacturers Association, the first Chair of the Zhejiang General Aviation Industry Association (Alliance), and the vice-Chair of the Zhejiang New Generation Entrepreneurs Association.
- 2. Mr. Dong Ruiping:** Male, born in July 1970, EMBA of Fudan University, senior economics professional qualification. He is the Director and General Manager of Zhejiang Wanfeng Auto Wheel Co., Ltd., Chair of Weihai Wanfeng Auto Wheel Co., Ltd., Chair of Zhejiang Wanfeng Motorcycle Wheel Co., Ltd., Chair of Shanghai Fengtu Automobile Technology Co., Ltd., Chair of Chongqing Wanfeng Auto Aluminum Wheel Co., Ltd., Director of Wanfeng Auto Holding Group Co., Ltd.; Concurrently served as a representative of the Xinchang County People's Congress of Shaoxing City; Won the Top Ten Outstanding Youth of Weihai City and the Top Ten Outstanding Professional Managers of Zhejiang Province in 2018; He used to be the general manager and deputy general manager of Weihai Wanfeng Auto Wheel Co., Ltd.
- 3. Mr. Li Yun:** Male, born in September 1977, EMBA of Fudan University. He is the Director of Zhejiang Wanfeng Auto Wheel Co., Ltd., Director of Ningbo Aoweier Wheel Co., Ltd., and General Manager of Jilin Wanfeng Auto Wheel Co., Ltd. He used to be the general manager of Jilin Wanfeng Auto Wheel Co., Ltd, general manager of Ningbo Aoweier Wheel Co., Ltd., the director of the president office of Wanfeng Auto Holding Group Co., Ltd., the Office Director, Party Group Member, and Office Director of the Xinchang County Chengdong New District Management Committee, and the Deputy Mayor of Shaxi Town Government of Xinchang County.



- 4. Mr. Wu Xingzhong:** Male, born in October 1968, university graduate, senior engineer. He is the Director of Zhejiang Wanfeng Auto Wheel Co., Ltd., and the General Manager of Wuxi Xiongwei Precision Technology Co., Ltd. He used to be the Director of the technology center of Wanfeng Auto Holding Group, the General Manager of the coating department of Zhejiang Wanfeng Technology Development Co., Ltd., and the Assistant General Manager and Deputy General Manager (in charge of marketing) of Zhejiang Wanfeng Auto Wheel Co., Ltd.
- 5. Ms. Chen Hanxia:** Female, born in September 1971, EMBA student. She is the Director of Zhejiang Wanfeng Auto Wheel Co., Ltd., the Director and Vice president of Wanfeng Auto Holding Group Co., Ltd. She used to be the Chief Financial Officer Assistant and Deputy Chief Financial Officer of Wanfeng Auto Holding Group Co., Ltd., and the Financial Manager of Zhejiang Wanfeng Auto Wheel Co., Ltd.
- 6. Ms. He Qiongwen:** Female, born in October 1972, Master Degree in Real Estate Finance, University of Cambridge. She is Director of Zhejiang Wanfeng Auto Wheel Co., Ltd., the Deputy General Manager of Aeon Life Insurance Asset Management Co., Ltd. She successively held relevant management and investment positions in Ping An Insurance Company and Xinhua Asset Management Co., Ltd. She joined Aeon Life Insurance Co., Ltd. in May 2011, and successively served as Deputy General Manager of the investment department and Deputy General Manager of the asset management center of Aeon Life Insurance Co., Ltd.
- 7. Mr. Chu Minhong:** Male, born in June 1975, master's degree. He is the Independent Director of Zhejiang Wanfeng Auto Wheel Co., Ltd., Vice President, Secretary of the Board and Chief Financial Officer of Shanghai Plite Composite Materials Co., Ltd. He used to serve as Executive Director of Shenwan Hongyuan Securities Underwriting Sponsor Co., Ltd.
- 8. Mr. Xie Tao:** born in August 1963, bachelor's degree, member of ACCA, Singapore nationality. He is the Independent Director of Zhejiang Wanfeng Auto Wheel Co., Ltd., an Independent Director of China Yuchai International Limited and an Independent Director of Bull Group Co., Ltd. He used to be a former partner of PricewaterhouseCoopers, CEO of Agria Corporation, partner of Ernst & Young, partner of Housheng Investment Fund, CEO of Hunan Dakang International Agri-Food Co., Ltd.
- 9. Mr. Guan Zheng:** Male, born in December 1973, MBA of Oxford University, Chair of Invest industrial Asia, Former Chair of Deutsche Bank North Asia, Managing Director Edmund Rothschild.

- 10. Mr. Xu Zhiliang:** Male, born in March 1971, undergraduate, Chair of Board of Supervisors of Zhejiang Wanfeng Auto Wheel Co., Ltd. Director and Deputy Secretary of the party committee, and Director of the president's office of Wanfeng Auto Holding Group Co., Ltd., Zhejiang General Aviation Industry Association ( Alliance) Deputy Secretary-General, member of the 10th Xinchang County Committee of the Chinese People's Political Consultative Conference, and the 13th Party Representative of Xinchang County of the Communist Party of China; formerly Deputy Director, Organization Section Chief, Director of the Office, Member of the Departmental Conference of Shaoxing Yuecheng District Organization Department Office, Xinjiang Deputy principal of Yutian No. 2 Middle School in Hetian District (Aid Xinjiang), and vice-principal of Gaobu Town Middle School in Yuecheng District, Shaoxing City.
- 11. Mr. Chen Weidong:** Male, born in December 1976, bachelor's degree, statistician, International Certified Internal Auditor. He is the supervisor, manager of the audit department of Zhejiang Wanfeng Auto Wheel Co., Ltd., and once served in the marketing department, assistant of comprehensive statistics, manufacturing manager Assistant of Weihai Wanfeng Auto Wheel Co., Ltd, audit manager of Wanfeng Holding Group Co., Ltd. He has won the recognition from provincial and departmental level and prefecture (city) level once each.
- 12. Mr. Tong Shengkun:** Male, born in August 1970, university degree, Supervisor and Chief Engineer of Zhejiang Wanfeng Auto Wheel Co., Ltd. He has presided over the development of more than 1,600 aluminum wheels, passed 22 provincial new product appraisals, and is responsible for the implementation of 2 national innovation projects and 3 provincial innovation projects. 2 national standards and 2 industry standards have been formulated and released. He is the Company's technical expert talent and has received the following honors: "The Top Ten Best New Xinchang People in 2005", "The Seventh Batch of Top-notch Professional and Technical Talents in Xinchang County in 2007", the third-level training personnel of the "New Century 151 Talent Project" in Zhejiang Province in 2007, the Top Ten Enterprises Innovative Talents in Xinchang County in 2009, Excellent Enterprise Manager of Zhejiang Machinery Industry in 2016, Chief Engineer of Outstanding Project of China Transportation Association in 2019
- 13. Mr. Yu Guangyao:** Male, born in October 1971, college degree, Supervisor of Zhejiang Wanfeng Auto Wheel Co., Ltd., and Manager of safety and environmental protection department. He used to serve as Director of General Manager Office and Chair of Labor Union, Manager of Internal Affairs Department of Manufacturing Center, Manager of Outsourcing Department, Factory Director of Zhejiang Wanfeng Auto Wheel., Ltd., Director of Party Committee Office, Head of Discipline Inspection and Supervision Department of Wanfeng Auto Holding Group Co., Ltd. He has

received the following honors: Excellent Trade Union Worker of Xinchang County Federation of Trade Unions in 2002, Outstanding Trade Union Worker of Xinchang County Federation of Trade Unions in 2005, Active Worker of Shaoxing City Trade Union in 2011, Outstanding Individual Production Safety of Xinchang County in 2020.

- 14. Hu Xingxing:** Female, born in January 1987, bachelor's degree, Supervisor of Zhejiang Wanfeng Auto Wheel Co., Ltd., a supervisor of Wanfeng Auto Holding Group Co., Ltd., and deputy director of the Legal Affairs Center; formerly, she has served as the head of the Risk Management and Control Department of the Legal Center, Chief of the Compliance Management Department, Deputy Head of Risk Management and Control Department of Wanfeng Auto Holding Group Co., Ltd.,
- 15. Ms. Zhang Yinfeng:** Female, born in February 1974, bachelor degree, Deputy General Manager and Secretary of the Board of Directors of Zhejiang Wanfeng Auto Wheel Co., Ltd., Secretary of the Board of Directors of Weihai Wanfeng Auto Wheel Co., Ltd., Secretary of the Board of Directors of Ningbo Wanfeng Aoweier Wheel Co., Ltd., Secretary of the Board of Directors of Weihai Wanfeng Magnesium Technology Development Co., Ltd., Secretary of the Board of Directors of Jilin Wanfeng Auto Wheel Co., Ltd., Secretary of the Board of Directors of Chongqing Wanfeng Auto Aluminum Wheel Co., Ltd., Secretary of the Board of Directors of Zhejiang Wanfeng Motorcycle Wheel Co., Ltd., Secretary of the Board of Directors of Shanghai Dacromet Coating Industry Co., Ltd; She used to serve as Securities Affairs Representative of Zhejiang Wanfeng Auto Wheel Co., Ltd., and Assistant General Manager of Zhejiang Wanfeng Technology Development Co., Ltd.
- 16. Mr. Wu Shaoying:** Male, born in November 1974, college degree, Deputy General Manager of Zhejiang Wanfeng Auto Wheel Co., Ltd. in charge of production. He used to be the Supervisor, the Director of the third plant and Manager of the manufacturing department of Zhejiang Wanfeng Auto Wheel Co., Ltd., Deputy General Manager and General Manager of Ningbo Aoweier Wheel Co., Ltd., and Deputy General Manager of Jilin Wanfeng Auto Wheel Co., Ltd.
- 17. Mr. Yang Huasheng:** Male, born in August 1970, master's degree, Deputy General Manager of Zhejiang Wanfeng Auto Wheel Co., Ltd. He used to be the General Manager Assistant, the Manager of the first international department, the Manager of the OEM department, the Deputy Manager of the second marketing center of Zhejiang Wanfeng Auto Wheel Co., Ltd., and the Business Director of the German SCHOTT Group.

**18. Mr. Chen Shanfu:** Male, born in April 1976, university degree, professional talent in corporate management. He is the CFO of Zhejiang Wanfeng Auto Wheel Co., Ltd., He used to be the Financial Manager of Shanghai Wanfeng Aluminum and Chongqing Wanfeng Motorcycle Wheel Co., Ltd, and the Director of capital management and the Deputy Financial Director of Wanfeng Auto Holding Group Co., Ltd.

Position held in shareholders' entities

Applicable  Not applicable

Name	Shareholder's entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Chen Bin	Wanfeng Auto Holding Group Co., Ltd.	President, Director	6-Feb-15		No
Chen Hanxia	Wanfeng Auto Holding Group Co., Ltd.	Vice President	1-Jan-17		Yes
He Qiongwen	Aeon Life Insurance Asset Management Co., Ltd.	Deputy General Manager	1-Jan-17		Yes
Xu Zhiliang	Wanfeng Auto Holding Group Co., Ltd.	Director	26-Jul-18		Yes
Dong Ruiping	Wanfeng Auto Holding Group Co., Ltd.	Director	26-Jul-18		No
Hu Xingxing	Wanfeng Auto Holding Group Co., Ltd.	Supervisor	29-Sept-20		Yes
<b>Description of the position in shareholders' entities</b>		N/A			

Positions held in other entities

Applicable  Not applicable

Name	Name of other entities	Position in other entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Chu Minhong	Shanghai Plite Composite Materials Co., Ltd.	Vice President, Chief Financial Officer and Secretary of the Board of Directors	26-Feb-16		Yes
Xie Tao	China Yuchai International Limited	Independent Director	1-Apr-19		Yes
Xie Tao	Bull Group Co., Ltd.	Independent Director	23-Dec-17		Yes
Guan Zheng	Investindustrial	Chair of Asia Region	1-Mar-20		Yes
<b>Description of the position in other entities</b>	N/A				

Incumbent and resigned directors, supervisors and senior management personnel during the reporting period that have been imposed administrative penalties by the CSRC during the last three years.

Applicable  Not applicable

#### IV. Remuneration of Directors, Supervisors, and Senior Management

Decision-making procedures, determination basis, and actual payment of directors, supervisors, and senior executives' remuneration

Decision-making procedures for the remuneration of directors, supervisors, and senior executives	The work group under Remuneration Committee proposes data and calculation basis, and the Committee puts forward a salary appraisal plan. This remuneration plan of directors and supervisors will be approved by the Board of directors and implement after the general meeting of shareholders. The remuneration plan for senior management will be approved by the board of directors. Directors, supervisors, and senior management submit reports and self-assessments of the annual appraisal, and the Committee conducts appraisal based on the standards and completed performance (performance indicators are subject to external audit data), the appraisal results are submitted to the Board of Directors for approval by procedures.
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The basis for determining the remuneration of directors, supervisors, and senior managers	Remuneration is determined based on job responsibilities of directors and supervisors, the scope of the position, the Company's profit growth, and the remuneration level of comparable companies. The monthly salary is assessed by the Company's human resources department, and the Company's actual completion indicators (subject to the external audit data) will be evaluated in accordance with the standards. The actual annual salary will be determined after the evaluation results are submitted for approval in accordance with regulations.
Actual payment of remuneration for directors, supervisors, and senior executives	During the reporting period, a total of RMB 8,555,300 paid to directors, supervisors, and senior management..

## Remuneration of directors, supervisors, and senior management personnel

Unit: 10,000 RMB

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company	Remuneration from related parties (Y/N)
Chen Ailian	Director	Female	63	Resigned		Yes
Chen Bin	Chair	Male	41	Incumbent	346.03	
Chen Hanxia	Director	Female	50	Incumbent		Yes
Dong Ruiping	Director General Manager	Male	50	Incumbent	75.03	
Li Yun	Director	Male	43	Incumbent	63.96	
Wu Xingzhong	Director	Male	52	Incumbent	68.67	
Zhang Yinfeng	Deputy General Manager Director, Secretary to Board of Directors	Female	47	Incumbent	44.34	
Bu Yong	Director	Male	50	Resigned		
He Qiongwen	Director	Female	48	Incumbent		Yes
Yang Haifeng	Independent Director	Male	50	Resigned	5	
Chu Minhong	Independent Director	Male	45	Incumbent	6	
Wang Xiao	Independent Director	Male	45	Resigned	3	
Xie Tao	Independent Director	Male	57	Incumbent	5	
Guan Zheng	Independent Director	Male	47	Incumbent	3	

Yang Huihui	Chair of Board of Supervisors	Female	52	Resigned		
Xu Zhenyu	Chair of Board of Supervisors	Male	42	Resigned		
Xu Zhiliang	Chair of Board of Supervisors	Male	50	Incumbent		Yes
Yu Guangyao	Supervisor	Male	49	Incumbent	30.6	
Tong Shengkun	Supervisor	Male	50	Incumbent	53.45	
Yu Tingting	Supervisor	Female	41	Resigned	7.25	
Hu Xingxing	Supervisor	Female	34	Incumbent		Yes
Chen Weidong	Supervisor	Male	44	Incumbent	9.01	
Yang Huasheng	Deputy General Manager	Male	50	Incumbent	48.48	
Wu Shaoying	Deputy General Manager	Male	46	Incumbent	53.43	
Chen Shanfu	CFO	Male	45	Incumbent	33.28	
<b>Total</b>	--	--	--	--	855.53	

Share incentives for directors, supervisors and senior executives in the Reporting Period

Applicable  Not applicable

## V. Company's Employee

### 1. Statistics of employees, professional structure of the staff, and educational background

Number of incumbent employees in the parent company	1,487
Number of incumbent employees in major subsidiaries	10,319
Number of incumbent employees	11,806
Number of employees receiving salaries in current period	11,806
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	0
<b>Professional structure</b>	
<b>Tier</b>	<b>Number of employees</b>
Production staff	8,827
Sales staff	172
Technical staff	1,576
Financial staff	135

<b>Administrative Staff</b>	1,096
<b>Total</b>	11,806
<b>Educational background</b>	
<b>Education background</b>	<b>Number of employees</b>
Master and/or doctor/or above	159
Bachelor	1,143
College	2,206
High school and below	8,298
<b>Total</b>	11,806

## 2 . Staff remuneration policy

The salary includes basic salary, performance bonus, overtime salary, other bonuses and deductions, seniority allowance, and other benefits. The wage of production personnel is determined according to the piece rate, qualification rate, seniority allowance, skill allowance, and other relevant indicators. The salaries of sales staff consist of basic salary, performance bonus, overtime salary, bonuses and deductions, seniority subsidies, and benefits. Their performance salary is related to indicators such as sales completion rate, return completion rate, gross profit margin, and accounts receivable management. Administrative staff salaries are assessed according to the key performance indicators specified for different job functions.

## 3 . Staff training plans

To improve the overall quality and work efficiency of employees, the Company's human resources department prepare a training plan for the next year, which will include training content, schedule, participants, training methods, cost, etc. The training plan includes policies and cultural training, employee skills training, professional technical training, manager quality training, executive training, etc.

## 4 . Labor outsourcing

Applicable  Not applicable



## **Section X: Corporate Governance**

### **I. Corporate Governance Overview**

During the reporting period, the Company strictly followed the requirements of the *Company Law*, *Securities Law* and relevant laws and regulations of the China Securities Regulatory Commission to continuously improve the corporate governance of the Company and establish and improve internal management and control systems. As of the end of the reporting period, the Company's operations, information disclosure practices, and the actual status of corporate governance basically met the requirements of the regulatory documents on listed company governance issued by the China Securities Regulatory Commission. In the future work, the Company will continue to improve the corporate governance structure of the Company in accordance with relevant laws and regulations and the requirements of the Shenzhen Stock Exchange, further standardize the operation of the company, and improve the level of corporate governance.

#### **1. About shareholders and general meeting of shareholders**

The Company convenes a general meeting of shareholders in strict accordance with the Articles of Association and Rules of Procedure of the General Meeting of Shareholders to ensure that all shareholders, especially small and medium shareholders, enjoy equal status and fully exercise their rights.

#### **2. About the Company and its controlling shareholders**

The Company has independent businesses and autonomous operating capabilities, separate from controlling shareholder in terms of business, personnel, assets, organizations, and finances. The controlling shareholder of the Company strictly regulates their own behavior and does not directly or indirectly interfere with the Company's decision-making and business activities beyond the Company's general meeting of shareholders. The Company's board of directors, board of supervisors and internal units operate independently.

#### **3. About directors and the board of directors**

The Company elects directors in strict accordance with the selection and appointment procedures stipulated in the Articles of Incorporation; the Company currently has 3 independent directors, accounting for one third of all directors. The number and composition of the board of directors comply with the requirements of laws and regulations and the Articles of Association. All directors of the Company carry out their duty in accordance with the Rules of Procedure of the Board of Directors, Guidance Note on Independent Directors, Conduct Code of Directors of Listed Companies in the SME Board, attend the board meetings and general meeting of shareholders on time, actively participate in relevant knowledge training, and are familiar with relevant laws and regulations.

#### **4. About the supervisors and the board of supervisors**

The Company's board of supervisors has 5 supervisors, including 2 employee representatives. The number and composition of the board of supervisors meet the requirements of relevant laws and regulations; the board of supervisors convenes meetings in strict accordance with the Articles of Association and Rules of Procedures for the Board of Supervisors; Supervisors can earnestly perform their duties and effectively supervise the Company's major investment and financing decisions, financial status, and performance of directors and senior management.

#### **5. About performance evaluation and incentive restraint mechanism**

The Company has gradually established fair and transparent performance evaluation standards and incentive restraint mechanisms for directors, supervisors, and managers. The remuneration of senior managers is linked to the Company's business performance indicators, and the recruitment procedure of managerial level employees is open and transparent in line with laws and regulations.

#### **6. About relevant stakeholders**

The Company fully respects and safeguards the legitimate rights and interests of relevant stakeholders, balances the interests of society, shareholders, employees and the Company, and jointly promotes the Company's sustainable development.

#### **7. About information disclosure and transparency**

The Company has designated the secretary of the board of directors to oversee information disclosure, investor relations management, and reception of visits and inquiries from shareholders; designated Securities Times and CNINFO.COM as the Company's information disclosure newspapers and the website. The Company ensures that all shareholders have a fair opportunity to obtain information by disclosing information truthfully, accurately and in a timely manner, in strict accordance with relevant laws and regulations,

#### **8. About the internal audit system**

The Company has established an audit department with three auditors. Under the leadership of the audit committee of the board of directors, the internal audit function supervises the Company and its subsidiaries' business activities and results, internal control system and implementation, usage of various expenses and asset update-to-date status to ensure compliance with corporate governance standards.

## **II. Independence of Business, Personnel, Assets, Organizations, Finances from Controlling Shareholder**

The Company is independent of its controlling shareholders in terms of business, personnel, assets, organization, and finance. The Company has independent and complete business and independent management capabilities.

## **1. Business**

The Company's business is independent of the controlling shareholder and its subsidiaries, has an independent and complete supply, production and sales system, and conducts business independently without relying on shareholders or any other related parties.

## **2. Personnel**

The Company's personnel, labor, human resources management and wages are completely independent. The Company's Chair, general manager, deputy general managers, secretary of the board of directors, chief financial officer and other senior management personnel all work in the Company and receive salaries, and there is no part-time job prohibited by relevant laws and regulations.

## **3. Assets**

Except for some of the office buildings used by the Company which are leased from related parties, the Company has a production and operation site independent of the controlling shareholder, an independent and complete asset structure, an independent production system, auxiliary production system and supporting facilities, and land use rights, property ownership right, independent procurement and sales systems.

## **4. Organization**

The Company has established a sound organizational system, operates independently, and has no affiliation with controlling shareholders or other functional departments.

## **5. Finance**

The Company has an independent financial department, has established an independent accounting system and financial management system, and independently makes financial decisions. The Company opens bank accounts and pays taxes independently.

### **III. Horizontal Competition**

Applicable  Not applicable

#### IV. Information about the Annual General Meeting and Extraordinary General Meeting held During the Reporting Period

##### 1. Annual General Meeting convened during the reporting period

Meeting	Type	Proportion of participating investors	Convened Date	Disclosure date	Disclosure Index
2020 1 <sup>st</sup> extraordinary general meeting	extraordinary general meeting	60.52%	2020.01.13	2020.01.14	Announcement of the 1st Extraordinary General Meeting of Shareholders in 2020 (2020-002) published in the <i>Securities Times</i> and CNINFO
2020 2 <sup>nd</sup> extraordinary general meeting	extraordinary general meeting	71.57%	2020.03.20	2020.03.21	Announcement of the 2nd Extraordinary General Meeting of Shareholders in 2020 (2020-002) published in the <i>Securities Times</i> and CNINFO
2020 3 <sup>rd</sup> extraordinary general meeting	extraordinary general meeting	61.29%	2020.06.08	2020.06.09	Announcement of the 3rd Extraordinary General Meeting of Shareholders in 2020 (2020-038) published in the <i>Securities Times</i> and CNINFO
2019 annual general meeting	annual general meeting	64.58%	2020.07.15	2020.07.16	Announcement of 2019 Annual General Meeting of Shareholders (2020-059) published in the <i>Securities Times</i> and CNINFO
2020 4 <sup>th</sup> extraordinary general meeting	extraordinary general meeting	51.79%	2020.08.19	2020.08.20	Announcement of the 4th Extraordinary General Meeting of Shareholders in 2020 (2020-079) published in the <i>Securities Times</i> and CNINFO

2020 5 <sup>th</sup> extraordinary general meeting	extraordinary general meeting	43.71%	2020.09.07	2020.09.08	Announcement of the 5th Extraordinary General Meeting of Shareholders in 2020 (2020-086) published in the <i>Securities Times</i> and CNINFO
2020 6 <sup>th</sup> extraordinary general meeting	extraordinary general meeting	42.61%	2020.11.02	2020.11.03	Announcement of the 6th Extraordinary General Meeting of Shareholders in 2020 (2020-098) published in the <i>Securities Times</i> and CNINFO

## 2. Extraordinary general meetings convened at the request of preferred shareholders with resumed voting rights:

Applicable  Not applicable

## V. Performance of duties by Independent Directors During the Reporting Period

### 1. Attendance of independent directors in board meetings and general meetings

Attendance of independent directors in board meetings and general meetings							
Name of Independent Director	Board meeting presence required in the reporting period (times)	Board meeting presence on site (times)	Board meeting presence by telecommunication (times)	Board meeting presence through a proxy (times)	Board meeting absence (times)	Board meeting not attended in person for two consecutive times	Presence of independent directors in general meetings (times)
Yang Haifeng	4	0	4	0	0	No	2
Chu Minhong	10	1	9	0	0	No	7
Wang Xiao	4	0	4	0	0	No	1
Xie Tao	6	0	6	0	0	No	4
Guan Zhen	6	0	6	0	0	No	2

## **2. Objections from independent directors on related issues of the Company**

Were there any objections on related issues of the Company from independent directors?

Yes  No

## **3. Other details about the performance of duties by independent directors**

Were there any suggestions from independent directors accepted by the Company?

Yes  No

During the reporting period, the independent directors of the Company followed the *Company Law, Guiding Opinions on Establishing an Independent Director System in Listed Companies, Guidelines for the Normative Operation of Listed Companies on the Shenzhen Stock Exchange, Articles of Association and Independent Director Work System*, and other relevant laws, regulations and rules and regulations. They were diligent, responsible, and independently performed their duties; pay close attention to the industry trends and the opportunities and challenges in the Company's business, and promptly alert risks; review the regular reports and temporary announcements provided by the Company; carefully review each proposal and play a positive role in the decision-making, management and operation of the board of directors; pay close attention to the Company's internal control operation status, and put forward constructive opinions, which effectively safeguard the interests of the small and medium shareholders. The Company accepted reasonable suggestions raised by independent directors.

## **VI. Performance of Special Committees under the Board of Directors During the Reporting Period**

### **1. Performance of the duties of the Strategy Committee**

The Strategy Committee of the Board of Directors performs its duties in accordance with the *Articles of Association and Working Rules of the Strategy Committee*. It is mainly responsible for conducting feasibility studies on important issues such as the Company's strategic planning, investment and financing plans, and making reasonable suggestions. During the reporting period, the Strategy Committee mainly carried out the following tasks: (1) Provided guiding suggestions for the Company's entry into general aviation aircraft manufacturing business, and the transformation from solo auto parts to dual-engine strategy. (2) In-depth analysis of the Company's industry prospects

and operating conditions in various business areas, exchanges with company directors and senior management and putting forward constructive opinions and playing an important role in the decision-making of the board of directors and the Company's high-quality development.

## **2. The performance of the duties of the Audit Committee**

The Audit Committee of the Board of Directors performs its duties in accordance with the *Articles of Association and Working Rules of the Audit Committee*. It is mainly responsible for supervising the implementation of the Company's internal audit, reviewing internal control, external guarantees, etc. and making reasonable suggestions; strengthening the communication between internal and external auditing; reviewing the Company's financial information and its disclosure, and proposing to hire an audit agency. During the reporting period, the audit committee carefully reviewed the Company's periodic reports of financial information and its disclosure, reviewed the routine audit reports with internal audit department, and put forward constructive suggestions on the effective implementation of internal control, the selection and appointment of external audit institutions and the annual audit work. In the annual report audit, in accordance with the relevant requirements of the China Securities Regulatory Commission, it fully communicated with the Company's audit department, finance department and annual audit accountants, reasonably determined the annual audit work plan, proposed reasonable solutions to the problems in the audit process, and timely reviewed the Company's the unaudited financial statements and draft of accountants' audit report, and earnestly performed the duties of the audit committee.

## **3. Performance of the duties of the Remuneration and Appraisal Committee**

The Remuneration and Appraisal Committee of the Board of Directors performs its duties in accordance with *the Articles of Association and the Working Rules of the Remuneration and Appraisal Committee*. It is mainly responsible for formulating the remuneration plan for directors and senior management personnel of the Company, reviewing their performance, carrying out annual performance appraisal and supervising the implementation of the Company's remuneration system. During the reporting period, the Remuneration and Appraisal Committee conducted a serious review of the remuneration appraisal methods of the Company's directors and senior management personnel, and believed that the Company could strictly follow the remuneration and relevant incentive appraisal system, and the remuneration payment complied with provisions of relevant laws, regulations and the *Articles of Association*.

#### **4. Performance of the duties of Nomination Committee**

The Nomination Committee of the Board of Directors performs its duties in accordance with *the Articles of Association and Working Rules of the Nomination Committee*. It is mainly responsible for formulating the selection criteria and procedures for directors and senior managers, searching for qualified directors and senior managers, conducting reviews and making recommendations. During the reporting period, the term of office of the sixth board of directors and senior executives expired. The Nomination Committee reviewed the qualifications and capabilities of the new directors, senior executives and other personnel. It believed that the nominated persons are capable of fulfilling the responsibilities of the corresponding positions, which will further promote the stability of the Company's management team and benefit the development of the Company.

#### **VII. Performance of Supervisors Board**

Were there any risks to the Company identified by Supervisory Committee when performing its duties during the Reporting Period?

Yes  No

The Board of Supervisors has no objection to the supervision matters during the reporting period.

#### **VIII. Assessment and incentive mechanism for the senior management**

According to the remuneration appraisal plan for senior executives approved by the Remuneration and Appraisal Committee of the Board of Directors, a dual appraisal system of operating and management task indicators was implemented for senior executives, and the business and management objectives were quantified. *2020 Responsibilities, Authority and Performance Targets* was signed. The annual task indicators are broken down to each month, monthly and annual performance evaluations are implemented according to the completion of business and management indicators, and salary ratings, job arrangements, and hiring are determined based on the results of the evaluation. The Company will continue to improve the assessment and incentive mechanism for senior managers to maximize the potential of senior managers.

#### **IX. Internal Control evaluation Report**



## 1. Any significant internal control deficiencies during the reporting period

Yes  No

## 2. Self-evaluation report on internal control

Disclosure date of full text of self-evaluation report on internal control	April 30, 2021	
Disclosure index of full text of self-evaluation report on internal control	Self-evaluation Report on Internal Control of the Company in 2020 <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
Proportion of assets evaluated in total assets per consolidated financial statement	100.00%	
Proportion of revenue evaluated in total revenue per consolidated financial statement	99.6%	
<b>Recognition standard of deficiencies</b>		
<b>Nature</b>	<b>Financial report</b>	<b>Non-financial report</b>
<b>Qualitative criteria</b>	<p>Major deficiencies: Single deficiencies or in combination with other deficiencies lead to failure to prevent or detect and correct major misstatements in financial reports in a timely manner. If the following circumstances occur, it is deemed as a major defect: ①The control environment is invalid; ②The fraudulent behavior of directors, supervisors and senior management; ③Major deficiencies that have been discovered and reported to the management have not been corrected after a reasonable time; ④The supervision of internal control by the company's audit committee and the audit department is invalid; ⑤Other defects that may affect the correct judgment of the report users.</p> <p>Important defects: Individual defects or other defects that cannot be prevented or detected and corrected in a timely manner in the financial report, although the level of importance is not reached or exceeded, the misstatement should</p>	<p>The determination of non-financial report deficiencies is mainly based on the degree of influence of the deficiencies on the effectiveness of the business process and the possibility of occurrence. If the probability of occurrence of a defect is low, or it will reduce work efficiency or effectiveness, or increase the uncertainty of the effect, or make it deviate from the expected target, it is deemed as a general defect; if the probability of occurrence of a defect is high, or it will significantly reduce work efficiency or effectiveness, or significantly increase the uncertainty of the effect, or make it significantly deviate from the expected target, it is deemed as a material defect; if the probability of occurrence of the defect is high, or it will seriously reduce the work efficiency or effectiveness, or seriously</p>

	still be paid attention to by management. General defects: other internal control defects that do not constitute major defects or important defects.	increase the uncertainty of the effect, or make it seriously deviate from the expected target, it is deemed as a major defect.
<b>Quantitative criteria</b>	Losses that may be caused by internal control defects and related to the income statement, are measured by the total profit indicator. If this defect alone or in combination with other defects may cause the financial report misstatement amount to exceed 10% of the total profit, it is deemed a major defect; if it is less than 10% of the total profit, more than 5% is deemed a major defect; if it is less than 5% of the total profit, it is regarded as a general defect. Losses that may be caused by internal control deficiencies are related to asset management, are measured by the total assets indicator. If the financial report misstatement amount caused by the defect alone or in combination with other defects exceeds 1% of the total assets, it is considered a major defect; if it is less than 1% of the total assets and more than 0.5%, it is considered a major defect; if it is less than the total assets 0.5% is regarded as a general defect.	The quantitative standards for the determination of defects in non-financial reports are mainly determined based on the absolute amount of direct property losses that the defects may cause. If the amount of direct property loss exceeds 10% of the total profit, it is deemed a major defect; if it is less than 10% of the total profit, more than 5%, it is deemed a major defect; if it is less than 5% of the total profit, it is deemed a general defect.
<b>Number of significant deficiencies in financial report</b>		0
<b>Number of significant deficiencies in non-financial report</b>		0
<b>Number of important deficiencies in financial report</b>		0
<b>Number of important deficiencies in non-financial report level</b>		0

### 3. Internal Control Audit or Assurance Report

Not applicable

## **Section XI: Corporate Bonds**

Whether the Company has publicly issued corporate bonds on Stock Exchange, which has not terminated or terminated but fail to collect the full payment before annual report authorized disclosure date.

Yes No

## Section XII: Financial Statements

### I. Auditor Report

Type of audit opinion	Standard Unqualified opinion
Date of signing of audit report	April 28, 2021
Name of audit firm	Ernst & Young Hua Ming LLP
Document number of audit report	Ernst & Young Huaming (2021) Audit No. 60468741_B01
Name of the certified accountants	Yin Guowei, Zhou Hao

### Auditor's Report

#### 1. Audit opinion

We have audited the financial statements of Zhejiang Wanfeng Auto Wheel Co., Ltd. (the "Company"), including the consolidated and parent company balance sheets as of December 31, 2020, the consolidated and parent company income statements, cash flow statements, and statements of changes in equity for the year ended in 2020, as well as notes to financial statements.

In our opinion, the attached financial statements of Zhejiang Wanfeng Auto Wheel Co., Ltd. present fairly, in all material respects, the financial position of the Company as of December 31, 2020, its financial performance and its cash flows for the year ended in accordance with China Accounting Standards for Business Enterprises.

#### 2. Basis for Audit Opinion

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

#### 3. Key Audit Matters

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

express a separate opinion on these matters.

We have fulfilled the responsibilities described in the "Certified Accountants' Responsibilities for the Audit of Financial Statements" section of this report, including those related to these key audit matters. Correspondingly, our audit work includes the implementation of audit procedures designed to deal with the risk of material misstatement of assessed financial statements. The results of our audit procedures, including the procedures performed in response to the following key audit matters, provide a basis for the overall audit opinion of the financial statements.

Key audit matters	How the matter was dealt with in the audit
<b>Goodwill impairment</b>	
<p>As of December 31, 2020, the book value of goodwill of Zhejiang Wanfeng Auto Wheel Co., Ltd., and its subsidiaries (hereinafter referred to as "the Group") totaled RMB 1,662.99 million. The Accounting Standards for Business Enterprises require the Group to conduct a goodwill impairment test at least annually. The assessment of goodwill impairment is based on the recoverable amount of each cash-generating unit (CGU) or group of CGUs to which the goodwill belongs. We identified the impairment of goodwill as a key audit matter because of the importance of the Group's goodwill balance to financial reporting and the complexity of the assessment process of goodwill impairment. The management involves the use of significant judgments when determining whether goodwill is impaired, and there is inherent uncertainty in estimating future cash flows.</p> <p>The disclosure of the impairment of goodwill is included in notes V, 31, 43 and notes VII and 28 of the financial statements, respectively.</p>	<p>During the audit process, we assessed the Group management's identification of CGUs and group of CGUs and the goodwill allocated to CGUs and group of CGUs. With the assistance of internal valuation experts, we evaluated the rationality of the major assumptions and evaluation methods used by the Group management in predicting the recoverable amount of the CGU, including the discount rate and long-term growth rate, etc. In addition, we evaluated the rationales of the estimated sales revenue and operating performance in the future and compared it with its historical operating performance. We also reviewed the sensitivity analysis on the recoverable amount of the CGU and assessed whether the possible reasonable changes in key assumptions would cause the book value of the CGU to exceed its recoverable amount. In addition, we have checked the adequacy of the relevant disclosures of the Group in the notes to the financial statements.</p>
<b>Non-current asset impairment</b>	
<p>Meridian Technologies Mexico, S. de R.L. de C.V., a subsidiary of the Group, is in a state of continuous loss, and the corresponding fixed assets and non-current assets such as long-term deferred expenses have signs of impairment. According to the requirements of the Accounting Standards for Business Enterprises, the Group is required to conduct an impairment test on the non-current assets. The recoverable amount of the non-current assets shall be determined based on the higher of the net value of the fair value of the assets minus the disposal expenses and the present value of the expected future cash flows of the assets. In 2020, the book value of the non-current assets of Meridian Technologies Mexico, S. de R.L. de C.V. totaled RMB 88.44 million. The recoverable amount is determined based on the net</p>	<p>During the audit process, with the assistance of internal valuation experts, we assessed the rationality of the management's method of estimating the recoverable amount. Communicating with the management on the estimation process, methods and important assumptions, we also conducted a sensitivity analysis on the net value of the fair value of non-current assets minus disposal expenses. In addition, we have checked the adequacy of the relevant disclosures of the Group in the notes to the financial statements.</p>

<p>amount of the fair value of the asset minus the disposal expenses, and the non-current assets have not been impaired. The Group's estimation of the recoverable amount of non-current assets involves the use of significant judgments and assumptions, including fair value assessment and disposal cost forecasts. Given the importance and complexity of the estimation of the recoverable amount of non-current assets, we have identified it as a key audit matter.</p> <p>The disclosure of the above-mentioned non-current asset impairment provision is included in the financial statement notes V, 24, and 31, and notes VII, 21, and 29.</p>	
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#### 4. Other Information

The management of Zhejiang Wanfeng Auto Wheel Co., Ltd. is responsible for other information. Other information includes the information covered in the annual report but does not include the financial statements and our audit report.

Our audit opinions on the financial statements do not cover other information, and we do not issue any form of assurance conclusions on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information. In this process, consider whether the other information is materially inconsistent with the financial statements or what we have learned during the audit or there seems to be a material misstatement.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have nothing to report.

#### 5. Responsibilities of the Management, Board of Directors and Supervisory Board

**The management is responsible for preparing and presenting fairly the financial statements in accordance with the provisions of China Accounting Standards for Business Enterprises, and designing, implementing and maintaining necessary internal controls so that there are no major misstatements due to fraud or errors in the financial statements.**

When preparing the financial statements, the management is responsible for assessing Zhejiang Wanfeng Auto Wheel Co., Ltd.'s ability to continue as a going concern , disclosing matters related to going concern (if applicable), and using the going concern basis of accounting unless the Management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Zhejiang Wanfeng Auto Wheel Co., Ltd.

#### 6. Certified Public Accountant's Responsibilities for the Audit of the

## Financial Statements

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

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with Chinese Standards on Auditing. We also:

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

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

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

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

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

(6) Obtain sufficient and appropriate audit evidence regarding the financial

information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain sole responsibility for our audit opinion.

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

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

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

## II. Financial Statements

### 1. Consolidated Balance Sheet

Prepared by: Zhejiang Wanfeng Auto Wheel Co., Ltd.  
December 31, 2020

Unit: RMB

Items	December 31, 2020	December 31, 2019
<b>Current Assets:</b>		
Cash and cash equivalents	1,674,978,958.17	2,452,754,083.38
Provision of settlement fund		
Loans to other banks		
Held-for-trading financial assets	5,312,974.87	63,034,283.90
Derivative financial assets		
Notes receivable	0.00	0.00
Accounts receivable	2,314,980,882.28	2,555,697,203.97
Accounts receivable Financing	382,204,743.00	378,904,590.58
Advances paid	158,136,290.24	173,597,304.56
Premium receivable		



Reinsurance accounts receivable		
Reinsurance reserves receivable		
Other receivables	68,318,081.18	916,325,582.02
Including: Interest receivable	0.00	0.00
Dividend receivable	0.00	0.00
Financial assets under reverse repo		
Inventories	2,309,913,390.26	2,393,951,480.24
Contract assets		
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	95,604,249.64	117,007,873.14
<b>Total current assets</b>	<b>7,009,449,569.64</b>	<b>9,051,272,401.79</b>
<b>Non-current assets:</b>		
Loans and advances paid		
Debt investments		
Other debt investments		
Long-term receivable		
Long-term equity investments	567,810.84	12,612,542.86
Other equity instrument investments	4,733,395.22	4,942,489.56
Other non-current financial assets		
Investment property	0.00	0.00
Fixed assets	4,872,464,413.48	5,113,660,627.42
Construction in progress	258,966,481.11	426,345,202.99
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	1,665,433,876.04	1,778,179,906.06
Development expenditures	70,537,893.00	0.00
Goodwill	1,662,994,509.32	1,701,158,115.52
Long-term prepayments	157,174,258.10	159,712,622.07
Deferred tax assets	263,442,276.75	188,710,115.07
Other non-current assets	7,461,417.37	50,655,894.55
<b>Total non-current assets</b>	<b>8,963,776,331.23</b>	<b>9,435,977,516.10</b>
<b>Total assets</b>	<b>15,973,225,900.87</b>	<b>18,487,249,917.89</b>
<b>Current liabilities:</b>		
Short-term borrowings	3,544,296,670.02	3,070,118,768.19

Central bank loans		
Loans from other banks		
Held-for-trading financial liabilities	0.00	1,324,581.60
Derivative financial liabilities		
Notes payable	192,867,169.90	218,601,865.08
Accounts payable	935,542,222.20	1,083,181,883.19
Unearned revenue	0.00	653,874,136.71
Contract liabilities	512,836,059.89	0.00
Financial liabilities under repo		
Absorbing deposit and interbank deposit		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Employee benefits payable	231,516,785.37	238,740,090.73
Tax payable	113,185,854.56	71,472,056.11
Other payables	384,220,500.31	759,261,155.63
Including: Interest Payable	0.00	0.00
Dividends Payable	0.00	0.00
Handling fee and commission payable		
Reinsurance accounts payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	694,425,998.19	571,968,504.83
Other current liabilities	4,192,272.05	0.00
<b>Total current liabilities</b>	<b>6,613,083,532.49</b>	<b>6,668,543,042.07</b>
<b>Non-current liabilities:</b>		
Insurance policy reserve		
Long-term borrowings	1,179,201,272.08	1,165,220,492.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions	189,197,618.87	174,680,866.90
Deferred income	214,274,852.58	202,630,087.75
Deferred tax liabilities	268,634,907.53	268,233,346.43

Other non-current liabilities		
<b>Total non-current liabilities</b>	1,851,308,651.06	1,810,764,793.08
<b>Total liabilities</b>	8,464,392,183.55	8,479,307,835.15
<b>Equity:</b>		
Share capital	2,186,879,678.00	2,186,879,678.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	0.00	1,691,289,940.77
Less: Treasury shares	571,813,251.19	333,092,868.42
Other comprehensive income	-54,828,527.62	74,589,529.22
Special reserve	13,513,057.42	10,261,018.12
Surplus reserve	47,015,012.60	427,043,757.25
General risk reserve		
Undistributed profit	3,732,843,061.00	3,935,484,397.57
<b>Total equity attributable to the parent Company</b>	5,353,609,030.21	7,992,455,452.51
Non-controlling interest	2,155,224,687.11	2,015,486,630.23
<b>Total equity</b>	7,508,833,717.32	10,007,942,082.74
<b>Total liabilities &amp; equity</b>	15,973,225,900.87	18,487,249,917.89

Legal representative: Chen Bin      Officer in charge of accounting: Dong Ruijing      Head of accounting department: Chen Shanfu

## 2. Balance Sheet of the Parent Company

Unit: RMB

Items	December 31, 2020	December 31, 2019
<b>Current Assets:</b>		
Cash and cash equivalents	173,973,126.72	1,004,904,910.05
Held-for-trading financial assets	0.00	60,034,900.00
Derivative financial assets		
Notes receivable	0.00	0.00
Accounts receivable	512,371,249.54	678,186,227.12
Accounts receivable Financing	188,767,363.39	159,939,620.65
Advances paid	31,624,593.38	28,429,672.81
Other receivables	241,713,997.31	494,780,887.10
Including: Interest receivable	0.00	0.00
Dividend receivable	0.00	129,600,000.00
Inventories	182,348,341.74	243,049,665.85
Contract assets		
Assets classified as held for sale		
Non-current assets due within one year		

Other current assets	17,591,154.73	17,910,061.89
<b>Total current assets</b>	<b>1,348,389,826.81</b>	<b>2,687,235,945.47</b>
<b>Non-current assets:</b>		
Debt investments		
Other debt investments		
Long-term receivable		
Long-term equity investments	6,104,568,111.43	4,198,711,501.05
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	334,702,051.77	364,884,432.10
Construction in progress	44,769,695.54	57,506,951.74
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	51,462,555.18	53,332,915.40
Development expenditures		
Goodwill		
Long-term prepayments	7,921,595.36	9,208,148.95
Deferred tax assets	19,218,317.44	2,777,151.86
Other non-current assets	2,731,215.11	38,683,336.01
<b>Total non-current assets</b>	<b>6,565,373,541.83</b>	<b>4,725,104,437.11</b>
<b>Total assets</b>	<b>7,913,763,368.64</b>	<b>7,412,340,382.58</b>
<b>Current liabilities:</b>		
Short-term borrowings	1,772,075,155.81	1,282,185,084.02
Held-for-trading financial liabilities		
Derivative financial liabilities		
Note payable	105,954,728.08	290,920,548.28
Account payable	295,956,510.99	417,556,226.11
Unearned revenue	0.00	3,103,027.57
Contract liabilities	4,359,811.90	0.00
Employee benefits payable	28,661,855.99	35,028,390.32
Tax payable	3,133,619.85	3,998,075.37
Other payables	1,630,748,176.80	891,820,777.91
Including: Interest Payable	0.00	0.00
Dividends Payable	0.00	0.00
Held-for-sale liabilities		
Non-current liabilities due within one year	409,189,611.17	265,717,562.36
Other current liabilities		

<b>Total current liabilities</b>	4,250,079,470.59	3,190,329,691.94
<b>Non-current liabilities:</b>		
Long-term borrowings	540,000,000.00	396,962,631.92
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	1,361,000.00	1,872,600.00
Deferred tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>	541,361,000.00	398,835,231.92
<b>Total liabilities</b>	4,791,440,470.59	3,589,164,923.86
<b>Equity:</b>		
Share capital	2,186,879,678.00	2,186,879,678.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	546,877,912.39	1,059,096,302.01
Less: Treasury shares	571,813,251.19	333,092,868.42
Other comprehensive income		
Special reserve	3,545,315.73	1,919,506.02
Surplus reserve	474,058,769.85	427,043,757.25
Undistributed profit	482,774,473.27	481,329,083.86
<b>Total equity</b>	3,122,322,898.05	3,823,175,458.72
<b>Total liabilities &amp; equity</b>	7,913,763,368.64	7,412,340,382.58

### 3. Consolidated Income Statement

Unit: RMB

Items	2020 FY	2019 FY
<b>I. Total operating revenue</b>	10,699,224,904.57	12,635,131,976.26
Including: Operating revenue	10,699,224,904.57	12,635,131,976.26
Interest income		
Premium earned		
Revenue from handling charges and commission		
<b>II. Total operating cost</b>	9,993,785,587.88	11,625,527,060.84
Including: Operating cost	8,539,410,065.42	9,898,549,079.42
Interest expenses		
Handling charges and commission expenditures		

Surrender value		
Net payment of insurance claims		
Net provision of insurance policy reserve		
Premium bonus expenditures		
Reinsurance expenses		
Taxes and surcharges	54,029,485.53	66,026,715.09
Selling expenses	202,937,418.90	326,373,313.10
Administrative expenses	590,837,746.38	669,461,795.85
R&D expenses	337,448,870.68	446,102,958.85
Financial expenses	269,122,000.97	219,013,198.53
Including: Interest expenses	245,818,075.95	241,813,490.17
Interest income	34,003,395.60	46,585,659.98
Add: Other income	104,562,193.16	91,765,417.17
Investment income (loss)	612,550.85	2,020,850.00
Including: Investment income from associates and joint ventures	-876,459.23	633,198.02
Gains from derecognition of financial assets at amortized cost		
Gains (Losses) on foreign exchange		
Gains (Losses) on net exposure to hedging risk		
Gains (Losses) on changes in fair value	2,246,554.36	-255,950.82
Credit impairment loss	-7,223,519.05	-32,936,944.78
Asset impairment loss	-10,179,361.63	-18,650,416.29
Gains (Losses) on asset disposal	501,156.94	-783,226.18
<b>III. Operating profit (Loss)</b>	795,958,891.32	1,050,764,644.52
Add: Non-operating revenue	43,050,711.82	170,199,098.05
Less: Non-operating expenditures	9,986,870.11	6,935,181.29
<b>IV. Profit before tax (Loss)</b>	829,022,733.03	1,214,028,561.28
Less: Income tax expense	64,146,512.15	172,794,219.07
<b>V. Net profit (Loss)</b>	764,876,220.88	1,041,234,342.21
(I) Categorized by the continuity of operations		
1. Net profit (loss) from continuing operations	764,876,220.88	1,041,234,342.21

2. Net profit (loss) from discontinued operations		
(II) Categorized by the portion of equity ownership		
1. Net profit (loss) attributable to owners of parent Company	565,820,630.75	895,769,920.83
2. Net profit (loss) attributable to non-controlling shareholders	199,055,590.13	145,464,421.38
<b>VI. Other comprehensive income after tax</b>	-148,446,465.82	129,200,209.01
Items attributable to the owners of the parent Company	-129,418,056.84	98,544,238.16
(I) Not to be reclassified subsequently to profit and loss	0.00	0.00
1.Changes in remeasurement on the net defined benefit plan		
2. Items under equity method that will not be reclassified to profit and loss		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of own credit risk		
5. Others		
(II) To be reclassified subsequently to profit and loss	-129,418,056.84	98,544,238.16
1. Items under equity method that may be reclassified to profit and loss		
2. Changes in fair value of other debt investments		
3. Profit and loss from reclassification of financial assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve	-129,418,056.84	98,544,238.16
7. Others		
Items attributable to non-controlling shareholders	-19,028,408.98	30,655,970.85
<b>VII. Total comprehensive income</b>	616,429,755.06	1,170,434,551.22
Items attributable to the owners of the parent Company	436,402,573.91	994,314,158.99
Items attributable to non-controlling shareholders	180,027,181.15	176,120,392.23
<b>VIII. Earnings per share (EPS):</b>		
(I) Basic EPS (yuan per share)	0.27	0.41
(II) Diluted EPS (yuan per share)	0.27	0.41

In the current period of business combination under the common control, the net profit realized by the merged party before the combination was 74,836,418.19 yuan, and the net profit realized by the merged party in the

previous period was 229,910,806.31 yuan.

Legal representative: Chen Bin      Officer in charge of accounting: Dong Ruiping      Head of accounting department: Chen Shanfu

#### 4. Income Statement of Parent Company

Unit: RMB

Items	2020 FY	2019 FY
<b>I. Total operating revenue</b>	2,349,143,663.22	3,139,659,207.59
Less: Operating cost	2,036,931,290.14	2,605,922,606.23
Taxes and surcharges	10,520,889.86	13,383,767.86
Selling expenses	30,034,081.55	45,416,077.55
Administrative expenses	73,910,484.22	75,155,827.27
R&D expenses	97,470,913.47	116,425,011.43
Financial expenses	152,395,765.07	90,542,907.65
Including: Interest expenses	168,222,674.30	111,391,522.53
Interest income	37,369,509.04	19,909,734.18
Add: Other income	7,015,547.09	13,610,933.42
Investment income (loss)	501,406,627.81	116,260,000.00
Including: Investment income from associates and joint ventures	0.00	0.00
Gains from derecognition of financial assets at amortized cost		
Gains (Losses) on foreign exchange		
Gains (Losses) on changes in fair value	0.00	-1,305.00
Credit impairment loss	4,341,633.88	-4,167,701.30
Asset impairment loss	-1,396,874.52	-4,172,696.45
Gains (Losses) on asset disposal	-581,524.59	-634,061.65
<b>II. Operating profit (Loss)</b>	458,665,648.58	313,708,178.62
Add: Non-operating revenue	2,493,796.90	35,452,610.95
Less: Non-operating expenditures	2,022,804.87	108,064.92
<b>III. Profit before tax (Loss)</b>	459,136,640.61	349,052,724.65
Less: Income tax expense	-11,013,485.40	17,526,555.12
<b>IV. Net profit (Loss)</b>	470,150,126.01	331,526,169.53
(I) Net profit (Loss) from the continuity of operations	470,150,126.01	331,526,169.53
(II) Net profit (Loss) from the discontinuity of operations		
<b>V. Other comprehensive income after tax</b>		
(I) Not to be reclassified subsequently to profit and loss		
1.Changes in remeasurement on the net defined benefit plan		
2. Items under equity method that will not be reclassified to profit and loss		



3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of own credit risk		
5. Others		
(II) To be reclassified subsequently to profit and loss		
1. Items under equity method that may be reclassified to profit and loss		
2. Changes in fair value of other debt investments		
3. Profit and loss from reclassification of financial assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve		
7. Others		
<b>VI. Total comprehensive income</b>	470,150,126.01	331,526,169.53
<b>VII. Earnings per share (EPS):</b>		
(I) Basic EPS (yuan per share)	0.22	0.15
(II) Diluted EPS (yuan per share)	0.22	0.15

## 5. Consolidated Cash Flow Statement

Unit: RMB

Items	2020 FY	2019 FY
<b>I. Cash flows from operating activities:</b>		
Cash receipts from sale of goods or rendering of services	10,748,387,602.66	12,425,185,321.70
Net increase of client deposit and interbank deposit		
Net increase of central bank loans		
Net increase of loans from other financial institutions		
Cash receipts from original insurance contract premium		
Net cash receipts from reinsurance		
Net increase of policy-holder deposit and investment		

Cash receipts from interest, handling charges and commission		
Net increase of loans from others		
Net increase of repurchase		
Net cash receipts from agency security transaction		
Cash receipts of tax and fee refund	135,380,632.65	230,368,027.14
Other cash receipts related to operating activities	208,261,628.71	168,076,148.82
<b>Subtotal of cash inflows from operating activities</b>	11,092,029,864.02	12,823,629,497.66
Cash payments for goods purchased and services received	6,504,776,125.54	8,010,207,900.09
Net increase of loans and advances to clients		
Net increase of central bank deposit and interbank deposit		
Cash payments for insurance indemnities of original insurance contracts		
Net increase of loans to others		
Cash payments for interest, handling charges and commission		
Cash payments for policy bonus		
Cash paid to and on behalf of employees	1,786,434,955.90	1,982,012,404.38
Cash payments for tax and fee	345,568,987.48	480,299,957.07
Other cash payments related to operating activities	719,468,888.68	930,740,356.35
<b>Subtotal of cash outflows from operating activities</b>	9,356,248,957.60	11,403,260,617.89
<b>Net cash flows from operating activities</b>	1,735,780,906.42	1,420,368,879.77
<b>II. Cash flows from investing activities:</b>		
Cash receipts from withdrawal of investments	37,264,900.00	369,821,633.24
Cash receipts from investment income	0.00	2,826,628.60

Net cash receipts from the disposal of fixed assets, intangible asset and other long-term asset	48,807,553.01	5,744,155.38
Net cash receipts from the disposal of subsidiaries & other business units	10,461,733.98	0.00
Other cash receipts related to investing activities	1,576,698,931.75	2,113,790,191.03
<b>Subtotal of cash inflows from investing activities</b>	<b>1,673,233,118.74</b>	<b>2,492,182,608.25</b>
Cash payments for the acquisition of fixed assets, intangible asset and other long-term asset	470,883,605.98	980,086,310.09
Cash payments for investments	37,230,000.00	244,525,588.90
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units	0.00	0.00
Other cash payments related to investing activities	90,588,740.00	1,884,897,477.00
<b>Subtotal of cash outflows from investing activities</b>	<b>598,702,345.98</b>	<b>3,109,509,375.99</b>
<b>Net cash flows from investing activities</b>	<b>1,074,530,772.76</b>	<b>-617,326,767.74</b>
<b>III. Cash flows from financing activities:</b>		
Cash receipts from absorbing investments	0.00	91,500,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments	0.00	0.00
Cash receipts from borrowings	4,528,609,710.84	5,060,014,993.61
Other cash receipts related to financing activities	218,800,000.00	58,929,200.00
<b>Subtotal of cash inflows from financing activities</b>	<b>4,747,409,710.84</b>	<b>5,210,444,193.61</b>
Cash payments for the repayment of borrowings	3,978,582,138.60	4,211,260,285.60

Cash payments for distribution of dividends or profits and for interest expenses	712,806,601.09	973,540,594.14
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit	39,905,253.01	62,801,879.35
Other cash payments related to financing activities	2,886,795,382.77	601,892,868.42
<b>Subtotal of cash outflows from financing activities</b>	<b>7,578,184,122.46</b>	<b>5,786,693,748.16</b>
<b>Net cash flows from financing activities</b>	<b>-2,830,774,411.62</b>	<b>-576,249,554.55</b>
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>	<b>6,181,618.57</b>	<b>31,887,296.59</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>-14,281,113.87</b>	<b>258,679,854.07</b>
Add: Opening balance of cash and cash equivalents	1,426,647,961.41	1,167,968,107.34
<b>VI. Closing balance of cash and cash equivalents</b>	<b>1,412,366,847.54</b>	<b>1,426,647,961.41</b>

## 6. Cash Flow Statement of Parent Company

Unit: RMB

Items	2020 FY	2019 FY
<b>I. Cash flows from operating activities:</b>		
Cash receipts from sale of goods or rendering of services	2,733,114,976.71	3,051,573,302.62
Cash receipts of tax and fee refund	66,559,713.45	126,777,169.39
Other cash receipts related to operating activities	80,694,298.23	29,607,387.39
<b>Subtotal of cash inflows from operating activities</b>	<b>2,880,368,988.39</b>	<b>3,207,957,859.40</b>
Cash payments for goods purchased and services received	1,814,822,275.21	2,361,560,613.29
Cash paid to and on behalf of employees	185,943,926.44	206,274,202.85
Cash payments for tax and fee	9,654,062.38	53,332,603.08

Other cash payments related to operating activities	106,169,002.16	205,178,776.90
<b>Subtotal of cash outflows from operating activities</b>	<b>2,116,589,266.19</b>	<b>2,826,346,196.12</b>
<b>Net cash flows from operating activities</b>	<b>763,779,722.20</b>	<b>381,611,663.28</b>
<b>II. Cash flows from investing activities:</b>		
Cash receipts from withdrawal of investments	34,900.00	97,885,700.00
Cash receipts from investment income	608,727,020.93	106,291,097.13
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	585,896.09	584,336.51
Net cash receipts from the disposal of subsidiaries & other business units	0.00	0.00
Other cash receipts related to investing activities	1,211,313,748.92	1,523,450,378.58
<b>Subtotal of cash inflows from investing activities</b>	<b>1,820,661,565.94</b>	<b>1,728,211,512.22</b>
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	12,712,815.29	91,123,117.31
Cash payments for investments	2,418,075,000.00	36,205.00
Net cash payments for the acquisition of subsidiaries & other business units	0.00	0.00
Other cash payments related to investing activities	403,015,284.50	1,188,643,952.79
<b>Subtotal of cash outflows from investing activities</b>	<b>2,833,803,099.79</b>	<b>1,279,803,275.10</b>
<b>Net cash flows from investing activities</b>	<b>-1,013,141,533.85</b>	<b>448,408,237.12</b>
<b>III. Cash flows from financing activities:</b>		
Cash receipts from absorbing investments	0.00	0.00
Cash receipts from borrowings	4,491,107,248.30	3,049,613,485.16
Other cash receipts related to financing activities	161,000,000.00	

<b>Subtotal of cash inflows from financing activities</b>	4,652,107,248.30	3,049,613,485.16
Cash payments for the repayment of borrowings	3,641,165,775.06	2,484,507,491.30
Cash payments for distribution of dividends or profits and for interest expenses	590,335,992.12	770,757,962.38
Other cash payments related to financing activities	238,720,382.77	531,892,868.42
<b>Subtotal of cash outflows from financing activities</b>	4,470,222,149.95	3,787,158,322.10
<b>Net cash flows from financing activities</b>	181,885,098.35	-737,544,836.94
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>	-942,299.26	580,136.64
<b>V. Net increase in cash and cash equivalents</b>	-68,419,012.56	93,055,200.10
Add: Opening balance of cash and cash equivalents	185,112,728.92	92,057,528.82
<b>VI. Closing balance of cash and cash equivalents</b>	116,693,716.36	185,112,728.92

**7. Consolidated Statement of Changes in Owner's Equity**

Amount in the current period

Unit: 10,000 RMB

Items	2020 FY														
	Equity Attributable to parent Company												Non-controlling interest	Total equity	
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others			Subtotal
	Preferred shares	Perpetual bonds	Others												
<b>I. Balance at the end of prior year</b>	218,688				11,496	33,309	5,568	1,026	42,704		368,909		615,082	51,001	666,083
Add: Cumulative changes of accounting policies															
Error correction of prior period															
Business combination under					157,633		1,891				24,639		184,163	150,548	334,711

common control															
Others															
<b>II. Balance at the beginning of current year</b>	218,688				169,129	33,309	7,459	1,026	42,704		393,548		799,246	201,549	1,000,794
<b>III. Current period increase (or "decrease")</b>					-169,129	23,872	-12,941	325	-38,003		-20,264		-263,885	13,974	-249,911
(I) Total comprehensive income							-12,942				56,582		43,640	18,003	61,643
(II) Capital contributed or withdrawn by owners					-169,129	23,872			-42,704		-29,976		-265,681	-38,387	-265,720
1. Ordinary shares contributed by owners															



2. Capital contribu ted by holders of other equity instrum ents															
3. Amount of share- based paymen t include d in equity															
4. Others					-169,129	23,872			-42,704		-29,976		-265,681	-38,387	-265,720
(III) Profit distribut ion									4,702		-46,870		-42,169	-3,991	-46,159
1. Appropri ation of surplus reserve									4,702		-4,702				
2. Appropri ation of general risk reserve															
3. Appropri ation of											-42,169		-42,169	-3,991	-46,159

profit to owners															
4. Others															
(IV) Internal carry-over within equity															
1. Transfer of capital reserve to capital															
2. Transfer of surplus reserve to capital															
3. Surplus reserve to cover losses															
4. Changes in defined benefit plan carried over to retained															

earnings															
5. Other comprehensive income carried over to retained earnings															
6. Others															
(V) Special reserve								325					325		325
1. Appropriation of current period								2,098					2,098		2,098
2. Application of current period								-1,773					-1,773		-1,773
(VI) Others															
<b>IV. Balance at the end of current period</b>	218,688					57,181	-5,483	1,351	4,702			373,284	535,361	215,522	750,883

Amount in the pervious period

Unit:10,000 RMB

Items	2019 FY														
	Equity Attributable to parent Company													Non-controlling interest	Total equity
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal		
	Preferred shares	Perpetual bonds	Others												
<b>I. Balance at the end of prior year</b>	218,688				11,496		670	690	39,389		362,122		633,054	50,859	683,913
Add: Cumulative changes of accounting policies											-1,223		-1,223	-63	-1,286
Error correction of prior period															
Business combination under common control					157,633		-3,066				11,994		166,562	137,136	303,698
Others															
<b>II. Balance at the</b>	218,688				169,129		-2,395	690	39,389		372,893		798,393	187,932	986,325

<b>beginning of current year</b>															
<b>III. Current period increase (or “_” decrease)</b>						33,309	9,854	337	3,315		20,655		852	13,617	14,469
(I) Total comprehensive income							9,854				89,577		99,431	17,612	117,043
(II) Capital contributed or withdrawn by owners						33,309							-33,309	40	-33,269
1. Ordinary shares contributed by owners														40	40
2. Capital contributed by holders of other equity instruments															

3. Amount of share- based paymen t include d in equity															
4. Others						33,309							-33,309		-33,309
(III) Profit distribut ion									3,315		-68,922		-65,606	-4,035	-69,642
1. Appropri ation of surplus reserve									3,315		-3,315				
2. Appropri ation of general risk reserve															
3. Appropri ation of profit to owners											-65,606		-65,606	-4,035	-69,642
4. Others															
(IV) Internal carry- over															

within equity															
1. Transfer of capital reserve to capital															
2. Transfer of surplus reserve to capital															
3. Surplus reserve to cover losses															
4. Changes in defined benefit plan carried over to retained earnings															
5. Other comprehensive income carried over to retained															

earnings																
6. Others																
(V) Special reserve								337					337		337	
1. Appropriation of current period								2,773					2,773		2,773	
2. Application of current period								-2,436					-2,436		-2,436	
(VI) Others																
<b>IV. Balance at the end of current period</b>	218,688				169,129	33,309	7,459	1,026	42,704			393,548		799,246	201,549	1,000,794

### 8. Statement of Changes in Owner's Equity of the Parent Company

Amount in the current period

Unit:10,000 RMB

Items	2020 FY											Total equity
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	
		Preferred shares	Perpetual bonds	Others								
<b>I. Balance at the end of prior year</b>	218,688				105,910	333,092,868.42		192	42,704	48,133		382,318



Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												
<b>II. Balance at the beginning of current year</b>	218,688			105,910	33,310		192	42,704	48,133			382,318
<b>III. Current period increase (or “-”decrease)</b>				-51,222	23,872		162,581	4,702	145			-70,085
(I) Total comprehensive income									47,015			47,015
(II) Capital contributed or withdrawn by owners				-51,222	23,872							-75,094
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity												
4. Others				-51,222	23,872							-75,094

(III) Profit distribution									4,702	-46,870		-42,169
1. Appropriation of surplus reserve									4,702	-4,702		
2. Appropriation of profit to owners										-42,169		-42,169
3. Others												
(IV) Internal carry-over within equity												
1. Transfer of capital reserve to capital												
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve								163				163
1. Appropriation of current period								456				456

2. Application of current period									-294			-294
(VI) Others												
<b>IV. Balance at the end of current period</b>	218,688				54,688	57,181			355	47,406	48,277	312,232

Amount in the previous period

Unit:10,000 RMB

Items	2019 FY											
	Share Capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total equity
		Preferred shares	Perpetual bonds	Others								
<b>I. Balance at the end of prior year</b>	218,688				105,910				39,389	84,460		448,447
Add: Cumulative changes of accounting policies										-558		-558
Error correction of prior period												
Others												
<b>II. Balance at the beginning of current year</b>	218,688				105,910				39,389	83,902		447,889
<b>III. Current period increase (or "- decrease)</b>						33,309		192	3,315	-35,769		-65,571
(I) Total comprehensive income										33,153		33,153

(II) Capital contributed or withdrawn by owners						33,309						-33,309
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity												
4. Others						33,309						-33,309
(III) Profit distribution								3,315	-68,922			-65,606
1. Appropriation of surplus reserve								3,315	-3,315			
2. Appropriation of profit to owners									-65,606			-65,606
3. Others												
(IV) Internal carry-over within equity												
1. Transfer of capital reserve to capital												

2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve								192				192
1. Appropriation of current period								468				468
2. Application of current period								-276				-276
(VI) Others												
<b>IV. Balance at the end of current period</b>	218,688				105,910	33,309		192	42,704	48,133		382,318

### III. Basic information of the Company

Zhejiang Wanfeng Auto Wheel Co., Ltd. ("the Company" or "Wanfeng Auto Wheel") is a joint-stock limited company registered in Zhejiang, China and was established in September 30, 2001. The ordinary A shares denominated in RMB issued by the Company have been listed on the Shenzhen Stock Exchange. The Company is headquartered in Xinchang County Industrial Zone (Houxi), Zhejiang, China. The principal business of the Company includes: production, sales and technical consultation, service of automobile aluminum alloy wheels, motorcycle aluminum alloy wheels and other parts; Design, research and development, manufacturing and sales of lightweight magnesium materials and components for automobiles and motorcycles; Research, development, manufacturing, sales and related technical services of metal, non-metallic materials and their products, karts, and environmental protection equipment; Manufacturing and processing of metal bolts, coating treatment of mechanical parts, coating equipment, manufacturing of coating solvents, coating technology services; Manufacturing of textile machinery and parts (excluding cotton spinning frames and accessories); Manufacturing and processing of molds, mechanical parts, and auto parts; operating imports and exports business; Design, test, production, sales, maintenance and repair of general aviation aircraft, helicopters, aero engines, and avionics electrical and mechanical systems; Technology development and consulting services for the general aviation industry; Import and export of goods and technology.

The parent and ultimate parent of the Company is Wanfeng Auto Holding Group Co., Ltd. (hereinafter referred to as "Wanfeng Group") established in the People's Republic of China.

As of December 31, 2020, Wanfeng Group currently holds 33.37% shares of the Company and is the Company's controlling shareholder. Ms. Chen Ailian and Mr. Wu Liangding hold 4.46% and 0.57% shares of the Company respectively. Ms. Chen Ailian, Mr. Wu Liangding, and Mr. Wu Jie hold 39.60%, 22.50%, and 3.76% shares of Wanfeng Group respectively. Ms. Chen Ailian and Mr. Wu Liangding are in a husband-wife relationship. Mr. Wu Liangding and Mr. Wu Jie are a father-son relationship. Ms. Chen Ailian and the Wu Liangding family (Mr. Wu Liangding and Mr. Wu Jie) are jointly the actual controllers of the Company.

This financial statement was approved by the Company's Board of Directors on April 28, 2021. According to the Articles of Association of the Company, this financial statement will be submitted to the general meeting of shareholders for deliberation.

The consolidation scope of the consolidated financial statements is determined on the basis of control. Please refer to Note VIII for changes in this year.

#### **IV. Preparation Basis of the Financial Statements**

##### **1. Preparation basis**

The financial statements are prepared according to *the Accounting Standards for Business Enterprises-Basic Standards* promulgated by the Ministry of Finance and specific accounting standards, application guidelines, interpretations, and other relevant regulations (collectively referred to as "Accounting Standards for Business Enterprises") promulgated and revised thereafter.

This financial statement is presented based on going concern basis.

When preparing these financial statements, except for certain financial instruments, historical cost is used as the pricing principle. If an asset is impaired, the corresponding provision for impairment shall be made according to relevant regulations.

The influence of business combination under the common control on the preparation basis of financial statements:

Wanfeng Aircraft Industry Co., Ltd. was established on March 16, 2018 (hereinafter referred to as "Aircraft Industry") as a limited company registered in Zhejiang, China.

The parent company of the Aircraft Industry is Wanfeng Aviation Industry Co., Ltd., and the ultimate controlling shareholder is Wanfeng Group.

The Company held the 33rd meeting of the sixth board of directors on February 22, 2020, and the second extraordinary general meeting of shareholders in 2020 on March 20, 2020, and passed the resolutions of using its own and self-raised funds purchased a 55% stake in Wanfeng Aircraft Industry Co., Ltd. from Wanfeng Aviation Industry Co., Ltd.

On April 16, 2020, the Company acquired a 55% equity interest in the Aircraft Industry from Wanfeng Aviation Industry Co., Ltd. for RMB 2,418,075,000.00 in cash.

As before and after the combination, the Company and Aircraft Industry are ultimately controlled by Wanfeng Group and the control is not temporary. Therefore, the assets and liabilities of the Aircraft Industry acquired by the Company in accordance with the relevant requirements for business combinations under the common control are measured based on the book value of the Aircraft Industry on the combination date.

In accordance with the relevant requirements for business combinations under the common control, the operating results and cash flows of the Aircraft Industry have been included in the consolidated financial statements from the date when Aircraft Industry and the Company are under the control of the ultimate

controlling party. And the transactions balance and amount between the two shall be offset at the time of the combination. The reporting entity formed after the combination is deemed to have always existed since the ultimate controlling party began to exercise control. Therefore, when the Company prepared the 2020 financial statements, it restated the consolidated balance sheet on December 31, 2019, the consolidated income statement, the consolidated cash flow statement, and the consolidated statement of changes in owner's equity in 2019. (Hereinafter referred to as "restatement").

## **2. Going concern**

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

## **V. Significant Accounting Policies and Accounting Estimates**

Notes to specific accounting policies and accounting estimates:

The Group has formulated specific accounting policies and accounting estimates based on actual production and operation characteristics, reflected in the allowance of doubtful debt receivables, inventory valuation methods, fixed asset depreciation, intangible asset amortization, and revenue recognition and measurement.

### **1. Statement of compliance with China Accounting Standards for Business Enterprises**

The financial statements have been prepared in accordance with the requirements of *China Accounting Standards for Business Enterprises (CASBEs)*, and present truly and completely the financial position on December 31, 2020, results of operations and cash flows of the Company of 2020.

### **2. Accounting period**

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

### **3. Operating cycle**

The Company has a relatively short operating cycle for its business, and an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

### **4. Functional currency**

The Company's functional currency and the currency used in the financial statements are both RMB. Unless otherwise specified, they are all expressed in RMB or yuan.

Subsidiaries of the Group determine their accounting currency based on the economic environment in which they operate and convert them into RMB in



accordance with the policies described in Note V. 9 when preparing financial statements.

## **5. Accounting treatments of business combination under and not under common control**

Business combinations are divided into business combinations under common control and business combinations not under common control.

### Accounting treatment of business combination under common control

The enterprises participating in the combination are ultimately controlled by the same party or the same multiple parties before and after the combination. The control is not temporary and is a business combination under common control. In a business combination under common control, the party that obtains control of other participating companies on the combination date is the combining party. The other companies participating in the merger are the combined parties. The combination date refers to the date on which the combining party obtains control of the combined party.

The assets and liabilities obtained by the combining party in a business combination under a common control (including the goodwill formed by the ultimate controlling party's acquisition of the combined party) shall be accounted for based on the book value in the ultimate controlling party's financial statements on the combination date. The difference between the book value of the net assets obtained by the combining party and the book value of the actual paid (or the total par value of the issued shares) shall be adjusted for the equity premium in the capital reserve and the balance transferred from the capital reserve of the original system. If it is insufficient to offset, the retained earnings will be adjusted.

### Accounting treatment of business combination not under common control

If the enterprises participating in the combination are not ultimately controlled by the same party or the same multiple parties before and after the combination, it is a business combination not under common control. In a business combination not under common control, the party that obtains control of other participating companies on the purchase date is the acquirer. The other companies participating in the combination are the acquiree. The purchase date refers to the date on which the acquirer obtains control of the acquiree.

The identifiable assets, liabilities, and contingent liabilities of the acquiree obtained in a business combination not under common control are measured at their fair value on the acquisition date.

The difference between combination cost and the fair value of identifiable net assets obtained from the acquiree at the acquisition date is recognized as goodwill. Otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are

reviewed, then the difference is recognized in profit and loss. The subsequent measurement is made based on cost minus accumulated impairment loss.

## **6. Compilation method of consolidated financial statements**

The scope of the consolidated financial statements is based on control, including the financial statements of the Company and all its subsidiaries. Subsidiary refers to the entity controlled by the Company (including the divisible part of the enterprise and the invested unit, and the structured entity controlled by the Company, etc.).

When preparing consolidated financial statements, the subsidiary adopts the same fiscal year and accounting policies as the Company. All assets, liabilities, equity, income, expenses, and cash flows arising from transactions between companies within the group are fully offset at the time of consolidation.

If the current loss shared by the minority shareholders of a subsidiary exceeds the initial shareholders' equity of the subsidiary, the balance shall still be offset against the minority shareholders' equity.

For subsidiaries not under common control, the operating results and cash flows of the acquiree will be included in the consolidated financial statements from obtaining the control of the acquiree. When preparing consolidated financial statements, the financial statements of subsidiaries are adjusted based on the fair value of the identifiable assets, liabilities, and contingent liabilities on the purchase date.

For subsidiaries under common control, the operating results and cash flows of the combined party are included in the consolidated financial statements from the beginning of the combination. When preparing the consolidated financial statements, the relevant items of the previous financial statements are adjusted. The reporting entity formed after the combination is deemed to have always existed since the ultimate controlling party began to exercise control.

If changes in relevant facts and circumstances lead to changes in one or more of the control elements, the Company will reassess whether to control the investee.

## **7. Classification of joint arrangement and accounting treatment method of joint operation**

Joint arrangements can be classified into joint operations and joint ventures. Joint operation refers to the arrangement in which a joint party party has rights to the related assets of such arrangement and assumes the related liabilities of such arrangement. A joint venture refers to the arrangement that the joint venture party only has rights to the net asset's of such arrangement.

## **8. Recognition criteria of cash and cash equivalents**

Cash refers to cash on hand and deposit on demand for payment. Cash

equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

## **9. Foreign currency translation**

The Group converts foreign currency amounts into functional currency amounts for foreign currency transactions.

Transactions denominated in foreign currency are translated into functional currency amounts at the spot exchange rate at the transaction date at initial recognition. Monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date. The difference will be recognized through profit and loss, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization. Non-monetary items carried at historical costs in foreign currency are translated at the spot exchange rate at the transaction date, with its functional currency amounts unchanged. Non-monetary items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined. The difference will be recognized through profit and loss, or other comprehensive income depending on the nature of those non-monetary items. For overseas operations, the Group converts its functional currency amounts into RMB when preparing financial statements: The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the average exchange rate during the transaction period. The difference arising from the aforementioned foreign currency translation is recognized in other comprehensive income. In terms of disposal of an overseas operation, the other comprehensive income related to the overseas operation is transferred to the current profit and loss. The partial disposal is calculated according to the disposal ratio.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated using the average exchange rate. The impact of exchange rate changes on cash is treated as an adjustment item and presented separately in the cash flow statement.

## **10. Financial instruments**

Financial instruments refer to contracts that form one party's financial assets into other parties' financial liabilities or equity instruments.

### Recognition and derecognition of financial instruments

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability.

If the following conditions are met, the derecognition of a financial asset (or part of a financial asset, or part of a group of similar financial assets) shall be written off from its account and balance sheet:

- (1) The right to receive cash flows of financial assets expires.
- (2) The right to collect the cash flow of financial assets is transferred, or the obligation to fully pay the collected cash flow to a third party on time under the "pass-through agreement", and satisfied one of the following criteria:
  - (a) all the risks and rewards related to the ownership of the financial assets have been transferred.
  - (b) Although all the risks and rewards of the ownership financial assets are neither transferred nor retained, the control of the financial assets has been abandoned.

If the responsibility of the financial liability has been fulfilled, canceled, or expired, the financial liability shall be derecognized. If an existing financial liability is replaced by the same creditor with another financial liability with almost completely different terms, or almost all the terms of the existing liability are substantially modified, such replacement or modification shall be regarded as the derecognition of the original liability and the recognition of the new liability. For debt treatment, the difference is included in the current profit and loss.

The purchase and sale of financial assets in a conventional manner shall be recognized and derecognized according to the transaction day. The conventional way of buying and selling financial assets refers to the receipt or delivery of financial assets within the time limit stipulated by laws and regulations or common practices in accordance with the terms of the contract. Transaction date refers to the date on which the Group promises to buy or sell financial assets.

#### Classification and measurement of financial assets

The Company's financial assets are classified according to the business model of the Group's corporate management of financial assets and the contractual cash flow characteristics of financial assets at initial recognition. It can be classified into financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, and financial assets measured at fair value through other comprehensive income.

Financial assets initially recognized by the Company and measured at fair value. However, for accounts receivable as a result of selling goods or providing services that do not contain a significant financing component or not consider financing components with an associated period less than one year, the Company measures at their transaction price.

For the financial assets measured at fair value and the changes recognized through the current profit and loss, the transaction expenses thereof are directly included in profit and loss. For other categories of financial assets and financial liabilities, the transaction expenses thereof are included in the initially recognized amount.

The subsequent measurement of financial assets depends on their classification:

#### Debt investments measured at amortized cost

Financial assets that meet the following conditions are classified as financial assets measured at amortized cost: The financial assets aim to collect contract cash flow; The contract terms of the financial asset stipulate that the cash flow generated on a specific date is only used to pay for the principal and interest. Such financial assets use the effective interest rate method to recognize interest income. The gains and losses arising from the derecognition, modification, or impairment are included in the current profit and loss.

#### Debt Investment measured at fair value and the changes recognized through other comprehensive income

Financial assets that meet the following conditions are classified as financial assets measured at fair value and the changes recognized through other comprehensive income: The financial assets aim to collect contractual cash flow and to sell financial assets. The contract terms of the financial assets stipulate that the cash flow generated on a specific date is only used to pay for the principal and interest. Such financial assets use the effective interest method to recognize interest income. Except for interest income, impairment losses, and exchange differences recognized as current profits and losses, the other fair value changes are recognized in other comprehensive income. When financial assets are derecognized, the accumulated gains and losses previously included in other comprehensive income are transferred to current profit and loss.

#### Equity instrument investment measured at fair value and the changes recognized through other comprehensive income

The Group irrevocably chooses to designate some non-trading equity instrument investments as financial assets measured at fair value and the changes recognized through other comprehensive income. Only the relevant dividend income (except for the dividend income that is clearly recovered as part of the investment cost) is included in the current profit and loss, and subsequent changes in the fair value are included in other comprehensive income, and no impairment provision is required. When financial assets are derecognized, the accumulated gains and losses previously included in other

comprehensive income are transferred from other comprehensive income to retained earnings.

Financial assets measured at fair value and the changes recognized through current profit and loss

Other financial assets, except for financial assets measured at amortized cost and other than financial assets measured at amortized cost and financial assets measured at fair value and the changes recognized through other comprehensive, are classified as financial assets measured at fair value through current profits and losses. Such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognized in the current profit and loss.

Classification and measurement of financial liabilities

The Company's financial liabilities are classified at initial recognition: financial liabilities measured at fair value through current profits and losses and other financial liabilities. For financial liabilities measured at fair value through current profit and loss, the related transaction costs are directly included in the current profit and loss. For other financial liabilities, the related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial liabilities depends on its classification:

Financial liabilities measured at fair value and the changes recognized through current profit and loss

Financial liabilities measured at fair value and the changes recognized through current profits and losses include trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities measured at fair value through current profits and losses designated at the initial recognition. Trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, and all changes in fair value are recognized in the current profit and loss. For financial liabilities measured at fair value through current profit and loss, subsequent measurement is carried out at fair value. Except for changes in fair value caused by the Group's own credit risk are recognized through other comprehensive income, other changes in fair value are included in the current profit and loss. If changes in fair value through other comprehensive income caused by Group's credit risk cause or enlarge the accounting mismatch in profit and loss, the Group will include all changes in fair value (including the amount affected by changes in its own credit risk) in current profit and loss.

Other financial liabilities

For such financial liabilities, the effective interest rate method is adopted, and subsequent measurement is carried out in accordance with amortized cost.

#### Impairment of financial instruments

Based on expected credit losses, the Company recognized the impairment of financial assets measured at amortized cost and debt instrument investments measured at fair value and the changes recognized through other comprehensive income.

For receivables that do not contain significant financing provisions, the Company simplified measurement methods to measure the loss provision equivalent to the expected credit loss during the entire duration.

For financial assets other than the above-mentioned simplified measurement methods, the Company separately measures the expected credit losses of financial instruments at different stages on the balance sheet date. In the first stage, if the credit risk of a financial instrument has not increased significantly since the initial recognition, the loss provision is measured according to the expected credit loss in the next 12 months. The interest income is calculated based on the book balance and the effective interest rate. In the second stage, if the credit risk of a financial instrument has increased significantly since its initial recognition but no credit impairment has occurred, the loss provision is measured based on the expected credit loss for the entire duration. The interest income is calculated based on the book balance and the effective interest rate. In the third stage, if a financial instrument has been credit-impaired since its initial recognition, the loss provision is measured based on the expected credit loss for the entire duration. The interest income is based on amortized cost and effective interest rate. For financial instruments with relatively low credit risk on the balance sheet date, the Company assumes that their credit risk has not increased significantly since the initial recognition.

The Company assesses the expected credit losses of financial instruments based on individual items and portfolios. The Company considers the credit risk characteristics of different customers and evaluates the expected credit loss of the accounts receivable based on the aging combination.

Please refer to Note X. 4 for the disclosure of the Company's criteria for determining a significant increase in credit risk, the definition of credit-impaired assets, and the assumptions for the measurement of expected credit losses.

When the Company no longer reasonably expects to recover all or part of the contractual cash flow of a financial asset, the Company directly writes down the book value of the financial asset.

### Offsetting financial instrument

If the following conditions are all met, the financial assets and financial liabilities are listed in the balance sheet as the net amount after offsetting each other: Financial assets have the statutory right to offset the confirmed amount, and this statutory right is currently enforceable. The plan is to settle on a net basis or to realize the financial assets and pay off the financial liabilities at the same time.

### Financial asset transfer

If the Group has transferred almost all the risks and rewards of financial assets to the transferee, it shall terminate the recognition of the financial assets. If the Group retains almost all the risks and rewards of financial assets, it shall not terminate the recognition of the financial assets.

If the Group neither transfers nor retains almost all the risks and rewards of financial assets, it shall be dealt with as follows:

If the control of the financial assets is abandoned, the financial assets shall be derecognized, and the assets and liabilities shall be confirmed. If the financial asset is in control, the relevant financial assets shall be recognized according to the extent of its continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly.

Financial assets that are involved through the provision of financial guarantees, the value of the assets will be the lower of financial assets book value and financial guarantees. The financial guarantee amount refers to the highest amount required to be repaid among the consideration received.

### **11. Notes receivable**

Refers to note v.10 "Financial instrument".

### **12. Accounts receivable**

Refers to note v.10 "Financial instrument".

### **13. Accounts receivable financing**

Refers to note v.10 "Financial instrument".

### **14. Other receivables**

The determination method and accounting treatment method of the expected credit loss of other receivables



Refers to note v.10 “Financial instrument”.

## **15. Inventories**

Inventories include raw material, work in process product, semi-product, low-value consumables, and finished goods.

Inventories are initially measured at historical cost. Inventory costs include purchase costs, processing costs, and other costs. The weighted average method is used to determine the actual cost when inventory is sold. Low-value consumables are amortized with the one-shot write-off method.

The perpetual inventory system is adopted here.

On the balance sheet date, inventories are measured at the lower of cost or net realizable value. Provisions for inventory write-down are made on the excess of its cost over the net realizable value. The difference will be included in the profit and loss. If the factors influencing the previous provision for inventory depreciation have disappeared, making the net realizable value of the inventory higher than its book value, the previously deducted amount of the inventory depreciation reserve amount will be restored and the amount transferred back in the current profit and loss.

The net realizable value refers to the amount of the estimated selling price of the inventory minus the estimated cost, estimated selling expenses, and related taxes and fees at the time of completion in daily activities. When making provision for inventory depreciation, raw materials are accrued by category, and finished products are accrued according to individual inventory items.

## **16. Contract assets**

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

Contract assets refer to the right to receive consideration for the transfer of goods or services to customers, and this right depends on factors other than the passage of time.

## **17. Contract cost**

No

## **18. Assets classified as held for sale**

No

### **19. Debt investments**

No

### **20. Other debt investments**

No

### **21. Long-term receivable**

No

### **22. Long-term equity investments**

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

Long-term equity investment is initially measured at the initial investment cost when it is acquired. For business combination under common control, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve. (If the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.)

Other comprehensive income before the combination date shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities. Shareholders' equity recognized through changes in shareholders' equity other than net profit and loss, other comprehensive income and profit distribution of the investee shall be transferred to the current profit and loss when disposing of the investment.

Among them, those that are still long-term equity investments after disposal are carried forward in proportion, and those that are converted into financial instruments after disposal are carried forward in full amount. For business combinations not under common control, the combination cost is used as the initial investment cost. The combination cost includes the sum of the assets paid by the purchaser, the liabilities incurred or assumed, and the fair value of the issued equity securities. For the other comprehensive income that is held before the purchase date using the equity method, when disposing of the investment, the same basis as the direct disposal of related assets or liabilities

by the investee is used for accounting treatment. Shareholders' equity recognized due to changes in shareholders' equity other than net profit and loss, other comprehensive income and profit distribution of the investee, shall be transferred to the current profit and loss. Among them, those that are still long-term equity investments after disposal are carried forward in proportion and those that are converted into financial instruments after disposal are carried forward in full amount. The equity investment held before the purchase date as a financial instrument is included in other comprehensive income and the cumulative fair value changes are all transferred to retained earnings when the cost method is changed. For long-term equity investments except the long-term equity investment formed by business combinations, the initial investment cost shall be determined as follows: for the long-term investment obtained through paying cash, the actual purchase price paid and the expenses, taxes, and other necessary expenses directly related to the acquisition of long-term equity investment shall be the initial investment cost; for the long-term investment obtained through the issuance of equity securities, the fair value of the equity securities shall be the initial investment cost.

The long-term equity investment that the Company is able to exercise control over the investee is accounted for by the cost method in the Company's individual financial statements. Control refers to having the power over the investee, enjoying variable returns by participating in the relevant activities of the investee, and having the ability to use the power over the investee to affect the amount of return.

When the cost method is adopted, long-term equity investments are priced at the initial investment cost. In case of additional or recovery of investment, the cost of long-term equity investment shall be adjusted. The cash dividends or profits declared to be distributed shall be recognized as investment income for the current period.

Long-term equity investments with joint control or significant influence relationship are accounted for with the equity method. Joint control refers to the common control of an arrangement in accordance with relevant agreements, and the relevant activities of the arrangement must be agreed by the participants who share control rights before making decisions. Significant influence refers to the power to participate in decision-making on the financial and operating policies of the investee, but not the ability to control or jointly control the formulation of these policies with other parties.

When the equity method is adopted, if the initial investment cost is greater than the fair value of the investee's identifiable net assets at the time of investment, it shall be included in the initial investment cost of the long-term equity investment. Otherwise, the difference shall be included in the current profit and loss, and the cost of the long-term equity investment shall be adjusted at the same time.

When using the equity method, the investment profits and losses and other comprehensive income shall be recognized according to the share of the net profits and losses and other comprehensive income realized by the invested entity, and the book value of the long-term equity investment shall be adjusted. When confirming the share of the net profit and loss of the investee, it is based on the fair value of the investee's identifiable assets at the time the investment is obtained. In accordance with the Group's accounting policies and accounting period, and offsetting the share of the investment with associates and joint ventures, the internal transaction gains and losses that occur between the two parties are calculated according to the proportion that should be enjoyed by the investor (if the internal transaction loss is an asset impairment loss, it should be recognized in full amount), and the net profit of the investee is adjusted and confirmed, unless the invested or sold assets constitute a business. Calculate the portion that should be enjoyed based on the declared profit or cash dividends of the invested entity, and reduce the book value of the long-term equity investment accordingly. The Group recognizes the net loss incurred by the investee, and the book value of the long-term equity investment and other long-term equity that constitutes the net investment in the investee is written down to zero, unless the group is liable for additional loss obligations. For other changes in shareholders' equity in addition to net profit and loss, other comprehensive income and profit distribution of the investee, the book value of long-term equity investment is adjusted and included in shareholders' equity.

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profit and loss. For long-term equity investments accounted for using the equity method, if the equity method is terminated due to disposal, the relevant other comprehensive income accounted for by the original equity method shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities. Shareholders' equity confirmed by changes in other shareholders' equity other than profit and loss, other comprehensive income and profit distribution shall be transferred to current profits and losses. If the equity method is still adopted, the relevant other comprehensive income calculated by the original equity method shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities and transferred to the current profit and loss on a pro rata basis. Shareholders' equity confirmed by changes in other shareholder's equity other than the distribution of income and profits shall be transferred to the current profit and loss according to the corresponding proportion.

### **23. Investment property**

Investment property measurement model

Not applicable

## 24. Fixed assets

### (1) Recognition principles of fixed assets

Fixed assets are only recognized when the economic benefits associated with assets are likely to flow into the Group and the costs can be measured reliably. Subsequent expenditures related to fixed assets that meet the recognition conditions shall be included in the cost of fixed assets, and derecognise the book value of the replaced part. Otherwise, it shall be included in the current profit and loss when incurred.

Fixed assets are initially measured at historical cost, considering the impact of expected abandonment cost factors. The cost of purchasing a fixed asset includes the purchase price, relevant taxes, and other expenditures directly attributed to the asset that occurs before the fixed asset reaches its intended useable state.

The depreciation of fixed assets is calculated using the average life method. The depreciation life, estimated net residual value rate and annual depreciation rate of various fixed assets are as follows:

### (2) Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	5-35 years	3-10%	2.57-19.40%
Specialized equipment	Straight-line method	3-17 years	3-10%	5.29-32.33%
Vehicle	Straight-line method	4-10 years	3-10%	9.00-24.25%
General tools	Straight-line method	3-10 years	3-10%	9.00-32.33%
Decoration	Straight-line method	5 years		20%

The Group reviews the useful life, estimated net residual value and depreciation method of fixed assets at least at the end of each year, and adjusts them if necessary.

### (3) Recognition basis, valuation and depreciation method of financial leased fixed assets

During the reporting period, the Group did not have finance leased fixed assets.

## 25. Construction in progress

The cost of construction in progress is determined based on actual project

expenditures, including various necessary project expenditures incurred during the construction period, capitalized borrowing costs before the project reaches its intended use status and other related expenses.

Construction in progress is transferred to fixed assets when it reaches the expected usable state.

## **26. Borrowing costs**

Borrowing costs refer to the interest and other related costs incurred by the Group due to borrowings, including borrowing interest, amortization of discounts or premiums, auxiliary expenses, and exchange differences arising from foreign currency borrowings. Borrowing costs that can be directly attributable to the acquisition, construction or production of assets that meet the capitalization conditions shall be capitalized, and other borrowing costs shall be recognized in the current profit and loss. Assets that meet the conditions for capitalization refer to fixed assets, investment property, inventory, and other assets that require a long period of acquisition, construction or production activities to reach the intended usable or saleable state.

Borrowing costs can be capitalized only if the following conditions are met simultaneously:

- (1) Asset expenditure has occurred.
- (2) Borrowing costs have been incurred.
- (3) The purchase, construction or production activities necessary for the asset to reach the intended usable or saleable state have begun.

When the acquisition, construction or production of assets that meet the capitalization conditions reaches the intended usable or saleable state, the capitalization of borrowing costs shall cease. Borrowing costs incurred thereafter are included in the current profit and loss.

During the capitalization period, the amount of interest capitalization in each accounting period is determined in accordance with the following methods:

- (1) Special borrowings are determined by the amount of interest expenses actually incurred in the current period, minus temporary deposit interest income or investment income.
- (2) General borrowings are calculated and determined based on the weighted average number of asset expenditures of the accumulated asset expenditure exceeding the portion of special borrowings multiplied by the weighted average interest rate of the occupied general borrowings.

During the acquisition, construction or production process of assets that meet the conditions for capitalization, the capitalization of borrowing costs shall be suspended if there is an abnormal interruption other than the procedures necessary to reach the intended usable or saleable state, and the interruption

lasts for more than 3 months. The borrowing costs incurred during the interruption period are recognized as expenses and included in the current profit and loss until the acquisition, construction or production activities of the asset restart.

## **27.Productive biological assets**

No

## **28.Oil & gas assets**

No

## **29.Right-of-use assets**

No

## **30.Intangible assets**

(1) Valuation method, service life, impairment test

Intangible assets are recognized, only if the economic benefits are likely to flow into the Group, and the costs can be measured reliably. The initial measurement of intangible assets is based on its cost. However, if the fair value of an intangible asset obtained in a business combination not under common control can be reliably measured, it is separately recognized as an intangible asset and measured at its fair value.

The useful life of intangible assets is determined according to the period during which it can bring economic benefits to the Group. If it is impossible to foresee the period of time that it will bring economic benefits to the Group, it is regarded as an intangible asset with an indefinite useful life.

The useful life of each intangible asset is as follows:

	<b>Useful Life</b>
Land use right	292-600 months or perpetual
Application software	3-10 years
Customer relations	20 years
Patented technology	7-40 years
Trademark	10 years or uncertain
Technology authorization	21 years

The land use rights obtained by the Group are usually accounted for as intangible assets. For self-development and construction of buildings such as

workshops, relevant land use rights and buildings are accounted for as intangible assets and fixed assets respectively. The price paid for the purchased land and buildings is allocated to the land use rights and the buildings. If it is difficult to allocate them reasonably, they shall all be treated as fixed assets.

Intangible assets with a definite service life are amortized using the straight-line method during their service life. The Group reviews the useful life and amortization method of intangible assets with a definite useful life at the end of each year and adjusts it if necessary.

For intangible assets with uncertain service life, regardless of whether there are signs of impairment, an impairment test is carried out every year. Such intangible assets are not amortized, and their useful lives are reviewed in each accounting period. If there is evidence that the service life is limited, the accounting treatment shall be carried out according to the abovementioned policy for intangible assets with definite service life.

#### (2) Accounting policy for internal R&D expenditure

The Group divides R&D expenditures into research phase expenditures and development phase expenditures. Expenditures in the research phase are included in the current profit and loss. Expenditures in the development stage can be capitalized only when the following conditions are met at the same time: it is technically feasible to complete the intangible asset so that it can be used or sold; it has the intention to complete the intangible asset and use or sell it; Intangible assets generate economic benefits, including the ability to prove that the products produced by the intangible assets exist in the market or the intangible assets themselves exist in the market, or intangible assets will be used internally and can prove their usefulness; The Group has sufficient technology, financial resources, and other resource support to complete the development of the intangible asset and can use or sell the intangible asset; The expenditure attributable to the development of the intangible asset can be measured reliably. Development expenditures that do not meet the above conditions are included in the current profits and losses when incurred.

### **31. Impairment of long-term assets**

The Group determines the impairment of assets excluding inventories, deferred income tax, and financial assets according to the following methods: The Group judges on the balance sheet date whether there are signs of possible impairment of assets. If there are signs of impairment, the Group will estimate its recoverable amount and conduct impairment tests. No matter whether there are signs of impairment, the goodwill recognized as a result of business combination shall be tested for impairment at least once a year. Intangible assets that have not yet reached the usable state, an impairment test is also carried out annually.



The recoverable amount is determined based on the higher of the net value of the asset's fair value minus the disposal expenses and the present value of the asset's expected future cash flow. The Group estimates its recoverable amount on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the CGU is determined based on the CGU to which the asset belongs. The identification of an CGU is based on whether the main cash inflow generated by the CGU is independent of the cash inflows of other assets or CGUs.

When the recoverable amount of an asset or CGU is lower than its book value, the Group writes down its book value to the recoverable amount. The reduced amount is included in the current profit and loss, and the corresponding asset impairment provision is made simultaneously.

As for the impairment test of goodwill, the book value of goodwill shall be allocated to the relevant CGU according to a reasonable method from the date of purchase. If it is difficult to allocate to the relevant CGU, it shall be allocated to a group of CGUs. The related CGU or group of CGUs is the CGU or group of CGUs that can benefit from the synergies of the business combination and is not larger than the reporting segment determined by the Group. When performing an impairment test on a related CGU or group of CGUs that contains goodwill, if there are signs of impairment, an impairment test will be performed first on the CGU or group of CGUs that do not contain goodwill, determining recoverable amount and impairment losses. Then conduct an impairment test on the CGU or group of CGUs containing goodwill and compare its book value with the recoverable amount. If the recoverable amount is lower than the book value, the amount of impairment loss is first offset and allocated to the book value of the goodwill in the CGU or group of CGUs. Then, according to the proportion of the book value of each asset other than goodwill in the CGU or group of CGUs, the book value of other assets is deducted proportionally.

Once the aforementioned asset impairment loss is confirmed, it will not be reversed in the subsequent accounting periods.

### **32. Long-term prepayments**

Long-term prepayments are mainly for molds, which are amortized using the production method or the straight-line method.

### **33. Contract liabilities**

The Group lists contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Group offsets the contract assets and contract liabilities under the same contract as the net amount.

Contract liabilities refer to the obligation to transfer goods or services to customers for the consideration received or receivable from customers, such as the amount that an enterprise has received before the transfer of promised goods or services.

### **34. Employee benefits**

#### **(1) Short-term employee benefits**

Employee remuneration refers to the various forms of remuneration or compensation provided by the Group to obtain services provided by employees or terminate the labor relationship. Employee compensation includes short-term compensation and post-employment benefits. The benefits provided by the Group to employee spouses, children, dependents, survivors of deceased employees, and other beneficiaries are also employee compensation.

#### **Short-term salary**

During the accounting period when employees provide services, the actual short-term compensation is recognized as a liability and included in the current profit and loss or the cost of related assets.

#### **(2) Post-employment benefits**

Post-employment benefits (set a deposit plan)

The Group employees participate in pension and unemployment insurance managed by the local government, and the corresponding expenditures are included in the current profits and losses when incurred.

#### **Other long-term employee benefits**

For other long-term employee benefits provided to employees, the relevant regulations on post-employment benefits shall be applied to confirm and measure the net liabilities or net assets of other long-term employee benefits, but the changes are included in the current profit and loss or the cost of related assets.

#### **(3) Termination benefits**

No

#### **(4) Other long-term employee benefits**

No

### **35. Lease liabilities**

No

### **36.Provisions**

Except for the contingent consideration and the contingent liabilities assumed in the business combination not under the common control, when the obligations related to the contingent events meet the following conditions at the same time, the Group recognizes them as provisions:

- (1) The obligation is the current obligation assumed by the Group.
- (2) The performance of this obligation is likely to cause economic benefits outflow.
- (3) The amount of the obligation can be measured reliably.

The provisions are initially measured in accordance with the best estimate of the expenditure required to perform the relevant current obligations, and comprehensively consider factors such as risks, uncertainties and time value of money related to contingencies. The book value of provisions is reviewed on each balance sheet date. If there is conclusive evidence that the book value cannot reflect the current best estimate, the book value shall be adjusted according to the current best estimate.

The contingent liabilities of the acquiree obtained in a business combination not under the common control are measured at fair value initially. After the initial recognition, the amount recognized in accordance with the provisions, and the balance of the initially recognized amount after deducting the accumulated amortization determined by the revenue recognition principle shall be subsequently measured at the higher of the two.

### **37.Share-based payment**

No

### **38.Preferred shares, Perpetual bonds, and Other financial instrument**

No

### **39.Revenue**

Accounting policies used in revenue recognition and measurement

The Group has fulfilled the performance obligations in the contract, that is, revenue is recognized when the customer obtains control of the relevant goods or services. Obtaining control over related goods or services means being able to lead the use of the goods or the provision of the service and obtaining almost all of the economic benefits from it.

### Sales contract

Goods sales contracts between the Group and customers usually only include performance obligations for the transferred goods. The Group generally considers the following factors and recognizes revenue when the customer obtains control of the relevant product: the current right to receive payment for the product, the transfer of major risks and rewards in the ownership of the product, the transfer of legal ownership of the product, the transfer of the physical assets of the product, and the customer's acceptance of the product.

### Service contract

Service provision contracts between the Group and customers usually include performance obligations for services to customers. The performance obligations of the service provided by the Group do not meet the conditions for fulfilling the performance obligations within a period. The Group usually recognizes revenue at the time when the customer obtains the service or the control of the service-related asset based on comprehensive consideration of the following factors: Obtain the current right of collection of assets, the transfer of major risks and rewards of asset ownership, the transfer of legal ownership of assets, the transfer of physical assets, and the customer's acceptance of the asset.

### Consideration payable to customers

For the consideration payable to customers, the Group offsets it against the transaction price. And at the time when the relevant income is recognized and customer consideration is paid (or promised), whichever is later, the current income is offset, unless the consideration payable is to obtain other distinguishable goods or services from the customer.

### Warranty obligations

In accordance with contractual agreements and legal provisions, the Group provides quality assurance for the products sold. For guaranteed quality assurance to ensure that the products sold meet the established standards, the Group conducts accounting treatment in accordance with Note V. 43. For the service quality assurance that provides a separate service in addition to the established standards to ensure that the goods sold meet the established standards, the Group regards it as a single performance obligation and allocates part of the transaction price to the service quality assurance based on the relative proportion of the stand-alone selling price of the goods and services quality assurance provided, and recognizes revenue when the customer obtains the control of the service. When assessing whether the quality assurance provides a separate service in addition to ensuring that the products sold meet the established standards, the Group considers whether the quality

assurance is a legal requirement, the quality assurance period, and the nature of the Group's commitment to performing tasks.

Differences in accounting policies for revenue recognition caused by the adoption of different business models for similar businesses

No

#### **40. Government grants**

Government grants are recognized when they can meet the attached conditions and can be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at the nominal amount in the circumstance that fair value can't be assessed.

Government grants related to assets are government grants with which the Group construct or otherwise acquire long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Group shall determine based on the primary condition to acquire the grants and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. Other government grants are recognized as income.

Government grants are calculated using the gross method.

For government grants related to income used for compensating the related future cost, expenses or losses of the Group are recognized as deferred income and are included in profit and loss during the period in which the relevant cost, expenses or losses are recognized. For government grants related to income used for compensating the related cost, expenses or losses already incurred to the Group, they are directly included in profit and loss.

Government subsidies related to assets are recognized as deferred income, and are included in profit and loss according to a reasonable and systematic method within the useful life of the relevant asset. For assets sold, transferred, disposed or damaged within the useful lives, the balance of unamortized deferred income is transferred into profit and loss of the year in which the disposal occurred.

#### **41. Deferred tax assets/Deferred tax liabilities**

Income tax includes current income tax and deferred income tax. Except for the adjusted goodwill arising from a business combination, or the transactions or events directly included in the shareholders' equity, all of them are included in the current profit and loss as income tax expenses or income.

The Group's current income tax liabilities or assets formed in the current and previous periods are measured in accordance with the expected amount of income tax to be paid or returned as calculated in accordance with the tax law.

Based on the temporary difference between the book value of assets and liabilities on the balance sheet date and the tax basis, as well as temporary differences arising from the difference between the book value of items that are not recognized as assets and liabilities but whose tax base can be determined in accordance with the tax law and the tax base, the Group uses the balance sheet debt method to accrue deferred income tax.

Various taxable temporary differences are used to recognize deferred income tax liabilities, unless:

1. The temporary differences are generated in the following transactions: upon the initial recognition of goodwill, or the initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, and neither affects accounting profits nor taxable income or deductible losses when the transaction occurs.
2. For temporary differences related to investments in subsidiaries, joint ventures and associates, the time for the reversal of the temporary differences can be controlled and the temporary differences may not be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax deductions that can be carried forward to future years, the Group recognizes the deferred income tax assets within the limit of the future taxable income that is likely to be used to deduct deductible temporary differences, deductible losses and tax deductions, unless:

1. The deductible temporary difference is generated in the following transaction: the transaction is not a business combination, and when the transaction occurs, it neither affects accounting profits nor taxable income or deductible losses.
2. For the investment of subsidiaries, joint ventures and associates, the corresponding deferred income tax assets are recognized when the following conditions are met at the same time: Temporary differences are likely to be reversed in the foreseeable future, and the taxable income that can be used to deduct temporary differences is likely to be obtained in the future.

The Group calculates deferred income tax assets and deferred income tax liabilities in accordance with the provisions of the tax law and applicable tax rate on the balance sheet date. It also reflects the income tax impact of the expected return of assets or settlement of liabilities on the balance sheet date.

On the balance sheet date, the Group reviews the book value of deferred income tax assets. If it is probable that sufficient taxable income cannot be obtained in the future period to deduct the benefits of deferred income tax assets, the amount of deferred income tax assets shall be reduced. On the balance sheet date, the Group reassess the unrecognized deferred income tax assets, and recognizes the deferred income tax assets to the extent that it is likely to obtain sufficient taxable income for the reversal of all or part of the deferred income tax assets.

Deferred income tax assets and deferred income tax liabilities are listed as the net amount after offset if the following conditions are met simultaneously: the Group has the legal right to settle current income tax assets and current income tax liabilities on a net basis. Deferred income tax assets and deferred income tax liabilities are related to the same tax administration department or to different taxation entities, but in the future period of reversal of each important deferred income tax asset and deferred income tax liability, the taxpayer intends to settle the current income tax assets and current income tax liabilities on a net basis or obtain assets and pay off debts at the same time.

## **42. Leases**

### **(1) Accounting of operating lease**

Leases that have substantially transferred all the risks and rewards related to asset ownership are finance leases, and all other leases are operating leases.

As an operating lease lessee

The rental expenses are included in the relevant asset cost or current profit and loss according to the straight-line method during each lease term, and the contingent rent is included in the current profit and loss when it actually occurs.

As an operating lease lessor

The rental income is recognized as current profit and loss on a straight-line basis during each lease term, and contingent rent is included in current profit and loss when it actually occurs.

### **(2) Accounting of finance lease**

No

## **43. Other significant accounting policies and estimates**

The preparation of financial statements requires management to make judgments, estimates and assumptions, which will affect the reported amounts and disclosures of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. The results of these uncertain

assumptions and estimates may cause significant adjustments to the carrying amount of assets or liabilities in the future.

#### Judgment

In the process of applying the Group's accounting policies, the management team has made the following judgments that have a significant impact on the amounts recognized in the financial statements:

#### Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When judging the business model, the Group considers corporate evaluation and financial asset performance reporting to key management personnel, risks affecting financial asset performance and its management method and the way relevant business managers get paid, etc. When evaluating whether to collect contractual cash flow as the goal, the Group needs to analyze and judge the reasons, time, frequency and value of the financial assets sold before the expiry date.

#### Contract cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of financial assets. It is necessary to determine whether the contractual cash flow is only the payment of principal and interest based on the outstanding principal, including the correction of the time value of money. In the assessment, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets that include prepayment characteristics, it is necessary to judge whether the fair value of the prepayment characteristics is insignificant, etc.

#### Uncertainty of estimates

The following are the key assumptions about the future and other key sources of estimation uncertainty at the balance sheet date, which may cause significant adjustments to the carrying amounts of assets and liabilities in future accounting periods.

#### Impairment of financial instruments

The Group uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimates, and all reasonable and supportive information, including forward-looking information. In making these judgments and estimates, the Group infers the expected changes in the owing party's



credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment that has been made may not be equal to the actual amount of impairment losses in the future.

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

On the balance sheet date, the Group judges whether non-current assets other than financial assets are likely to be impaired. For intangible assets with uncertain service life, in addition to the annual impairment test, an impairment test is also performed when there are signs of impairment. Other non-current assets except financial assets are tested for impairment when there are signs that the carrying value is not recoverable. An impairment has occurred when the book value of an asset or CGU is higher than the recoverable amount, that is, the higher of the net value of the fair value minus the disposal expenses and the present value of the expected future cash flow. The net amount of fair value minus disposal expenses is determined by the sale agreement price of similar assets in a fair transaction or the observable market price, minus the incremental cost directly attributable to the disposal of the asset. When predicting the present value of future cash flows, the management team must estimate the expected future cash flow of the asset or CGU and select an appropriate discount rate to determine the present value of future cash flows.

#### Goodwill impairment

The Group takes goodwill impairment tests at least annually. This requires an estimation of the present value of the future cash flow of the CGU or group of CGUs that goodwill has been allocated. When estimating the present value of future cash flows, the Group needs to estimate the cash flow generated by the future CGU or group of CGUs, and select an appropriate discount rate to determine the present value of future cash flows. See Note V, 31.

#### Development expenditure

When determining the amount of capitalization, management must make assumptions about the expected future cash flow of the asset, the applicable discount rate, and the expected benefit period.

#### Deferred tax assets

Deferred income tax assets should be recognized for all unused deductible losses if there is likely to be sufficient taxable income to reduce deductible losses. This requires the management team to use a lot of judgment to estimate the time and amount of taxable income in the future, combined with tax planning strategies, to determine the amount of deferred income tax assets.

## Quality assurance

For a combination of contracts with similar characteristics, the Group makes reasonable estimates of the warranty rates based on historical warranty data, current warranty conditions, and after considering all relevant information such as product improvements and market changes. The estimated warranty rate may not be equal to the actual future warranty rate. The Group re-evaluates the warranty rate at least on each balance sheet date and determines the estimated liabilities based on the re-evaluated warranty rate.

## 44.Changes in significant accounting policies and accounting estimates

### (1) Changes in significant accounting policies

Applicable  Not applicable

Contents and reasons of changes in accounting policies	approval procedure	Note
Changes and adjustments to the new revenue standards	It has been approved at the 35th Meeting of the sixth Board of Directors of the Company on April 27, 2020	

In accordance with the relevant requirements of the *Accounting Standards for Business Enterprises No. 14-Revenue(Cai Kuai [2017] No. 22)* issued by the Ministry of Finance, the Company made corresponding changes and adjustments since January 1, 2020. According to the convergence regulations, the comparable period information will not be adjusted. The difference between the implementation of the new standards and the current standards on the first day will be retrospectively adjusted for retained earnings at the beginning of the reporting period.

The new revenue standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the new revenue standards, the method of recognizing revenue should reflect the entity's transfer of goods or services to customers, and the amount of the revenue should reflect the amount of consideration that the entity expects to be entitled to because of the transfer of these goods or services to customers. At the same time, the new revenue standard also regulates the judgments and estimates required for each cycle of revenue recognition. The Group only adjusts the cumulative impact of contracts that have not been completed on January 1, 2020. For contract changes that occurred before January 1, 2020, the Group adopts a simplified treatment method: for all contracts, according to the final arrangement of contract changes, identify the performed and unfulfilled performance obligations, determine the transaction price, and allocate the transaction price between the performed and unfulfilled performance obligations.

Based on the inspection of sales contracts that have not been executed as of December 31, 2019, the Group believes that the use of simplified processing methods will not have a significant impact on the Group's financial statements. The main reason is that the revenue recognized by the Group based on the transfer of risk rewards is synchronized with the realization of the performance obligations of the sales contract.

The impact of the implementation of the new revenue standard on the 2020 financial statements is as follows:

#### Consolidated balance sheet

Unit: RMB

	Carrying value	According to original standard	Impact
Contract liabilities	512,836,059.89	-	512,836,059.89
Unearned revenue	-	517,028,331.94	(517,028,331.94)
Other current liabilities	4,192,272.05	-	4,192,272.05
Account payable	935,542,222.20	911,952,560.39	23,589,661.81
Other account payable	384,220,500.31	407,810,162.12	(23,589,661.81)

#### Parent Company's balance sheet

Unit: RMB

	Carrying value	According to original standard	Impact
Contract liabilities	4,359,811.90	-	4,359,811.90
Unearned revenue	-	4,359,811.90	(4,359,811.90)
Account payable	295,956,510.99	290,542,172.86	5,414,338.13
Other account payable	1,630,748,176.80	1,636,162,514.93	(5,414,338.13)

#### Consolidated income statement

Unit: RMB

	Carrying value	According to original standard	Impact
Operating cost	8,539,410,065.42	8,413,058,402.91	126,351,662.51
Sales cost	202,937,418.90	329,289,081.41	(126,351,662.51)

#### Parent Company's income statement

Unit: RMB

	Carrying value	According to original standard	Impact
Operating cost	2,036,931,290.14	2,026,747,323.25	10,183,966.89
Sales cost	30,034,081.55	40,218,048.44	(10,183,966.89)

The main effects of retrospective adjustments caused by the above accounting policy changes on the financial statements are as follows:

The Group

2020 FY

Consolidated balance sheet

Unit: RMB

	Carrying value according to original standard Decemeber 31, 2019	Reclassification	Carrying value according to new standard January 1, 2020
Contract liabilities	-	648,572,264.26	648,572,264.26
Unearned revenue	653,874,136.71	(653,874,136.71)	-
Other current liabilities	-	5,301,872.45	5,301,872.45
Account payable	1,083,181,883.19	31,968,469.81	1,115,150,353.00
Other account payable	759,261,155.63	(31,968,469.81)	727,292,685.82

Parent Company's balance sheet

Unit: RMB

	Carrying value according to original standard Decemeber 31, 2019	Reclassification	Carrying value according to new standard January 1, 2020
Contract liabilities	-	3,103,027.57	3,103,027.57
Unearned revenue	3,103,027.57	(3,103,027.57)	-
Account payable	417,556,226.11	1,273,036.85	418,829,262.96
Other account payable	891,820,777.91	(1,273,036.85)	890,547,741.06

(2) Changes in significant accounting estimates

Applicable  Not applicable

(3) Since 2020, Adjustments to the relevant items of financial statements at the beginning of the year at the first implementation of new revenue and lease standards

Applicable

Whether it is necessary to adjust the balance sheet accounts at the beginning of the year

Yes  No

Consolidated balance sheet

Unit: RMB

Items	December 31, 2019	January 1, 2020	Adjustments
<b>Current Assets:</b>			
Cash and cash equivalents	2,452,754,083.38	2,452,754,083.38	
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	63,034,283.90	63,034,283.90	
Derivative financial assets			
Notes receivable	0.00		
Accounts receivable	2,555,697,203.97	2,555,697,203.97	
Accounts receivable financing	378,904,590.58	378,904,590.58	
Advances paid	173,597,304.56	173,597,304.56	
Premium receivable			
Reinsurance accounts receivable			
Reinsurance reserves receivable			
Other receivables	916,325,582.02	916,325,582.02	
Including: Interest receivable	0.00		
Dividend receivable	0.00		
Financial assets under reverse repo			
Inventories	2,393,951,480.24	2,393,951,480.24	
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	117,007,873.14	117,007,873.14	
<b>Total current assets</b>	<b>9,051,272,401.79</b>	<b>9,051,272,401.79</b>	
<b>Non-current assets:</b>			
Loans and advances paid			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investments	12,612,542.86	12,612,542.86	
Other equity instrument investments	4,942,489.56	4,942,489.56	
Other non-current financial assets			
Investment property	0.00		
Fixed assets	5,113,660,627.42	5,113,660,627.42	

Construction in progress	426,345,202.99	426,345,202.99	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	1,778,179,906.06	1,778,179,906.06	
Development expenditures	0.00		
Goodwill	1,701,158,115.52	1,701,158,115.52	
Long-term prepayments	159,712,622.07	159,712,622.07	
Deferred tax assets	188,710,115.07	188,710,115.07	
Other non-current assets	50,655,894.55	50,655,894.55	
<b>Total non-current assets</b>	<b>9,435,977,516.10</b>	<b>9,435,977,516.10</b>	
<b>Total assets</b>	<b>18,487,249,917.89</b>	<b>18,487,249,917.89</b>	
<b>Current liabilities:</b>			
Short-term borrowings	3,070,118,768.19	3,070,118,768.19	
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities	1,324,581.60	1,324,581.60	
Derivative financial liabilities			
Notes payable	218,601,865.08	218,601,865.08	
Accounts payable	1,083,181,883.19	1,115,150,353.00	-31,968,469.81
Unearned revenue	653,874,136.71		653,874,136.71
Contract liabilities	0.00	648,572,264.26	-648,572,264.26
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	238,740,090.73	238,740,090.73	
Tax payable	71,472,056.11	71,472,056.11	
Other payables	759,261,155.63	727,292,685.82	31,968,469.81
Including: Interest Payable	0.00		
Dividends Payable	0.00		
Handling fee and commission payable			
Reinsurance accounts payable			
Held-for-sale liabilities			

Non-current liabilities due within one year	571,968,504.83	571,968,504.83	
Other current liabilities	0.00	5,301,872.45	-5,301,872.45
<b>Total current liabilities</b>	6,668,543,042.07	6,668,543,042.07	
<b>Non-current liabilities:</b>			
Insurance policy reserve			
Long-term borrowings	1,165,220,492.00	1,165,220,492.00	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions	174,680,866.90	174,680,866.90	
Deferred income	202,630,087.75	202,630,087.75	
Deferred tax liabilities	268,233,346.43	268,233,346.43	
Other non-current liabilities			
<b>Total non-current liabilities</b>	1,810,764,793.08	1,810,764,793.08	
<b>Total liabilities</b>	8,479,307,835.15	8,479,307,835.15	
<b>Equity:</b>			
Share capital	2,186,879,678.00	2,186,879,678.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	1,691,289,940.77	1,691,289,940.77	
Less: Treasury shares	333,092,868.42	333,092,868.42	
Other comprehensive income	74,589,529.22	74,589,529.22	
Special reserve	10,261,018.12	10,261,018.12	
Surplus reserve	427,043,757.25	427,043,757.25	
General risk reserve			
Undistributed profit	3,935,484,397.57	3,935,484,397.57	
<b>Total equity attributable to the parent Company</b>	7,992,455,452.51	7,992,455,452.51	
Non-controlling interest	2,015,486,630.23	2,015,486,630.23	
<b>Total equity</b>	10,007,942,082.74	10,007,942,082.74	
<b>Total liabilities &amp; equity</b>	18,487,249,917.89	18,487,249,917.89	

Adjustment statement

No

Balance Sheet of the Parent Company

Unit: RMB

Items	December 31, 2019	January 1, 2020	Adjustments
<b>Current Assets:</b>			
Cash and cash equivalents	1,004,904,910.05	1,004,904,910.05	
Held-for-trading financial assets	60,034,900.00	60,034,900.00	
Derivative financial assets			
Notes receivable	0.00		
Accounts receivable	678,186,227.12	678,186,227.12	
Accounts receivable financing	159,939,620.65	159,939,620.65	
Advances paid	28,429,672.81	28,429,672.81	
Other receivables	494,780,887.10	494,780,887.10	
Including: Interest receivable	0.00		
Dividend receivable	129,600,000.00	129,600,000.00	
Inventories	243,049,665.85	243,049,665.85	
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	17,910,061.89	17,910,061.89	
<b>Total current assets</b>	<b>2,687,235,945.47</b>	<b>2,687,235,945.47</b>	
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investments	4,198,711,501.05	4,198,711,501.05	
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets	364,884,432.10	364,884,432.10	
Construction in progress	57,506,951.74	57,506,951.74	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	53,332,915.40	53,332,915.40	
Development expenditures			
Goodwill			
Long-term prepayments	9,208,148.95	9,208,148.95	
Deferred tax assets	2,777,151.86	2,777,151.86	
Other non-current assets	38,683,336.01	38,683,336.01	



<b>Total non-current assets</b>	4,725,104,437.11	4,725,104,437.11	
<b>Total assets</b>	7,412,340,382.58	7,412,340,382.58	
<b>Current liabilities:</b>			
Short-term borrowings	1,282,185,084.02	1,282,185,084.02	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Note payable	290,920,548.28	290,920,548.28	
Account payable	417,556,226.11	418,829,262.96	-1,273,036.85
Unearned revenue	3,103,027.57		3,103,027.57
Contract liabilities	0.00	3,103,027.57	-3,103,027.57
Employee benefits payable	35,028,390.32	35,028,390.32	
Tax payable	3,998,075.37	3,998,075.37	
Other payables	891,820,777.91	890,547,741.06	1,273,036.85
Including: Interest Payable	0.00		
Dividends Payable	0.00		
Held-for-sale liabilities			
Non-current liabilities due within one year	265,717,562.36	265,717,562.36	
Other current liabilities			
<b>Total current liabilities</b>	3,190,329,691.94	3,190,329,691.94	
<b>Non-current liabilities:</b>			
Long-term borrowings	396,962,631.92	396,962,631.92	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	1,872,600.00	1,872,600.00	
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>	398,835,231.92	398,835,231.92	
<b>Total liabilities</b>	3,589,164,923.86	3,589,164,923.86	
<b>Equity:</b>			
Share capital	2,186,879,678.00	2,186,879,678.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	1,059,096,302.01	1,059,096,302.01	
Less: Treasury shares	333,092,868.42	333,092,868.42	

Other comprehensive income			
Special reserve	1,919,506.02	1,919,506.02	
Surplus reserve	427,043,757.25	427,043,757.25	
Undistributed profit	481,329,083.86	481,329,083.86	
<b>Total equity</b>	<b>3,823,175,458.72</b>	<b>3,823,175,458.72</b>	
<b>Total liabilities &amp; equity</b>	<b>7,412,340,382.58</b>	<b>7,412,340,382.58</b>	

## Adjustment statement

No

(4) Since 2020, the statements of first implementation of new revenue and lease standards to trace and adjust previous comparative data.

Applicable  Not applicable

**45. Others**

## (1) Stock repurchase

The consideration and transaction costs paid for repurchasing own equity instruments to reduce shareholders' equity. Except for share-based payment, the issuance (including refinancing), repurchase, sale or cancellation of own equity instruments shall be treated as changes in equity.

## (2) Profit distribution

The Company's cash dividends are recognized as liabilities after approval by the General Meeting of Shareholders.

## (3) Safety production fee

The safety production fee withdrawn in accordance with the regulations shall be included in the cost of the relevant product or the current profit and loss, meanwhile, included in the special reserve. Distinguish whether fixed assets are formed and deal with them separately: if it is an expense, it will directly offset the special reserve; If it is a fixed asset, the fixed asset is recognized when they reach the intended usable state. Meanwhile, the equivalent special reserve is deducted and the equivalent accumulated depreciation is recognized.

## (4) Fair value measurement

The Group measures derivative financial instruments and equity instrument investments at fair value on each balance sheet date. Fair value refers to the price that market participants can receive an asset or pay for the transfer of a

liability in an orderly transaction on the measurement date. The Group measures related assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities takes place in the main market of the relevant assets or liabilities. If there is no main market, the Group assumes that the transaction proceeds in the most beneficial market to the relevant assets or liabilities. The main market (or the most favorable market) is the trading market that the Group can enter on the measurement date. The Group adopts the assumptions used by market participants to maximize their economic benefits when pricing the asset or liability.

When measuring non-financial assets at fair value, the Group considers the ability of market participants to use the asset for the best purpose to generate economic benefits, or to sell the asset to other market participants who can be used for the best purpose to generate economic benefits.

The Group adopts valuation techniques that are applicable under current circumstances and have sufficient available data and other information to support. Priority is given to the use of relevant observable input values, and unobservable input values are used only when observable input values cannot be obtained or are not practicable.

For assets and liabilities that are measured or disclosed at fair value in financial statements, determine the fair value level to which they belong based on the lowest level of input value that is important for fair value measurement as a whole: The input value of the first level refers to the unadjusted quotation of the same asset or liability that can be obtained in the active market on the measurement date; The second-level input value refers to the directly or indirectly observable input value of related assets or liabilities, except for the first-level input value; The third level input value refers to the unobservable input value of related assets or liabilities.

On each balance sheet date, the Group re-evaluates the assets and liabilities recognized in the financial statements that are continuously measured at fair value to determine whether there is a switch between the fair value measurement levels.

## VI. Taxes

### 1. Major categories of taxes and tax rates

Tax Type	Taxation basis	Tax rate
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VAT	<p>The taxable revenue of general taxpayers of Chinese coporate calculates output tax at a tax rate of 13%, and pays value-added tax on the difference after deducting the input tax that is allowed to be deducted in the current period.</p> <p>The Mexican subsidiary, Meridian Technologies Mexico, S. de R.L. de C.V., calculates output tax at 16% of taxable revenue and pays VAT based on the difference after deducting the input tax allowed to be deducted in the current period.</p> <p>Wanfeng MLTH Holdings Co., LTD (Hereinafter referred to as "Wanfeng Meridian") and its British subsidiary, Meridian Lightweight Technology UK Limited, calculate the output tax at 20% of the taxable revenue and pay the VAT on the difference after deducting the input tax allowed to be deducted in the current period.</p> <p>The Wanfeng Aluminum Wheels (India) Pty. Co., Ltd applies to the taxation regulations of Delhi, Haryana, India, where it is registered, calculates output tax and pays VAT based on the difference after deducting the input tax allowed to be deducted in the current period.</p> <p>The Austrian subsidiary Diamond Verwaltungs GmbH and its local subsidiary Austro Engine GmbH calculate the output tax at 20% of the taxable revenue, and pay VAT based on the difference after deducting the input tax allowed to be deducted in the current period.</p>	13%、16%、20%
Urban maintenance and construction tax	Chinese coporate pays 5%, 7%,or 0% of the turnover tax actually paid.	5%、7%、0%
Corporate income tax	<p>Chinese coporate income tax is paid at 15% or 25% of the taxable income. Please refer to Note vi 2.</p> <p>Wanfeng MLTH Holdings Co., Ltd is subject to the income tax regulations of Nottinghamshire, Ashfield, England, where it is registered, and the tax rate is 19%. Meridian Lightweight Technology UK Limited are subject to income tax laws and regulations in its place of registration, and the tax rate is 19%.</p> <p>The American subsidiary, Wanfeng North America Co., Ltd., is subject to the income tax regulations of the state of Michigan, where it is registered. Magnesium Products of America Inc. is subject to the income tax regulations of its place of registration. The tax rate for 2019 and 2020 was 23.35%.</p> <p>The Indian subsidiary, Wanfeng Aluminum Wheels (India) Pty Co., Ltd., is subject to the income tax regulations of Delhi, Haryana, India, where it is registered, and the tax rate is 22%.</p> <p>The Mexican subsidiary, Meridian Technologies Mexico, S. de R.L. de C.V., is subject to the income tax regulations of its place of registration, and the tax rate is 30%</p>	15%、19%、23.35%、22%、30%、25%、26.50%

	<p>The Canadian subsidiaries, Meridian Lightweight Technologies Inc., Meridian Lightweight Technologies Holdings Inc., Meridian Canada Inc., and Diamond Aircraft Industries Inc. are subject to the income tax regulations of their registered places. Tax rates are 25%, 26.5%, 26.5% and 25%, respectively.</p> <p>The Austrian subsidiary Diamond Verwaltungs GmbH and its subsidiaries Diamond Aircraft Industries GmbH (Austria) and Austro Engine GmbH are subject to the income tax regulations of their registered places, and the tax rate is 25%.</p>	
Sales tax	<p>The Canadian subsidiaries, Meridian Lightweight Technologies Inc., Meridian Lightweight Technologies Holdings Inc., Meridian Canada Inc., and Diamond Aircraft Industries Inc. are taxed at 13% of taxable revenue, and pay sales tax based on the difference after deducting the current allowable tax deduction.</p>	13%
Business activity tax	<p>The Group's sales revenue in Ohio, the United States is subject to local tax regulations for calculating business activity tax.</p>	
Withhold income tax	<p>The Indian subsidiary Wanfeng Aluminum Wheels (India) Pty Co., Ltd. is subject to the taxation regulations of Delhi, Haryana, India, where it is registered, to calculate and pay withholding income tax.</p>	

Education supplementary tax	Chinese corporate pays 5% or 0% of the turnover tax actually paid.	5%、 0%
Water conservancy construction fund	Chinese corporate pays 1%, 0.1%, or 0% of their operating revenue.	1%、 0.1%、 0%

## Different corporate income tax rates applicable to different taxpayers:

<b>Taxpayers</b>	<b>Income tax rate</b>
The Company, Weihai Wanfeng, Chongqing Wanfeng, Weihai Magnesium, Wanfeng Motorcycle Wheel, Guangdong Motorcycle Wheel, Shanghai Dacromet, Shanghai Meridian, Meridian New Material, Wuxi Xiongwei, Yancheng Xiongwei, Changchun Xiongwei, Wuxi Geoff, Yizheng Xiongwei	15%
Ningbo Aoweier, Jilin Wanfeng, Shanghai Fengtu, Ningbo Dacromet, Aircraft Industry, Diamond Verwaltungs GmbH and local Austrian subsidiary	25%
Wanfeng MLTH Holdings Co., Ltd	Subject to income tax regulations in Nottinghamshire, Ashfield, England, where it was registered, and the tax rate is 19%.
Meridian Lightweight Technology UK Limited	Subject to income tax regulations in its place of registration and the tax rate is 19%.
American subsidiary: Wanfeng North America Co., Ltd.	Subject to income tax regulations in the state of Michigan, where it was registered.
Magnesium Products of America Inc.	Subject to income tax regulations in its place of registration, and the tax rate for 2019 and 2020 was 23.35%.
Indian subsidiary: Wanfeng Aluminum Wheels (India) Pty	Subject to income tax regulations in the city of Delhi, Haryana, India, where it was registered, the tax rate is 22%.
Mexican subsidiary: Meridian Technologies Mexico, S. de R.L. de C.V.	Subject to income tax regulations in its place of registration, and the tax rate is 30%
Canadian subsidiaries, Meridian Lightweight Technologies Inc., Meridian Lightweight Technologies Holdings Inc., Meridian Canada Inc., and Diamond Aircraft Industries Inc.	Subject to income tax regulations in the place of registration. Tax rates are 25%, 26.5%, 26.5% and 25%, respectively.

Austrian subsidiar Diamond Verwaltungs GmbH and its subsidiaries Diamond Aircraft Industries GmbH (Austria) and Austro Engine GmbH	Subject to income tax regulations in their place of registration at a rate of 25%.
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## 2. Tax preferential policies

The Company received the *High-tech Enterprise Certificate (Certificate No. GR202033005649)* jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, Zhejiang Provincial State Taxation Bureau, and Local Taxation Bureau on December 1, 2020. The Company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2020 to 2022) after the Company is recognized as a high-tech enterprise.

The subsidiary Weihai Wanfeng Auto Wheel Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR202037002645)* jointly issued by Shandong Provincial Department of Science and Technology, Shandong Provincial Department of Finance, Shandong Provincial Bureau of Taxation and Local Taxation Bureau on December 8, 2020. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2020 to 2022) after the company is recognized as a high-tech enterprise.

The subsidiary Weihai Wanfeng Magnesium Technology Development Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR202037000108)* jointly issued by Shandong Provincial Department of Science and Technology, Shandong Provincial Department of Finance, Shandong Provincial Bureau of Taxation and Local Taxation Bureau on August 17, 2020. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2020 to 2022) after the company is recognized as a high-tech enterprise.

The subsidiary, Chongqing Wanfeng Aolun Aluminum Wheel Co., Ltd., is an encouraged enterprise located in the western region. According to the *Notice on the Taxation Policy Issues Concerning the Further Implementation of the Western Development Strategy* jointly issued by the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation on July 27, 2011, it was registered as an encouraged industrial enterprise in the western region by filing records to Qingxi Taxation Office, State Taxation Bureau, Fuling District, Chongqing each year, and the income tax was paid at a tax rate of 15% in 2016. According to Chinese relevant tax policies for encouraged industrial enterprises in the western region, the company does not

need to file special records from 2018, and the income tax will still be paid at the tax rate of 15% in 2020.

The subsidiary Zhejiang Wanfeng Motorcycle Wheel Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR201833001613)* jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Taxation Bureau of the State Administration of Taxation on November 30, 2018. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2018 to 2020) after the company is recognized as a high-tech enterprise.

The subsidiary Guangdong Wanfeng Motorcycle Wheel Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR201844002073)* jointly issued by Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance, Guangdong Provincial State Taxation Bureau, and Guangdong Provincial Local Taxation Bureau on November 28, 2018. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2018 to 2020) after the company is recognized as a high-tech enterprise.

The subsidiary Shanghai Dacromet Coating Industry Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR201831000793)* jointly issued by Shanghai Science and Technology Commission, Shanghai Finance Bureau, Shanghai State Taxation Bureau, and Shanghai Local Taxation Bureau on November 2, 2018. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2018 to 2020) after the company is recognized as a high-tech enterprise.

The subsidiary Shanghai Meridian Magnesium Products Co., Ltd. received the *"High-tech Enterprise Certificate (Certificate No. GR201931000323)* jointly issued by Shanghai Science and Technology Commission, Shanghai Finance Bureau, Shanghai State Taxation Bureau and Shanghai Local Taxation Bureau on October 8, 2019. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2019 to 2021) after the company is recognized as a high-tech enterprise.

The subsidiary Wanfeng Meridian New Material Technology Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR201833001014)* jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Taxation Bureau of the State Administration of Taxation on November 30, 2018. The company is



recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2018 to 2020) after the company is recognized as a high-tech enterprise.

The subsidiary Wuxi Xiongwei Precision Technology Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR202032006479)* jointly issued by Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance, Jiangsu Provincial State Taxation Bureau, and Jiangsu Provincial Local Taxation Bureau on December 2, 2020. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2020 to 2022) after the company is recognized as a high-tech enterprise.

The subsidiary Changchun Xiongwei Auto Parts Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR202022000006)* jointly issued by Jilin Provincial Department of Science and Technology, Jilin Provincial Department of Finance, Jilin Provincial State Taxation Bureau, and Jilin Provincial Local Taxation Bureau on September 10, 2020. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2020 to 2022) after the company is recognized as a high-tech enterprise.

The subsidiary Wuxi Geoff Machinery Technology Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR201832004062)* jointly issued by Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance, and Jiangsu Provincial Taxation Bureau of the State Administration of Taxation on November 28, 2018. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2018 to 2020) after the company is recognized as a high-tech enterprise.

The subsidiary Yancheng Xiongwei Auto Parts Co., Ltd. received the *High-tech Enterprise Certificate (Certificate No. GR202032007938)* jointly issued by Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance, Jiangsu Provincial State Taxation Bureau, and Jiangsu Provincial Local Taxation Bureau on December 2, 2020. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2020 to 2022) after the company is recognized as a high-tech enterprise.

The subsidiary Yizheng Xiongwei Machinery Technology Co., Ltd. received the

*High-tech Enterprise Certificate (Certificate No. GR202032002099)* jointly issued by Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance, Jiangsu Provincial State Taxation Bureau, and Jiangsu Provincial Local Taxation Bureau on December 2, 2020. The company is recognized as a high-tech enterprise, and the certification is valid for 3 years. According to Chinese relevant tax policies for high-tech enterprises, the income tax will be 15% within three years (from 2020 to 2022) after the company is recognized as a high-tech enterprise.

### 3. Others

No

## VII. Notes to Consolidated Financial Statements Items

### 1. Cash and cash equivalents

Unit: RMB

Items	Closing balance	Opening balance
Cash on hand	928,560.58	1,007,340.38
Deposits in bank	1,463,778,286.96	2,200,640,621.03
Other cash equivalents	210,272,110.63	251,106,121.97
<b>Total</b>	<b>1,674,978,958.17</b>	<b>2,452,754,083.38</b>

Other remarks:

As of December 31, 2020, the Group's cash and cash equivalents in foreign currencies were 74,120,174.94 U.S. dollars, 4,236,852.60 British pounds, 488,563,163.81 Indian rupees, 12,610,625.22 Canadian dollars, 6,143,754.32 Mexican pesos, 35,301,672.42 Euros, and 45,849,364.00 Japanese yen, and 3,230,720.62 Czech Koruna (As of December 31, 2019, the Group's cash and cash equivalents in foreign currencies were 50,607,978.18 U.S. dollars, 2,355,972.53 British pounds, 26,803,013.93 Indian rupees, 15,188,698.3 Canadian dollars, 938,794.62 Mexican pesos, 25,946,195.26 Euros, 46,472,557.00 Japanese yen, and 4,343,738.02 Czech Koruna).

As of December 31, 2020, please refer to Note VII. 81 for cash and cash equivalents with restricted ownership of the Group.

Bank demand deposits earn interest income in accordance with the bank demand deposit interest rate.

### 2. Held-for-trading financial assets

Unit: RMB

Items	Closing balance	Opening balance
<b>Financial assets measured at fair value and changes recognized through profit and loss</b>	5,312,974.87	63,034,283.90
<b>Including:</b>		
Foreign exchange forward contract	2,474,818.46	440,000.00
Foreign exchange option contract	207,581.54	
Structured deposits		60,000,000.00
Stock	2,630,574.87	2,594,283.90
<b>Including:</b>		
<b>Total</b>	<b>5,312,974.87</b>	<b>63,034,283.90</b>

Other remarks:

Please refer to Note VII. 81 for details of the above-mentioned structured deposits whose ownership or use rights are restricted.

### 3. Derivative Financial Assets

Unit: RMB

Items	Closing balance	Opening balance

Other remarks:

No

### 4. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Items	Closing balance	Opening balance
Total	0.00	

Unit: RMB

Categories	Closing balance					Opening balance				
	Book balance		Provision for doubtful debt		Carrying amount	Book balance		Provision for doubtful debt		Carrying amount
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
<b>Including:</b>										
<b>Including:</b>										

Provision for doubtful debts made on individual basis:

Unit: RMB

Items	Closing balance			
	Book balance	Provision for doubtful debt	Provision proportion (%)	Reasons

Provision for doubtful debts made on collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for doubtful debt	Provision proportion (%)

Description of determining the collective basis:

None

Provision for doubtful debts made on collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for doubtful debt	Provision proportion (%)

Description of determining the collective basis:

If the provision for doubtful debts of bills receivable is made according to the general model of expected credit losses, please refer to the disclosure of the doubtful debt provision for other receivables:

Applicable  Not applicable

(2) Provision for doubtful debt accrued, recovered or reversed in current period  
Doubtful debt provision in the current period

Unit: RMB

Categories	Opening balance	Changed amount of this period				Closing balance
		Accrual	Recovered or reversed	Written off	Others	

The amount of doubtful debt provision for the current period to be recovered or reversed is significant:

Applicable  Not applicable

(3) Pledged notes at the balance sheet date

Unit: RMB

Items	Closing balance of pledged notes

(4) Endorsed or discounted but undue notes at the balance sheet date

Unit: RMB

Items	Closing balance derecognized	Closing balance not yet derecognized

(5) Notes transferred to accounts receivable by the drawer without performance at the end of reporting period

Unit: RMB

Items	Closing balance of amount transferred to accounts receivable

Other remarks:

No

(6) Notes receivable actually written off in the current period

Unit: RMB

Items	Amount of write-off

Significant notes receivable written off:

Unit: RMB

Company	Nature of notes receivable	Amount of write-off	Reasons for written-off	Write-off procedures	Whether the payment is generated by related party transactions

Remarks on notes receivable written off:

No

## 5. Accounts receivable

(1) Disclosure of accounts receivable by categories

Unit:RMB

Categories	Closing balance					Opening balance				
	Book balance		Provision for doubtful debt		Carrying amount	Book balance		Provision for doubtful debt		Carrying amount
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
<b>Receivables with provision made on an individual basis</b>	46,054,287.07	1.93%	30,158,501.41	65.48%	15,895,785.66	41,352,651.84	1.58%	25,154,998.75	60.83%	16,197,653.09
<b>Including:</b>										
<b>Receivables with provision made on a collective basis</b>	2,342,524,568.18	98.07%	43,439,471.56	1.85%	2,299,085,096.62	2,583,991,841.13	98.42%	44,492,290.25	1.72%	2,539,499,550.88
<b>Including:</b>										
<b>Total</b>	2,388,578,855.25	100.00%	73,597,972.97	3.08%	2,314,980,882.28	2,625,344,492.97	100.00%	69,647,289.00	2.65%	2,555,697,203.97

Provision for doubtful debts on individual basis: 30,158,501

Unit: RMB

Items	Closing balance			
	Book balance	Provision for doubtful debt	Provision proportion (%)	Reasons
No.1	10,619,046.44	10,619,046.44	100.00%	Estimated collection risk
No.2	8,280,910.13	2,781,910.13	33.59%	Estimated collection risk
No.3	6,625,061.06	1,414,787.38	21.36%	Product quality disputes
No.4	4,055,686.16	4,055,686.16	100.00%	Estimated collection risk
No.5	3,751,626.02	1,875,813.01	50.00%	Estimated collection risk
Others	12,721,957.26	9,411,258.29	73.98%	Estimated collection risk
<b>Total</b>	<b>46,054,287.07</b>	<b>30,158,501.41</b>	<b>--</b>	<b>--</b>

Doubtful debt provisions made on individual basis:

Unit: RMB

Items	Closing balance			
	Book balance	Provision for doubtful debt	Provision proportion (%)	Reasons

Doubtful debt provisions made on collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for doubtful debt	Provision proportion (%)

Description of determining the collective basis:

No

Provision for doubtful debts on collective basis: 43,439,471.56

Unit: RMB

Items	Closing balance		
	Book balance	Provision for doubtful debt	Provision proportion (%)
Within 1 year	2,246,198,613.39	23,656,329.43	1.05%
1 to 2 years	66,051,391.45	2,793,506.98	4.23%
2 to 3 years	24,766,755.78	11,670,494.43	47.12%
Over 3 years	5,507,807.56	5,319,140.72	96.57%

<b>Total</b>	2,342,524,568.18	43,439,471.56	--
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Description of determining the collective basis:

In 2020, a provision for doubtful debts of RMB 11,932,332.85 (2019: RMB 37,296,124.07) was made, and a provision for doubtful debts of RMB 5,304,843.83 was recovered or transferred back (2019: RMB 2,502,676.39). The actual written-off of accounts receivable in 2020 is RMB 2,676,805.05 (2019: RMB 1,102,659.64).

Provision for doubtful debts by on collective basis:

Unit: RMB

Items	Closing balance		
	Book balance	Provision for doubtful debt	Provision proportion (%)

Description of determining the collective basis:

If the provision for doubtful debts of accounts receivable is accrued in accordance with the general model of expected credit losses, please refer to the disclosure of the doubtful debt provision for other accounts receivable:

Applicable  Not applicable

Disclosure by age

Aging	Book balance
Within 1 year (inclusive)	2,254,965,619.41
1 to 2 years	74,785,286.02
2 to 3 years	51,938,480.19
Over 3 years	6,889,469.63
3 to 4 years	6,889,469.63
<b>Total</b>	<b>2,388,578,855.25</b>

(2) Provision for doubtful debt accrued, recovered or reversed in current period  
Provision for doubtful debts accrued in the current period:

Unit: RMB

Categories	Opening balance	Changed amount of this period				Closing balance
		Accrual	Recovered or reversed	Written off	Others	
2020FY	69,647,289.00	11,932,332.85	5,304,843.83	2,676,805.05		73,597,972.97
<b>Total</b>	<b>69,647,289.00</b>	<b>11,932,332.85</b>	<b>5,304,843.83</b>	<b>2,676,805.05</b>		<b>73,597,972.97</b>



Significant provision for doubtful debts reversed or recovered in the current period

Unit: RMB

Company	Amount recovered or reversed	Recovery method

None

(3) Accounts receivable actually written off in the current period

Unit: RMB

Items	Amount of written-off

Significant account receivable written off:

Unit: RMB

Company	Nature of account receivable	Amount of written-off	Reasons for written off	Write-off procedures	Whether the payment is generated by related party transactions

Remarks on account receivable written off:

None

(4) Details of the top 5 owning parties with largest balances

Unit: RMB

Company	Closing balance of account receivables	Proportion to total closing balance of account receivables	Closing balance of doubtful debt provision
No.1	145,883,190.32	6.11%	723,764.42
No.2	84,570,249.81	3.54%	422,851.24
No.3	73,059,587.54	3.06%	365,297.94
No.4	72,086,733.75	3.02%	360,433.67
No.5	67,556,464.43	2.83%	337,782.32
<b>Total</b>	<b>443,156,225.85</b>	<b>18.56%</b>	

(5) Accounts receivable derecognized due to the transfer of financial assets

None

(6) The amount of assets and liabilities formed by transferring and continuing to be involved in accounts receivable

None

Other remarks:

None

## 6. Accounts receivable financing

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance	338,736,142.63	350,320,590.58
Trade acceptance	43,468,600.37	28,584,000.00
<b>Total</b>	<b>382,204,743.00</b>	<b>378,904,590.58</b>

Changes in accounts receivable financing during the current period and changes in fair value

Applicable  Not Applicable

If the provision for financing impairment of receivables is accrued in accordance with the general expected credit loss model, please refer to the disclosure methods of other receivables to disclose the relevant information of the impairment provision:

Applicable  Not Applicable

Other remarks:

The accounts receivables financing pledged is as follows:

Unit: RMB

Categories	2020FY	2019FY
Bank acceptance	186,082,811.84	132,911,797.58
Trade acceptance	1,000,000.00	14,960,000.00
<b>Total</b>	<b>187,082,811.84</b>	<b>147,871,797.58</b>

(1) The notes receivable that has been endorsed or discounted but are not yet due on the balance sheet date are as follows:

Unit: RMB

Categories	2020FY		2019FY	
	Derecognized	Not Derecognized	Derecognized	Not derecognized
Bank acceptance	706,520,717.60	60,264,049.38	586,953,297.41	52,584,811.00
Trade acceptance	-	1,000,000.00	-	10,960,000.00
<b>Total</b>	<b>706,520,717.60</b>	<b>61,264,049.38</b>	<b>586,953,297.41</b>	<b>63,544,811.00</b>

(2) The drawer failed to perform the contract and converted the notes to the

account receivable as follows:

No

## 7. Advances paid

(1) Advances paid by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	152,570,939.60	96.49%	168,067,208.16	96.82%
1 to 2 years	1,018,291.92	0.64%	1,183,585.18	0.68%
2 to 3 years	225,922.70	0.14%	4,151,292.61	2.39%
Over 3 years	4,321,136.02	2.73%	195,218.61	0.11%
<b>Total</b>	<b>158,136,290.24</b>	<b>--</b>	<b>173,597,304.56</b>	<b>--</b>

Remarks on reasons for unsettled significant advances paid with aging over one year:

No

(2) Top 5 owing parties with the largest advances paid

Unit: RMB

Company	Relationship with the Group	Amount	Age	Reasons	Percentage to total advances paid (%)
No. 1	third party	27,005,328.32	Within 1 year	Goods not received	17.08
No. 2	third party	23,621,431.84	Within 1 year	Goods not received	14.94
No. 3	third party	16,181,548.86	Within 1 year	Goods not received	10.23
No. 4	third party	12,477,187.30	Within 1 year	Goods not received	7.89
No. 5	third party	6,781,193.40	Within 1 year	Goods not received	4.29
<b>Total</b>		<b>86,066,689.72</b>			<b>54.43</b>

Other remarks:

None

## 8. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Interest receivables	0.00	
Dividend receivables	0.00	
Other receivables	68,318,081.18	916,325,582.02
<b>Total</b>	<b>68,318,081.18</b>	<b>916,325,582.02</b>

(1) Interest receivables

1) Interest receivables categories

Unit: RMB

Items	Closing balance	Opening balance
<b>Total</b>		

2) Significant overdue interest

Unit: RMB

Borrower	Closing balance	Overdue time	Overdue reasons	Whether the interest receivable impaired and its criteria

Other remarks:

None

3) Provision of doubtful debt

Applicable  Not Applicable

(2) Dividend receivables

1) Dividend receivables categories

Unit: RMB

Items (or investee)	Closing balance	Opening balance
<b>Total</b>		

2) Significant dividend receivables more than 1 year

Unit: RMB

Items (or investee)	Closing balance	Age	Reasons	Whether it has impaired and its criteria

## 3) Provision of doubtful debt

□ Applicable √ Not applicable

Other remarks:

None

## (3) Other receivables

## 1) Other receivables categorized by nature

Unit: RMB

Items	Closing balance	Opening balance
Related parties occupy funds	0.00	843,320,000.00
Guarantee deposit	7,622,075.86	11,930,507.11
Stock repurchase payment	866,935.63	6,913,835.11
Petty Cash for employee	3,849,343.39	4,304,279.29
Reimbursed expenses	3,551,863.38	1,211,041.51
Compensation receivable	2,558,050.02	2,730,734.57
Export tax refund	215,930.22	28,828.35
Tax refund receivable	20,904,450.90	24,350,645.18
Employee compensation receivable	11,700,450.00	
Others	20,816,494.34	24,707,193.43
<b>Total</b>	<b>72,085,593.74</b>	<b>919,497,064.55</b>

## 2) Provision of doubtful debt

Unit: RMB

Provision for doubtful debt	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2020	84,280.54	1,126,401.99	1,960,800.00	3,171,482.53
The balance as of January 1, 2020 is in the current period	—	—	—	—
Transferred to Phase II	-84,280.54	84,280.54		
Transferred to Phase III		-128,015.35	128,015.35	

Provision made in the current period	348,067.87	678,287.91		1,026,355.78
Provision recovered in current period	173,874.15	151,924.25	104,527.35	430,325.75
Balance on December 31, 2020	174,193.72	1,609,030.84	1,984,288.00	3,767,512.56

Loss provisions for significant changes in book balances in current period

Applicable  Not Applicable

Disclose by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	56,351,143.02
1 to 2 years	1,005,658.62
2 to 3 years	4,259,072.47
Over 3 years	10,469,719.63
3 to 4 years	10,469,719.63
Total	72,085,593.74

3) Provision for doubtful debt accrued, recovered or reversed in current period  
Provision for doubtful debt accrued in current period:

Unit: RMB

Categories	Opening balance	Changed amount of the current period				Closing balance
		Accrued	Recovered or reversed	Written off	Others	
2020 FY	3,171,482.53	1,026,355.78	430,325.75			3,767,512.56
Total	3,171,482.53	1,026,355.78	430,325.75			3,767,512.56

None

Significant doubtful debt provisions recovered or reversed in the current period

Unit: RMB

Company	Amount reversed or recovered	Recovery Method

4) The actual other account receivables written off

Unit: RMB

Items	Amount written off after verification

Significant doubtful debt recovered or reversed in the current period

Unit: RMB

Company	Nature of other account receivables	Amount written off	Reason	Procedure for written-off	Whether the amount is generate by related party transactions

Other remarks:

No

5) Details of the top 5 owning parties with largest balances

Unit: RMB

Company	Nature of receivables	Closing balance	Age	Proportion to the total balance of other receivables	Provision for doubtful debt at the end of the period
Austrian Tax and Finance Bureau	Tax refund receivable	20,904,450.90	Within 1 year	29.00%	
Austrian Labor Bureau	Employee compensation receivable	11,700,450.00	Within 1 year	16.23%	
Xinchang County Land and Resources Bureau	Guarantee deposit	2,879,575.00	2-3 years	3.99%	287,957.50
Gates Canada Inc	Compensation receivable	2,558,050.02	over 3 years	3.55%	
Dongguan Huawei Coating Equipment Co., Ltd.	Advance payment for equipment	2,000,000.00	Within 1 year	2.77%	
<b>Total</b>		40,042,525.92		55.54%	287,957.50

6) Other receivables related to government grants

Unit: RMB

Company	Government grant	Closing balance	Aging	Estimated receipt time, amount and basis

7) Other receivables derecognized due to the transfer of financial assets

None

8) The amount of assets and liabilities formed by transferring and continuing to be involved in other account receivables

None

Other remarks:

None

## 9. Inventories

Whether the Company needs to comply with the disclosure requirements of the real estate industry

No

(1) Categories of inventories



Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or provision for impairment of contract performance costs	Carrying amount	Book balance	Provision for decline in value of inventories or provision for impairment of contract performance costs	Carrying amount
Raw materials	1,021,336,904.37	93,791,188.32	927,545,716.05	1,050,945,010.87	95,480,390.87	955,464,620.00
Work-in-progress	656,710,134.88	4,790,661.33	651,919,473.55	680,658,858.81	3,694,539.11	676,964,319.70
Finished goods	745,299,986.77	14,851,786.11	730,448,200.66	779,307,046.36	17,784,505.82	761,522,540.54
<b>Total</b>	<b>2,423,347,026.02</b>	<b>113,433,635.76</b>	<b>2,309,913,390.26</b>	<b>2,510,910,916.04</b>	<b>116,959,435.80</b>	<b>2,393,951,480.24</b>

## (2) Provision for decline in value of inventories and provision for impairment of contract performance costs

Unit: RMB

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Accrued	Others	Reversal or write-off	Others	
Raw materials	95,480,390.87	2,042,644.70		3,731,847.25		93,791,188.32
Work-in-progress	3,694,539.11	1,105,500.72		9,378.50		4,790,661.33
Finished goods	17,784,505.82	5,323,533.33		8,256,253.04		14,851,786.11
<b>Total</b>	<b>116,959,435.80</b>	<b>8,471,678.75</b>		<b>11,997,478.79</b>		<b>113,433,635.76</b>

(3) Explanation on inventory closing balance including capitalized borrowing costs

None

(4) Explanation on amortization of contract cost in the current period

None

## 10. Contract assets

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount

The significant change in carrying amount of contract assets and reasons:

Unit: RMB

Items	Amount changed	Reasons

If the provision for doubtful debts of contract assets is accrued in accordance with the general expected credit loss model, please refer to the disclosure of doubtful debts provision for other receivables:

Applicable  Not applicable

Provision for impairment of contract assets

Unit: RMB

Items	Provisions in current period	Reversal in current period	Write-off in current period	Reasons

Other remarks:

None

## 11. Assets classified as held for sale

Unit: RMB

Items	Closing balance	Provisions for impairment	Carrying value at the end of period	Fair value	Estimated disposal cost	Estimated disposal time

Other remarks:

None

12. Non-current assets due within one year

Unit: RMB

Items	Closing balance	Opening balance

Significant debt investment/ other debt investment

Unit: RMB

Items	Closing balance				Opening balance			
	Book balance	Coupon rate	Effective rate	Time to maturity	Book balance	Coupon rate	Effective rate	Time to maturity

Other remarks:

None

**13. Other current assets**

Unit: RMB

Items	Closing balance	Opening balance
Deductible VAT, Sales tax, and consumption tax/ pending tax	69,003,341.08	69,837,690.54
Prepaid corporate income tax	26,600,908.56	47,170,182.60
<b>Total</b>	<b>95,604,249.64</b>	<b>117,007,873.14</b>

Other remarks:

As of December 31, 2020, the Group had no other current assets with restricted ownership.

**14. Debt investments**

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provisions for impairment	Carrying amount	Book balance	Provisions for impairment	Carrying amount

Significant debt investment

Unit: RMB

Debt investment items	Closing balance				Opening balance			
	Face value	Coupon rate	Effective rate	Time to maturity	Face value	Coupon rate	Effective rate	Time to maturity

Provisions for impairment

Unit: RMB

Provision for doubtful debt	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2020				

The significant change of book value of provisions impairment in the current period

Applicable  Not Applicable

Other remarks:

None

### 15. Other debt investments

Unit: RMB

Item	Opening balance	Accrued interest	Change of fair value in the current period	Closing balance	Cost	Accumulative change in fair value	Accumulative impairment provisions recognized in other comprehensive income	Note

Significant other debt investment

Unit: RMB

Other debt investment items	Closing balance				Opening balance			
	Face value	Coupon rate	Effective rate	Time to maturity	Face value	Coupon rate	Effective rate	Time to maturity

Provision for impairment

Unit: RMB

Provision for doubtful debt	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2020				

The significant change of carrying value of provisions impairment in the current

period

Applicable  Not Applicable

Other remarks:

None

## 16. Long-term receivables

(1) Long-term receivables

Unit: RMB

Items	Closing balance			Opening balance			Range of discount rate
	Book balance	Provisions for impairment	Carrying amount	Book balance	Provisions for impairment	Carrying amount	

Provisions for doubtful debt

Unit: RMB

Provision for doubtful debt	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2020				

The significant change of carrying value of provisions impairment in the current period

Applicable  Not Applicable

(2) Long-term receivables derecognized due to the transfer of financial assets

None

(3) The amount of assets and liabilities formed by transferring long-term receivables and continuing to be involved

None

Other remarks

None

## 17. Long-term equity investments

Unit: RMB

Investee	Opening balance (book value)	Percentage change in the current period								Closing balance (Carrying value)	Closing balance of provisions for impairment
		Increased investment	Decreased investment	Investment gain or loss recognized under equity method	Change in other comprehensive income	Change in other equity	Cash dividend paid or profit	Provision for impairment	Other		
<b>I. Joint ventures</b>											
<b>II. Associates</b>											
Diamond Flight Centre London INC.	765,855.96			-166,729.89		-31,315.23					567,810.84

CETC Wuhu General Aviation Industry Technology Research Institute Co., Ltd.	11,846,686.90		-11,136,957.56	-709,729.34							
<b>Subtotal</b>	12,612,542.86		-11,136,957.56	-876,459.23		-31,315.23				567,810.84	
<b>Total</b>	12,612,542.86		-11,136,957.56	-876,459.23		-31,315.23				567,810.84	

Other remarks:

No

### 18. Other equity instrument investments

Unit: RMB

Items	Closing balance	Opening balance
Diamond Flight Centre London INC.	4,733,395.22	4,942,489.56
<b>Total</b>	4,733,395.22	4,942,489.56

Disclosure of investment in non-trading equity instruments for the current period by items

Unit: RMB

Items	Recognized dividend income	Accumulative gain	Accumulative loss	Amount of other comprehensive income transferred to retained earnings	Reason for the designation as being measured at fair value and the changes recognized in other comprehensive income	Reasons for transferring other comprehensive income to retained earnings

Other remarks:

None

**19. Other non-current financial assets**

Unit: RMB

Items	Closing balance	Opening balance

Other remarks:

None

**20. Investment property**

(1) Investment property with cost measurement model

 Applicable  Not Applicable

(2) Investment property with fair value measurement model

 Applicable  Not Applicable

(3) The situation of investment property without property ownership certificate

Unit: RMB

Items	Book value	Reasons for not having property ownership certificate

Other remarks:

None



**21. Fixed assets**

Unit: RMB

Items	Closing balance	Opening balance
Fixed asset	4,872,464,413.48	5,113,660,627.42
Total	4,872,464,413.48	5,113,660,627.42

**(1) Fixed assets overview**

Unit: RMB

Items	Buildings	Specialized Equipment	Vehicle	General tools	Decoration	Total
<b>I. Original book value</b>						
<b>1. Opening balance</b>	3,055,868,712.55	4,614,959,380.24	107,869,598.56	222,244,427.42	2,340,060.98	8,003,282,179.75
<b>2. Increase in the current period</b>	78,285,305.98	327,433,341.47	37,357,047.62	15,323,963.50	26,045.31	458,425,703.88
<b>(1) Purchase</b>	2,548,119.90	52,422,104.25	37,246,428.15	11,353,851.31	26,045.31	103,596,548.92
<b>(1) Transferred from construction in progress</b>	75,737,186.08	275,011,237.22	110,619.47	3,970,112.19		354,829,154.96
<b>(2) Increase in business combination</b>						
<b>3. Decrease in the current period</b>	45,788,527.40	181,865,263.50	10,678,267.39	29,282,107.74	30,000.00	267,644,166.03
<b>(1). Disposal or scrap</b>	2,007,506.37	106,547,352.57	12,719,051.08	29,331,275.10	30,000.00	150,635,185.12
<b>Foreign currency translation</b>	43,781,021.03	75,317,910.93	-2,040,783.69	-49,167.36		117,008,980.91
<b>4. Closing balance</b>	3,088,365,491.13	4,760,527,458.21	134,548,378.79	208,286,283.18	2,336,106.29	8,194,063,717.60

<b>II. Accumulative depreciation</b>						
<b>1. Opening balance</b>	635,660,456.18	2,034,215,012.89	25,637,002.03	135,638,742.07	1,966,060.72	2,833,117,273.89
<b>2. Increase in the current period</b>	122,374,683.92	430,016,646.04	9,676,594.26	20,621,205.24	164,681.37	582,853,810.83
<b>(1). Accrual</b>	122,374,683.92	430,016,646.04	9,676,594.26	20,621,205.24	164,681.37	582,853,810.83
<b>3. Decrease in the current period</b>	12,152,116.67	108,472,830.22	1,392,883.95	28,403,855.69	28,500.00	150,450,186.53
<b>(1). Disposal or scrap</b>	2,006,459.67	86,392,170.99	1,607,875.14	29,157,095.90	28,500.00	119,192,101.70
<b>(2). Foreign currency translation</b>	10,145,657.00	22,080,659.23	-214,991.19	-753,240.21		31,258,084.83
<b>4. Closing balance</b>	745,883,023.43	2,355,758,828.71	33,920,712.34	127,856,091.62	2,102,242.09	3,265,520,898.19
<b>III. Provisions for impairment</b>						
<b>1. Opening balance</b>	2,266,776.28	53,832,251.62		405,250.54		56,504,278.44
<b>2. Increase in the current period</b>		2,675,523.03		10,234.45		2,685,757.48
<b>(1). Accrual</b>		2,675,523.03		10,234.45		2,685,757.48
<b>3. Decrease in the current period</b>	98,956.02	2,964,488.23		48,185.74		3,111,629.99
<b>(1). Disposal or scrap</b>		1,017,453.06		32,050.46		1,049,503.52
<b>4. Closing balance</b>	98,956.02	1,947,035.17		16,135.28		2,062,126.47
<b>IV. Book value</b>	2,167,820.26	53,543,286.42		367,299.25		56,078,405.93
<b>1. Book value at the end of the period</b>						

<b>2. Book value at the beginning of the period</b>	2,340,314,647.44	2,351,225,343.08	100,627,666.45	80,062,892.31	233,864.20	4,872,464,413.48
	2,417,941,480.09	2,526,912,115.73	82,232,596.53	86,200,434.81	374,000.26	5,113,660,627.42

## (2) Temporarily idle fixed assets

Unit: RMB

Items	Historical book value	Accumulative depreciation	Provisions for impairment	Book value	Note
Building	1,520,714.68	1,520,714.68			
Specialized equipment	89,315,237.07	62,104,530.92	5,037,016.50	22,173,689.65	
General equipment	6,023,171.77	5,472,894.78	28,516.04	521,760.95	
Total	96,859,123.52	69,098,140.38	5,065,532.54	22,695,450.60	

## (3) Fixed assets acquired under finance lease

Unit: RMB

Items	Historical book value	Accumulative depreciation	Provisions for impairment	Carrying value

## (4) Fixed assets rented in through operating lease

Unit: RMB

Items	Closing book value
Buildings	145,679,914.15

## (5) Fixed assets without title certificate

Unit: RMB

Items	Book value	Reasons for without property ownership certificate
Buildings	98,395,904.63	The property ownership certificate is being processed

Other remarks:

None

## (6) Fixed assets liquidation

Unit: RMB

Items	Closing balance	Opening balance

Other remarks:

None

**22. Construction in progress**

Unit: RMB

Items	Closing balance	Opening balance
Construction in progress	258,966,481.11	426,345,202.99
Total	258,966,481.11	426,345,202.99

## (1) Construction in progress overview

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Construction in progress	258,966,481.11		258,966,481.11	426,345,202.99		426,345,202.99
<b>Total</b>	258,966,481.11		258,966,481.11	426,345,202.99		426,345,202.99

## (2) Significant change in construction in progress during the reporting period

Unit: 10,000 RMB

Items	Budget amount	Opening balance	Amount increased in the current period	Amount transferred to fixed assets in current period	Other reductions in the current period	Closing balance	Accumulative project investment as a percentage of budget	Project progresses	Accumulative amount of interest capitalization	Including: interest capitalized in the current period.	Interest capitalization rate in the current period	Capital resources
Aluminum Alloy Wheels Smart Factory with 2.2 million sets capacity	53,193	3,139	299			3,438	7.00%	7%				Others

Auto Wheel Smart Factory in Jilin with 3 million sets capacity	38,157	1,450	1,298	2,410		338	85.00%	85%			Others
Aluminum Alloy Motorcycle Wheels Smart Factory with 6 million	44,873	1,311	64	1,003		371	95.00%	95%			Others

sets capacity												
Equipment to be installed	0.00	321	422	421		322						Others
Aluminum alloy wheels project in India with 3 million sets capacity	11,696	3,161	969	2,224	343	1,563	86.00%	86%				Others
Meridian America Factory	0.00	6,136	2,680	8,594	221							Others
Other equipment	0.00	19,623	11,223	15,325	412	15,108						Others
Other project	0.00	7,495	2,932	5,506	164	4,756						Others
<b>Total</b>	147,919	42,635	19,886	35,483	1,141	25,897	--	--				--

## (3) Provisions for impairment of accrual construction in progress

Unit: RMB

Items	Accrual amount in the current period	Reasons

Other remarks:

None

## (4) Construction material

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value

Other remarks:

None

**23. Productive biological assets**

## (1) Productive biological assets measured at cost method

 Applicable  Not Applicable

## (2) Productive biological assets measured at fair value method

 Applicable  Not Applicable
**24. Oil & gas assets**
 Applicable  Not Applicable

## 25. Right-of-use assets

Unit :RMB

Items		Total

Other remarks



None

**26. Intangible assets**

## (1) Intangible assets overview

Unit: RMB

Items	Land use rights	Patent rights	Non-patent rights	Customer relations	Trademark	Software	Technology authorization	Total
<b>I. Original book value</b>								
<b>1. Opening balance</b>	762,797,808.37	1,003,206,595.05		175,900,000.00	92,486,670.23	60,433,833.20	70,393,236.48	2,165,218,143.33
<b>2. Increase in the current period</b>	3,105,331.75	395,336.71				4,309,852.51	135,773.61	7,946,294.58
<b>(1). Purchase</b>	3,105,331.75	395,336.71				4,309,852.51	135,773.61	7,946,294.58
<b>(2). Internal R&amp;D</b>								
<b>(3). Increase in business combination</b>								
<b>3. Decrease in the current period</b>	-10,558,394.96	-33,672,741.74	0.00	0.00	-2,464,147.14	-1,435,490.87	-463,906.67	-48,594,681.38
<b>(1). Disposal</b>		-2,315,733.43				-1,291,236.67	-2,315,733.43	-3,606,970.10
<b>Foreign currency translation</b>	-10,558,394.96	-33,672,741.74			-2,464,147.14	-144,254.20	1,851,826.76	-44,987,711.28

<b>4. Closing balance</b>	755,344,745.16	969,929,190.02		175,900,000.00	90,022,523.09	63,308,194.84	70,065,103.42	2,124,569,756.53
<b>II. Accumulative depreciation</b>								
<b>1. Opening balance</b>	85,690,815.72	182,071,752.28		50,941,250.00	5,421,352.27	45,605,736.27	17,307,330.73	387,038,237.27
<b>2. Increase in the current period</b>	12,937,886.67	48,697,542.55		8,795,000.00	3,424,011.96	2,215,715.49	4,552,713.21	80,622,869.88
<b>(1). Accrual</b>	12,937,886.67	48,697,542.55		8,795,000.00	3,424,011.96	2,215,715.49	4,552,713.21	80,622,869.88
<b>3. Decrease in the current period</b>	-0.03	-5,067,260.35	0.00	0.00	0.00	-1,694,250.37	-1,763,715.91	-8,525,226.66
<b>(1). Disposal</b>						-1,287,210.78	-2,264,508.38	-3,551,719.16
<b>Foreign currency translation</b>	-0.03	-5,067,260.35				-407,039.59	500,792.47	-4,973,507.50
<b>4. Closing balance</b>	98,628,702.36	225,702,034.48		59,736,250.00	8,845,364.23	46,127,201.39	20,096,328.03	459,135,880.49
<b>III. Provisions for impairment</b>								
<b>1. Opening balance</b>								
<b>2. Increase in the current period</b>								
<b>(1). Accrual</b>								

<b>3. Decrease in the current period</b>								
<b>(1). Disposal</b>								
<b>4. Closing balance</b>								
<b>IV. Book value</b>								
<b>1. Closing book value</b>	656,716,042.80	744,227,155.54		116,163,750.00	81,177,158.86	17,180,993.45	49,968,775.39	1,665,433,876.04
<b>2. Opening book value</b>	677,106,992.65	821,134,842.77		124,958,750.00	87,065,317.96	14,828,096.93	53,085,905.75	1,778,179,906.06

The proportion of intangible assets formed through the company's internal research and development at the end of the period to the balance of intangible assets is 0%.

(2) Land use rights without property ownership certificate

Unit: RMB

Items	Book value	Reasons for without property ownership certificate

Other remarks:

As of December 31, 2020, please refer to Note VII. 81 for intangible assets with restricted ownership of the Group.

On December 31, 2020 and December 31, 2019, the management conducted an impairment test on trademarks with uncertain service life, and no impairment was found.

**27. Development expenditures**

Unit: RMB

Items	Opening balance	Increase in the current period			Decrease in the current period			Closing balance
		Internal development expenditures	Others		Recognized as intangible assets	Transferred to current profit and loss	Foreign currency translation	
General Aviation Aircraft R&D Project		69,419,211.82					1,118,681.18	70,537,893.00
<b>Total</b>		69,419,211.82					1,118,681.18	70,537,893.00

Other remarks:

None

## 28. Goodwill

(1) Original book value of goodwill

Unit: RMB

Investee or event forming goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Formed by business combination		Disposal	Foreign currency translation	
Goodwill	1,701,158,115.52				38,163,606.20	1,662,994,509.32
<b>Total</b>	1,701,158,115.52				38,163,606.20	1,662,994,509.32

## (2) Provisions for impairment of goodwill

Unit: RMB

Investee or event forming goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Accrual		Disposal		
<b>Total</b>						

**Information about the CGU or group of CGUs**

The Group acquired Shanghai Dacromet Coating Industry Co., Ltd. in December 2013, forming goodwill of RMB 235,709,395.09. In December 2014, it acquired Ningbo Economic and Technological Development Zone Dacromet Co., Ltd., forming goodwill of RMB 15,021,635.69. In June 2018, it acquired Wuxi Xiongwei Precision Technology Co., Ltd. and formed goodwill of RMB 290,891,792.51. In April 2020, the Group acquired Wanfeng Aircraft Industry Co., Ltd., through business combination under the common control, and obtained a goodwill of RMB 1,121,371,686.03.

Explanation on the process of goodwill impairment testing, key parameters (such as the growth rate in the growing period and stable period, profit margin, discount rate, forecast period, etc. when predicting the present value of future cash flows) and the recognition method of the impairment loss of goodwill:

The goodwill obtained from a business combination has been allocated to the following CGUs or groups of CGUs for impairment testing:

- Group of CGUs of Shanghai Dacromet Coating Industry Co., Ltd. and its subsidiary Zhejiang Wanfeng Shangda Coating Technology Co., Ltd
- CGU of Ningbo Economic and Technological Development Zone Dacromet Coating Co., Ltd.
- Group of CGUs of Wuxi Xiongwei Precision Technology Co., Ltd. and its subsidiaries
- Group of CGUs of Wanfeng Aircraft Industry Co., Ltd and its subsidiaries

The CGU of Shanghai Dacromet Coating Industry Co., Ltd. and its subsidiary Zhejiang Wanfeng Shangda Coating Technology Co., Ltd. is mainly composed of long-term assets of these two companies (excluding the long-term equity investment in Ningbo Economic and Technological Development Zone Dacromet Co., Ltd.). The value is consistent with the CGU determined during the previous year's impairment test. The book value of the group of CGUs is RMB 275,210,978.70 (excluding goodwill). The recoverable amount adopts the present value of the expected future cash flow of the group of CGUs and is determined according to the cash flow forecast based on the five-year financial budget approved by the management. The discount rate used in the cash flow forecast is 18% (2019: 18%). The growth rate of revenue is 3% in 5 years (2019: 3%). This growth rate is similar to the long-term average growth rate of the

industry in which the CGU is located.

The CGU of Ningbo Economic and Technological Development Zone Dacromet Co., Ltd. mainly consists of the long-term assets of the company. The value is consistent with the CGU determined during the impairment test on the purchase date and previous years. The book value of this CGU is RMB 41,466,389.36 (excluding goodwill). The recoverable amount adopts the present value of the expected future cash flow of the CGU and is determined according to the cash flow forecast based on the five-year financial budget approved by the management. The discount rate used in the cash flow forecast is 21% (2019: 22%). The growth rate used to forecast income five years from now is 3% (2019: 3%). This growth rate is similar to the long-term average growth rate of the industry in which the CGU is located.

The cash inflows generated by Wuxi Xiongwei Precision Technology Co., Ltd. and its subsidiaries are independent of the cash inflows of other assets or CGUs of the Group. The operating and production activities of Wuxi Xiongwei Precision Technology Co., Ltd and its subsidiaries are managed by the management team of Wuxi Xiongwei Precision Technology Co., Ltd. Therefore, the goodwill is allocated to the group of CGUs of Wuxi Xiongwei Precision Technology Co., Ltd. and its subsidiaries. The group of CGUs is mainly composed of the long-term assets of Wuxi Xiongwei Precision Technology Co., Ltd. and its subsidiaries, and is consistent with the group of CGUs determined on the purchase date. The book value of the group of CGUs is RMB 457,751,993.48 (excluding goodwill). The recoverable amount adopts the present value of the expected future cash flow of the group of CGUs and is determined according to the cash flow forecast based on the five-year financial budget approved by the management. The discount rate used in the cash flow forecast is 17% (2019: 17%). The growth rate used to forecast income five years from now is 3% (2019: 3%). This growth rate is similar to the long-term average growth rate of the industry in which the group of CGUs is located.

The cash inflows generated by Wanfeng Aircraft Industry Co., Ltd. and its subsidiaries are independent of the cash inflows of other assets or CGUs of the Group. At the same time, the management of Wanfeng Aircraft Industry Co., Ltd. manages the overall production and operation activities of Wanfeng Aircraft Industry Co., Ltd. and its subsidiaries, so the goodwill is allocated to the group of CGUs of Wanfeng Aircraft Industry Co., Ltd. and its subsidiaries. The group of CGUs is mainly composed of the long-term assets of Wanfeng Aircraft Industry Co., Ltd. and its subsidiaries, and the value is consistent with the group of CGUs determined on the combination date. The book value of the group of CGUs is RMB 1,189,116,794.64 (excluding goodwill). The recoverable amount adopts the present value of the expected future cash flow of the group of CGUs and is determined according to the cash flow forecast based on the five-year financial budget approved by the management. The discount rate used for cash flow forecasting is 15%. The growth rate of income in five years is 0%. This growth rate is similar to the long-term average growth rate of the industry in

which the group of CGUs is located.

### The impact of goodwill impairment testing

Assumptions are used to calculate the present value of the estimated future cash flows of the CGU on December 31, 2020, and December 31, 2019. The key assumptions made by the management in determining the cash flow forecast to conduct the impairment test of goodwill are as follows:

The budgeted gross profit- is based on the average gross profit margin achieved in the year before the budget year, and appropriate adjustments to the average gross profit margin based on the expected improvement in efficiency and the expected market development.

Discount rate—The discount rate used is the pre-tax discount rate that reflects the specific risks of the relevant CGU.

The amount of key assumptions allocated to the aforementioned CGU or group of CGUs is consistent with the historical experience of the Group and external information.

Other remarks:

None

### 29. Long-term prepayments

Unit: RMB

Items	Opening balance	Increase in the current period	Amortization amount in the current period	Other decreased amount	Closing balance
Mold cost	155,574,404.91	120,403,888.58	117,296,286.89	6,539,051.40	152,142,955.20
Others	4,138,217.16	3,426,357.10	2,533,271.36		5,031,302.90
<b>Total</b>	<b>159,712,622.07</b>	<b>123,830,245.68</b>	<b>119,829,558.25</b>	<b>6,539,051.40</b>	<b>157,174,258.10</b>

Other remarks:

None

### 30. Deferred tax assets/Deferred tax liabilities

(1) Deferred tax assets before offset

Unit: RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Impairment of assets	103,197,497.76	19,454,818.29	101,571,717.56	18,733,041.43

<b>Unrealized profit from internal transactions</b>	28,403,632.18	6,513,020.37	38,452,198.52	9,139,506.41
<b>Deductible losses</b>	887,572,565.95	207,165,175.85	539,284,651.54	134,364,475.53
Held for trading financial liabilities	0.00		1,324,581.60	198,687.24
Deferred income	34,991,981.94	5,234,028.07	19,743,547.14	2,961,532.07
Differences in depreciation life of fixed assets	46,415,580.39	7,635,453.22	50,651,033.40	8,202,838.28
Accrued costs	88,400,965.39	17,439,780.95	75,946,109.24	15,110,034.11
<b>Total</b>	<b>1,188,982,223.61</b>	<b>263,442,276.75</b>	<b>826,973,839.00</b>	<b>188,710,115.07</b>

## (2) Deferred tax liabilities before offset

Unit: RMB

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
<b>Appraisal and appreciation of combined assets of companies under the uncommon control</b>	618,572,990.33	128,998,950.89	695,954,080.47	143,940,380.48
Differences in depreciation life of fixed assets	449,463,686.72	105,621,790.35	460,724,738.47	107,779,719.37
Mold amortization	64,905,823.19	15,977,333.04	67,576,409.18	16,513,246.58
Held-for-trading financial assets	2,682,400.00	402,360.00	0.00	
Capitalized R&D expense	70,537,893.00	17,634,473.25		
<b>Total</b>	<b>1,206,162,793.24</b>	<b>268,634,907.53</b>	<b>1,224,255,228.12</b>	<b>268,233,346.43</b>

## (3) Deferred tax assets or liabilities shown on a net offsetting basis

Unit: RMB

Items	Deferred tax assets and liabilities offset amount at the end of the balance amount	Closing balance of deferred tax assets or liabilities after offset	Deferred tax assets and liabilities offset amount at the beginning of the balance amount	Opening balance of deferred tax assets or liabilities after offset



<b>Deferred tax assets</b>	1,188,982,223.61	263,442,276.75	826,973,839.00	188,710,115.07
<b>Deferred tax liabilities</b>	1,206,162,793.24	268,634,907.53	1,224,255,228.12	268,233,346.43

## (4) Details of unrecognized deferred tax assets

Unit: RMB

<b>Items</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>Deductible temporary difference</b>	64,892,971.32	58,123,373.93
<b>Deductible loss</b>	709,064,668.42	1,121,656,110.65
<b>Total</b>	773,957,639.74	1,179,779,484.58

## (5) Deductible losses of unrecognized deferred tax assets will expire in the following years

Unit: RMB

<b>Maturity years</b>	<b>Closing balance</b>	<b>Opening balance</b>	<b>Note</b>
2020	0.00	14,462,870.02	
2021	0.00	29,923,131.64	
2022	14,107,939.28	33,953,830.77	
2023	0.00	1,503,643.11	
2024	19,874,937.50	57,734,101.04	
2025 and onwards	675,081,791.64	984,078,534.07	
<b>Total</b>	709,064,668.42	1,121,656,110.65	--

Other remarks:

None

**31. Other non-current assets**

Unit: RMB

<b>Items</b>	<b>Closing balance</b>			<b>Opening balance</b>		
	<b>Book balance</b>	<b>Provisions for impairment</b>	<b>Book value</b>	<b>Book balance</b>	<b>Provisions for impairment</b>	<b>Book value</b>
Prepayment for equipment purchase (note 1)	7,461,417.37		7,461,417.37	50,655,894.55		50,655,894.55
<b>Total</b>	7,461,417.37		7,461,417.37	50,655,894.55		50,655,894.55

Other remarks:

Note 1: The Company held the seventh meeting of the sixth board of directors in December 2017 and approved the *Proposal on the Company's investment in a smart factory project with an annual output of 2.2 million aluminum alloy wheels*, agreeing to invest in a smart factory project with an annual output of 2.2 million aluminum alloy wheels. In July 2019, the Company prepaid RMB

36.23 million to Zhejiang Wanfeng Technology Development Co., Ltd. to purchase equipment required for the smart factory project. Since then, due to market changes in the automotive industry, the Company decided to suspend the smart factory project. As of December 31, 2019, the payment was still prepaid for equipment. The Company recovered the payment in June 2020.

### 32. Short-term borrowings

#### (1) Categories of short-term borrowings

Unit: RMB

Items	Closing balance	Opening balance
<b>Pledge borrowings</b>	350,971,345.88	318,825,376.00
<b>Mortgage borrowings</b>	466,584,522.23	198,476,192.23
<b>Guaranteed borrowings</b>	261,912,928.58	300,287,468.95
<b>Credit borrowings</b>	1,621,761,545.54	2,007,220,560.05
Mortgage and Guaranteed Loan	843,066,327.79	245,309,170.96
<b>Total</b>	<b>3,544,296,670.02</b>	<b>3,070,118,768.19</b>

Remarks on short-term borrowings categories:

As of December 31, 2020, the annual interest rate of the above-mentioned borrowings was 2.85%-8.00% (December 31, 2019: 2.54%-8.00%).

#### (2) Overdue or unpaid short-term borrowings

The total amount of short-term loans that have been overdue and not repaid at the end of the period is RMB 0.00. The significant short-term loans that have been overdue and have not been repaid are as follows:

Unit: RMB

Borrower	Closing balance	Borrowing rate	Overdue time	Overdue interest rate

Other remarks:

None

### 33. Held-for-trading financial liabilities

Unit: RMB

Items	Closing balance	Opening balance
<b>Held-for-trading financial liabilities</b>		1,324,581.60
<b>Including:</b>		

Foreign exchange option contract		1,155,357.75
Interest swap contract		169,223.85
<b>Including:</b>		
<b>Total</b>	0.00	1,324,581.60

Other remarks:

None

### 34. Derivative financial liabilities

Unit: RMB

Items	Closing balance	Opening balance

Other remarks:

None

### 35. Notes payable

Unit: RMB

Categories	Closing balance	Opening balance
<b>Bank acceptance bill</b>	192,867,169.90	218,601,865.08
<b>Total</b>	192,867,169.90	218,601,865.08

At the balance sheet date, balances due but unpaid totaled RMB 0.00

### 36. Accounts payable

(1) Accounts payable overview

Unit: RMB

Items	Closing balance	Opening balance
Accounts payable	935,542,222.20	1,115,150,353.00
<b>Total</b>	935,542,222.20	1,115,150,353.00

(2) Significant accounts payable with age more than 1 year

Unit: RMB

Items	Closing balance	Reasons for outstanding or carry-over

Other remarks:

None

### 37. Unearned revenue

## (1) Unearned revenue overview

Unit: RMB

Items	Closing balance	Opening balance
	0.00	

## (2) Significant unearned revenue with age more than 1 year

Unit: RMB

Items	Closing balance	Reasons for outstanding or carry-over

**38. Contract liabilities**

Unit: RMB

Items	Closing balance	Opening balance
Unearned revenue from merchandise sales	512,836,059.89	648,572,264.26
<b>Total</b>	<b>512,836,059.89</b>	<b>648,572,264.26</b>

The amount and reason for the significant change in the book value during the reporting period

Unit: RMB

Items	Amount Change	Reasons for change

**39. Employee benefits payable**

## (1) Employee benefits payable overview

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
<b>I. Short-term employee benefits</b>	233,205,108.09	1,576,879,887.52	1,586,451,269.92	223,633,725.69
<b>II. Post-employment benefits - defined contribution plan</b>	5,534,982.64	140,553,760.87	138,205,683.83	7,883,059.68
<b>Total</b>	<b>238,740,090.73</b>	<b>1,717,433,648.39</b>	<b>1,724,656,953.75</b>	<b>231,516,785.37</b>

## (2) Short-term employee benefits payable overview

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wage, bonus, allowances and subsidy	222,730,889.11	1,391,851,569.01	1,400,543,318.63	214,039,139.49
2. Employee welfare fund	6,312,197.09	56,801,256.61	58,032,387.97	5,081,065.73
3. Social insurance premium	2,570,817.85	78,445,371.51	77,984,675.41	3,031,513.95
Including: medical care premium	1,661,616.35	73,236,052.08	73,008,266.24	1,889,402.19
Occupational injuries premium	784,818.06	4,167,349.33	4,013,894.55	938,272.84
Maternity premium	124,383.44	1,041,970.10	962,514.62	203,838.92
4. Housing provident fund	644,019.62	28,896,668.58	28,923,149.42	617,538.78
5. Trade union fund and employee education fund	947,184.42	10,050,223.65	10,132,940.33	864,467.74
Others		10,834,798.16	10,834,798.16	
<b>Total</b>	<b>233,205,108.09</b>	<b>1,576,879,887.52</b>	<b>1,586,451,269.92</b>	<b>223,633,725.69</b>

## (3) Defined contribution plan overview

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension premium	5,137,086.26	137,737,516.10	135,435,334.63	7,439,267.73
2. Unemployment insurance premium	397,896.38	2,816,244.77	2,770,349.20	443,791.95
<b>Total</b>	<b>5,534,982.64</b>	<b>140,553,760.87</b>	<b>138,205,683.83</b>	<b>7,883,059.68</b>

Other remarks:

None

## 40. Tax payable

Unit: RMB

Items	Closing balance	Opening balance
VAT	26,542,927.11	34,206,653.17
Corporate income tax	39,186,672.93	22,371,143.85
Individual income tax	5,102,080.09	4,256,244.53

<b>Urban maintenance and construction tax</b>	1,899,576.31	2,221,116.30
Land use tax	4,254,745.36	2,209,282.12
Housing property tax	4,852,646.95	2,451,938.91
Stamp tax	124,470.71	71,666.17
Education surcharge	1,266,995.16	1,786,125.57
Vehicle and vessel usage fee	2,940.00	2,940.00
Local foundation for water works	289,400.82	517,649.20
Property tax	4,176,660.14	398,994.34
Withholding income tax	837,889.76	957,925.19
Withholding and paying income tax	19,869,554.00	
Business activity tax		14,956.76
Others	4,779,295.22	5,420.00
<b>Total</b>	<b>113,185,854.56</b>	<b>71,472,056.11</b>

Other remarks:

None

#### 41. Other payables

Unit: RMB

Items	Closing balance	Opening balance
Interest payable	0.00	
Dividend payable	0.00	
Other payable	384,220,500.31	727,292,685.82
<b>Total</b>	<b>384,220,500.31</b>	<b>727,292,685.82</b>

##### (1) Interest payable

Unit: RMB

Items	Closing balance	Opening balance
<b>Total</b>		

Significant overdue interest payment:

Unit: RMB

Borrower	Overdue amount	Overdue reasons

Other remarks:

None

##### (2) Dividend payable

Unit: RMB

Items	Closing balance	Opening balance

<b>Total</b>	0.00
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Other remarks: the reasons for non-payment of significant dividends payable that have not been paid for more than one year

None

### (3) Other payables

#### 1) Other payables listed by nature

Unit: RMB

Items	Closing balance	Opening balance
Investment payable (note)		250,875,527.78
Engineering equipment payable	123,040,085.71	195,544,451.22
Contract deposit	20,506,005.21	18,438,067.14
Freight and storage fees payable	21,188,614.05	26,534,374.31
Other payables	169,154,774.77	170,461,805.20
Others	50,331,020.57	65,438,460.17
<b>Total</b>	<b>384,220,500.31</b>	<b>727,292,685.82</b>

#### 2) Significant other payables with age more than 1 year

Unit: RMB

Items	Closing balance	Reasons for outstanding or carry-over
Huawei Coating Equipment HK CO.,LTD	5,394,029.63	Project to be accepted
Wanfeng Group	5,000,000.00	Deposit for intended cooperation
Shenyang Dongda Sanjian Industrial Furnace Manufacturing Co., Ltd.	4,834,285.70	Project to be accepted
Zhejiang Huali Intelligent Equipment Co., Ltd.	2,710,274.01	Project to be accepted
Zhejiang Wanfeng Technology Development Co., Ltd.	1,390,249.94	Warranty period

Nanjing Changjiang Industrial Furnace Technology Co., Ltd.	1,301,914.60	Project to be accepted
Shenzhen Yuandong Machinery Development Co., Ltd.	1,085,394.10	Project to be accepted
<b>Total</b>	21,716,147.98	--

Other remarks:

Note: On January 31, 2019, Ningbo Aoweier Wheel Co., Ltd., a subsidiary of the group, and Wanfeng Aviation Industry Co., Ltd., acquired 100% partnership share from Horgos Changsheng Equity Investment Co., Ltd. and Shanghai Shouxin Investment Management Center (Limited Partnership), former shareholders of Suzhou Yucuiyuan Trading Company (general partnership), at a consideration of RMB 399.8 million, of which Ningbo Aoweier Wheel Co., Ltd. funded 99.9%. Ningbo Aoweier Wheel Co., Ltd. paid RMB 200 million in advance in 2018. According to the agreement on the share transfer of the partnership, the remaining consideration of RMB 199,800,000 was paid by Suzhou Yucuiyuan Trading Enterprise (General Partnership) on their behalf.

On January 2, 2019, Suzhou Yucuiyuan Trading Enterprise (General Partnership) signed a one-year loan agreement of RMB 50 million with Shoushan (Zhangjiagang) Enterprise Management Co., Ltd., a related party of its former shareholders aforementioned. The annual interest rate was 5%. On January 31, 2019, Suzhou Yucuiyuan Trading Enterprise (General Partnership) signed a one-year loan agreement with Shanghai Boyu Investment Management Center (Limited Partnership) and Suzhou Tajian Trading Co., Ltd., related parties of its former shareholders aforementioned. The equity purchase payment of RMB 199,400,000 paid by Yucuiyuan Trading Enterprise (General Partnership) on behalf of Ningbo Aoweier Wheel Co., Ltd. was converted into a loan to former shareholder's related party. The annual interest was 5%. The loan contract stipulates that Suzhou Yucuiyuan Trading Enterprise (general partnership) provides a mortgage guarantee for the above-mentioned loan with a real estate (total construction area of 10,616.50 square meters) located in Huamu Road, Pudong New District, Shanghai. The property has not been registered with the Shanghai Real Estate Registration Affairs Center for related mortgage. As of December 31, 2019, the unpaid interest was RMB 1.48 million. Suzhou Yucuiyuan Trading Enterprise (General Partnership) has paid the above-mentioned payables totaling RMB 250.88 million in full in January 2020.

#### 42. Held-for-sale liabilities

Unit: RMB

Items	Closing balance	Opening balance



Other remarks:  
None

#### 43. Non-current liabilities due within one year

Unit: RMB

Items	Closing balance	Opening balance
Long-term loan due within one year	694,425,998.19	571,968,504.83
<b>Total</b>	<b>694,425,998.19</b>	<b>571,968,504.83</b>

Other remarks:

As of December 31, 2020, there are no overdue principal and interest (December 31, 2019: None), and the annual interest rate of long-term loans due within one year is 3.50%-5.22% (December 31, 2019: 3.50%-6.52%). Among them, please refer to Note VII. 81 for information on mortgage assets related to mortgage loans.

#### 44. Other current liabilities

Unit: RMB

Items	Closing balance	Opening balance
Output VAT to be transferred	4,192,272.05	5,301,872.45
<b>Total</b>	<b>4,192,272.05</b>	<b>5,301,872.45</b>

Changes in short-term bonds payable:

Unit: RMB

Bond	Par value	Issue date	Term	Issuance amount	Opening balance	Current issue	Interest accrued at face value	Amortization of premium and discount	Repayment in the current period		Closing balance
--											

Other remarks:  
None

#### 45. Long-term borrowings

(1) Long-term borrowings categories

Unit: RMB

Items	Closing balance	Opening balance
Pledge borrowings		396,962,631.92
Mortgage borrowings	500,503,566.56	553,895,193.84
Guaranteed borrowings	408,697,705.52	
Credit borrowings	80,000,000.00	214,362,666.24
Mortgage and Guaranteed Loan	190,000,000.00	
<b>Total</b>	<b>1,179,201,272.08</b>	<b>1,165,220,492.00</b>

Remarks on classification of long-term borrowings:

None

Other remarks, including interest rate range:

As of December 31, 2020, the annual interest rate of the above-mentioned borrowings was 3.50%-5.22% (December 31, 2019: 3.50%-6.52%). Among them, please refer to Note VII. 81 for information on mortgaged loans and mortgaged assets related to pledged loans.

#### 46. Bonds payable

(1) Bonds payable

Unit: RMB

Items	Closing balance	Opening balance

(2) Changes in bonds payable (Excluding other financial instruments such as preferred stocks and perpetual bonds classified as financial liabilities)

Unit: RMB

Bond	Par value	Issue date	Term	Issuance amount	Opening balance	Current issue	Interest accrued at face value	Amortization of premium and discount	Repayment in the current period		Closing balance
--											
<b>Total</b>	--	--	--								

(3) Description of conversion conditions and conversion time of convertible corporate bonds

None

(4) Description of other financial instruments classified as financial liabilities

Summary of other financial instruments such as preferred stocks and perpetual bonds issued at the end of the period

None

Changes in financial instruments such as preferred stocks and perpetual bonds issued at the end of the period

Unit: RMB

Outstanding financial instrument	Opening balance		Increase in the current period		Decrease in the current period		Closing balance	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Remarks on the basis for classifying other financial instruments as financial liabilities

None

Other remarks:

No

#### 47. Lease liabilities

Unit: RMB

Items	Closing balance	Opening balance

Other remarks:

None

#### 48. Long-term payables

Unit: RMB

Items	Closing balance	Opening balance

(1) Long-term payables according to the nature of the payment

Unit: RMB

Items	Closing balance	Opening balance

Other remarks:

None

(2) Special payables

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
--					

Other remarks:

None

#### 49. Long-term employee benefits payable

(1) Long-term employee benefits

Unit: RMB

Items	Closing balance	Opening balance

## (2) Changes in defined benefit plans

Present value of defined benefit plans:

Unit: RMB

Items	Amount in current period	Amount in prior period
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Plann assets:

Unit: RMB

Items	Amount in current period	Amount in prior period
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Defined benefit plan net liabilities (net assets)

Unit: RMB

Items	Amount in current period	Amount in prior period
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Description of the content of the defined benefit plan and related risks, the impact on the company's future cash flow, time and uncertainty:

No

Explanation of major actuarial assumptions and sensitivity analysis results of defined benefit plans:

None

other remarks:

None

**50. Provisions**

Unit: RMB

Items	Closing balance	Opening balance	Reasons
Pending litigation (Note 1)	157,323,343.91	151,393,866.81	
Product quality assurance	27,389,011.22	19,118,430.88	
Fixed asset disposal costs	3,538,805.35	3,646,570.77	
Employee compensation (Note 2)	946,458.39	521,998.44	
<b>Total</b>	<b>189,197,618.87</b>	<b>174,680,866.90</b>	<b>--</b>

Other explanations, including significant assumptions and estimation explanations related to significant provisions:

Note 1: Shandong Bin'ao Aircraft Manufacturing Co., Ltd. litigated the Company's subsidiary, Austria Diamond Aircraft Industry Co., Ltd., in a dispute over model production license authorization, and the litigation is still in the

arbitration process. As of December 31, 2020, Austria Diamond Aircraft Industry Co., Ltd. accumulatively accrued provisions of RMB 157,323,343.91 based on estimates (December 31, 2019: RMB 151,393,866.81).

Note 2: Wanfeng Meridian and its subsidiaries (hereinafter referred to as “Wanfeng Meridian Group”) hired CMI, A York Risk Services Company, Inc. (hereinafter referred to as CMI), a third-party employee compensation risk management agency to handle employee compensation claim. CMI provides estimates to the Company after evaluating all outstanding claims each year. As of December 31, 2020, there were several outstanding claims (2019: multiple outstanding claims), and Wanfeng Meridian Group recognized contingent liabilities based on the estimated amount.

## 51. Deferred income

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	202,630,087.75	69,496,834.32	57,852,069.49	214,274,852.58	
<b>Total</b>	202,630,087.75	69,496,834.32	57,852,069.49	214,274,852.58	--

Projects related to government grants:

Unit: RMB

Liability projects	Opening balance	New subsidy amount for the current period	Amount included in non-operating revenue in the current period	Amount included in other income in the current period	Amount of cost reduction in the current period	Other changes	Closing balance	Related to assets/related to income
Technical transformation project of intelligent production line for auto parts	1,262,775.16			164,724.84			1,098,050.32	Related to assets

Industrialization and Informatization Development Fund	200,000.00			150,000.00			50,000.00	Related to assets
Fiscal subsidies for energy saving and consumption reduction projects	30,000.00			30,000.00				Related to assets
National Industrial Transformation and Upgrade Fund	7,200,000.00			900,000.00			6,300,000.00	Related to assets
Intelligent Casting Technological Transformation Project for Annual Production of 3 Million Motorcycle Wheels		6,300,000.00		900,000.00			5,400,000.00	Related to assets
National Intelligent Manufacturing New Model Application Project		11,000,000.00		1,571,429.00			9,428,571.00	Related to assets
Industrialization project of ultra-light and high-strength digital forming aluminum-magnesium alloy sub-frame	960,000.00			960,000.00				Related to income
Complete sets of technology and industrialization of engineering preparation and processing of high thermal /electric conductivity magnesium alloy materials and their products-1	149,999.96			50,000.04			99,999.92	Related to income
Preparation, processing and industrialization of high thermal conductivity magnesium alloy materials and products	147,368.44			147,368.44				Related to income

Weihai Lightweight Material Technology Innovation Center	1,000,000.04			1,000,000.04				Related to income
Multi-function data logger rack	214,285.76			214,285.76				Related to income
Complete sets of technology and industrialization of engineering preparation and processing of high thermal /electric conductivity magnesium alloy materials and their products-2	153,191.48			51,063.84			102,127.64	Related to income
Key technologies for plastic processing, manufacturing and application of high-strength and tough magnesium alloys for load-bearing applications	1,010,526.29			1,010,526.29				Related to income
Digital visual management processing workshop project	531,600.00			531,600.00				Related to income
High strength and toughness Al-Cu rare earth casting alloy and its lightweight application	91,200.00			91,200.00				Related to income
R&D and industrialization of high-strength and high-toughness magnesium-aluminum alloy bulletproof support	1,920,000.00			960,000.00			960,000.00	Related to income
Magnesium alloy materials for communication equipment and their application technology R&D projects		600,000.00		399,999.96			200,000.04	Related to income

High thermal conductivity magnesium alloy body component industry chain construction project		4,800,000.00		4,800,000.00				Related to income
Undertake international service outsourcing business (service outsourcing enterprise)		367,600.00		367,600.00				Related to income
Complete sets of technology and industrialization projects for the engineering preparation and processing of high thermal / electric conductivity magnesium alloy materials and their products		300,000.00		65,217.40			234,782.60	Related to income
High-strength, low-heat-cracking susceptibility magnesium alloy materials and compact forming technology and lightweight application projects		500,000.00		108,695.70			391,304.30	Related to income
Large-scale thin-wall casting technology R&D project		250,000.00		250,000.00				Related to income
Foundry sand core unorganized waste gas treatment project		1,500,000.00		1,500,000.00				Related to income



Large-displacement motorcycle racing aluminum-magnesium alloy sub-frame (rocker arm) technology patented navigation project	200,000.00			200,000.00				Related to income
Application of high thermal conductivity magnesium alloy in 5G communication base station		3,000,000.00		214,285.71			2,785,714.29	Related to income
Development and industrialization of a composite integrated framework of carbon fiber and magnesium alloy for communications		100,000.00		9,090.91			90,909.09	Related to income
Study on Atomic Cluster Structure Spectrum and Atomic Diffusion Behavior of Aluminum-Cu Alloy Melt		70,000.00		2,258.06			67,741.94	Related to income
Complete sets of technology and industrialization of engineering preparation and processing of high thermal / electric conductivity magnesium alloy materials and their products -3		300,000.00		54,545.44			245,454.56	Related to income
Complete sets of technology and industrialization of engineering preparation and processing of high thermal / electric conductivity magnesium alloy materials and their products-4		2,000,000.00		363,636.40			1,636,363.60	Related to income

Complete set technology and industrialization of engineering preparation and processing of high thermal / electric conductivity magnesium alloy materials and their products -5		600,000.00		97,674.43			502,325.57	Related to income
High-strength, low-heat-cracking susceptibility magnesium alloy materials and compact forming technology and lightweight applications-1		600,000.00		119,999.96			480,000.04	Related to income
High-strength, low-heat-cracking sensitivity magnesium alloy material and compact forming technology and lightweight application-2		500,000.00		90,909.12			409,090.88	Related to income
High strength and toughness, low thermal cracking susceptibility magnesium alloy material and compact forming technology and lightweight application-3		2,000,000.00		153,846.15			1,846,153.85	Related to income
Research on Key Processes of Preparation of Diamond/Copper Matrix Composites for Heat Dissipation		160,000.00		12,307.69			147,692.31	Related to income
OME Aluminum Alloy Wheel Project	65,254,418.06			11,951,636.28			53,302,781.78	Related to asset
New Energy Automobile Wheel Smart Factory Construction Project	7,971,632.71	5,000,000.00		921,632.71			12,050,000.00	Related to asset

Support funds for the construction of aluminum alloy wheel projects	82,732,248.52			13,745,354.92			68,986,893.60	Related to asset
Support funds for industrial transformation and upgrading projects	16,433,102.81			2,690,737.93			13,742,364.88	Related to asset
Special funds for private economic development	3,452,542.57			561,975.34			2,890,567.23	Related to asset
Rewards for the construction of smart factories and digital workshops	473,362.40			56,197.55			417,164.85	Related to asset
2020 energy optimization project subsidy transferred to deferral	1,872,600.00			511,600.00			1,361,000.00	Related to asset
Industrial Strong Base Project		28,820,000.00		9,334,217.84			19,485,782.16	Related to asset
Museum subsidy	363,504.17			91,831.69	8,263.76		279,936.24	Related to asset
Photovoltaic project subsidy	2,204,098.71	479,011.30		148,687.23	64,406.78		2,598,829.56	Related to asset
Housing and equipment subsidies	6,801,630.67			295,932.82	177,552.48		6,683,250.33	Related to asset
Total	202,630,087.75	69,246,611.30		57,852,069.49	250,223.02		214,274,852.58	

Other remarks:

None

**52. Other non-current liabilities**

Unit: RMB

Items	Closing balance	Opening balance
--		

Other remarks:  
None

**53. Share capital**

Unit:10,000 RMB

	Opening balance	Change in the current period (+, -)					Closing balance
		New issuance	Bonus shares	Provident Fund Conversion	Others	Subtotal	
Total number of shares	218,688						218,688

Other remarks:  
None

**54. Other equity instruments**

(1) Other financial instruments such as preferred stocks and perpetual bonds outstanding at the end of the period

None

(2) Changes in other financial instruments such as preferred stocks and perpetual bonds outstanding at the end of the period

Unit: RMB

Outstanding financial instrument	Opening balance		Increase in the current period		Decrease in the current period		Closing balance	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Other equity instruments' changes in the current period, explanations of the reasons for the changes, and the basis for related accounting treatments:

None

Other remarks:

None

**55. Capital reserve**

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (Share premium)	110,790,013.13		110,790,013.13	
Other capital reserve	2,747,500.00		2,747,500.00	
Combination under the common control	1,576,333,004.32		1,576,333,004.32	
Original system capital reserve	1,419,423.32		1,419,423.32	
<b>Total</b>	1,691,289,940.77		1,691,289,940.77	0.00

Other explanations, including changes in the current period and the reasons:

On July 6, 2020, Zhejiang Wanfeng Motor Wheel Co., Ltd., a subsidiary of the Company, signed an equity transfer agreement with Wanfeng Aviation Industry Co., Ltd. (hereinafter referred to as "Wanfeng Aviation") to invest RMB 399,800.00 in cash to acquire 0.1% partnership share of Suzhou Yucuiyuan Trading Enterprise (General Partnership) held by Wanfeng Aviation. The acquisition was completed on July 6, 2020. The acquisition was completed on July 6, 2020. The acquisition of minority shareholders' equity resulted in a decrease of RMB 15,928.74 in capital reserve.

As mentioned in Note 4, in April 2020, the Company acquired 55% of Wanfeng Aircraft for RMB 2,418,075,000.00 in cash, forming a business combination under common control. Capital reserve, surplus reserve, and undistributed profit decreased by RMB 1,691,274,012.03, RMB 427,043,757.25 and RMB 299,757,230.72, respectively.

## 56. Treasury shares

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Treasury stock	333,092,868.42	238,720,382.77		571,813,251.19
<b>Total</b>	333,092,868.42	238,720,382.77		571,813,251.19

Other explanations, including changes in the current period and the reasons:

Note: The Company held the 32nd meeting of the sixth board of directors on December 26, 2019, approved the *Proposal on the Repurchase of Company Shares*, and disclosed the *Report on Repurchase of Company Shares* on December 28, 2019. The decision was made to repurchase the Company's shares by means of a centralized bidding method through the Shenzhen Stock Exchange trading system with its own funds or self-raised funds. These shares will be used for subsequent employee stock ownership plans or equity

incentives. The total amount of funds for the repurchase of shares shall not be less than RMB 150 million and not more than RMB 300 million, and the repurchase price shall not exceed RMB 10 per share (inclusive). The repurchase period is no more than 12 months from the approval date of the repurchase plan by the board of directors. As of December 25, 2020, the Company's share repurchase period has expired. During the repurchase period, the Company accumulatively repurchased 35,501,808 shares by means of a centralized bidding transaction through the special securities account for repurchase, accounting for 1.62% of the Company's total share capital, and the total transaction amount was RMB 239,640,478.46 (including transaction costs). The Company's share repurchase plan has been completed.

The Company held the sixth meeting of the seventh board of directors on December 30, 2020, approved the *Proposal on the Repurchase of Company Shares*, disclosed the *Report on Repurchase of Company Shares* on January 4, 2021. The decision was made to repurchase the Company's shares by means of centralized bidding through the Shenzhen Stock Exchange trading system with its own funds or self-raised funds. These shares will be used for subsequent employee stock ownership plans or equity incentives. The total amount of funds for the repurchase of shares shall not be less than RMB 100 million and not more than RMB 200 million, and the repurchase price shall not exceed RMB 11 per share (inclusive), and the repurchase period is no more than 12 months from the approval date of the repurchase plan by the board of directors . As of December 31, 2020, the Company's share repurchase plan has not yet been implemented.

**57. Other comprehensive income (OCI)**

Unit: RMB

Items	Opening balance	Current period						Closing balance
		Amount before income tax in current period	Less: OCI carried forward transferred to profit and loss	Less: OCI carried forward transferred to retained earnings	Less: income tax expense	Attributable to the parent company after tax	Attributable to non-controlling interest after tax	
<b>II. Items to be reclassified subsequently to profit and loss</b>	74,589,529.22	-148,446,465.82				-129,418,056.84	-19,028,408.98	-54,828,527.62
Foreign currency translation reserves	74,589,529.22	-148,446,465.82				-129,418,056.84	-19,028,408.98	-54,828,527.62
<b>Other comprehensive income in total</b>	74,589,529.22	-148,446,465.82				-129,418,056.84	-19,028,408.98	-54,828,527.62

Other explanations, including the adjustment of the effective part of the cash flow hedge gains and losses into the initial recognition amount of the hedged item:

None

**58. Special reserve**

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production fee	10,261,018.12	20,979,159.41	17,727,120.11	13,513,057.42
<b>Total</b>	10,261,018.12	20,979,159.41	17,727,120.11	13,513,057.42

Other remarks, including changes in the current period and reasons:

None

**59. Surplus reserve**

Unit: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	427,043,757.25	47,015,012.60	427,043,757.25	47,015,012.60
<b>Total</b>	427,043,757.25	47,015,012.60	427,043,757.25	47,015,012.60

The explanation of the surplus reserve, including the changes in the current period and the reasons:

According to the *Company Law* and the Company's *Articles of Association*, the Company draws a statutory surplus reserve fund at 10% of net profit. If the statutory surplus reserve is more than 50% of the Company's registered capital, it can no longer be drawn.

The Company can withdraw any surplus reserve after drawing the statutory surplus reserve. Upon approval, the discretionary surplus reserve can be used to make up for previous years' losses or increase share capital.

**60. Undistributed profit**

Unit: RMB

Items	Current period	Previous period
Balance of undistributed profit at the end of the previous period before adjustment	3,935,484,397.57	3,621,219,587.26
Total amount of undistributed profits at the beginning of the period before adjustment (increase +, decrease -)		107,711,409.83
Undistributed profit at the beginning of the period after adjustment	3,935,484,397.57	3,728,930,997.09
Add: Net profit attributable to shareholders of the parent company for current year	565,820,630.75	895,769,920.83
Less: Appropriation of statutory surplus reserve	47,015,012.60	33,152,616.95
Payable dividends on ordinary shares	421,689,724.00	656,063,903.40
Business combination under the common control	299,757,230.72	
<b>Closing balance</b>	<b>3,732,843,061.00</b>	<b>3,935,484,397.57</b>

Adjust the details of the undistributed profit at the beginning of the period:

1). Due to the retrospective adjustment according to the *Accounting Standards for Business Enterprises* and related new regulations, the undistributed profit at the beginning of the period was affected by RMB 0.00.



2). Due to changes in accounting policies, the undistributed profit at the beginning of the period was affected by RMB-12,227,868.01.

3) Due to the correction of major accounting errors, the undistributed profit at the beginning of the period was affected by RMB 0.00.

4) The change in the scope of consolidation caused by the same control affected the undistributed profit at the beginning of the period by RMB 119,939,277.84.

5) Other adjustments affected the undistributed profit at the beginning of the period by RMB 0.00.

## 61. Operating revenue and Operating cost

Unit: RMB

Items	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
<b>Main operations</b>	10,295,928,707.36	8,256,622,391.91	12,240,494,250.98	9,614,365,593.75
<b>Other operations</b>	403,296,197.21	282,787,673.51	394,637,725.28	284,183,485.67
<b>Total</b>	10,699,224,904.57	8,539,410,065.42	12,635,131,976.26	9,898,549,079.42

Audited net profit before and after deducting non-recurring profit and loss, whichever is lower, is negative or not

Applicable  Not Applicable

Revenue related information:

Unit: RMB

Contract classification	Section 1	Section 2		Total
<b>Including:</b>				

Information related to performance obligations:

None

Information related to the transaction price allocated to the remaining performance obligations:

At the end of the reporting period, the amount of revenue corresponding to the performance obligations that have been signed but not yet fulfilled or in the process of fulfillment is RMB 0.00. Among them, RMB 0.00 is expected to recognize revenue in the year.

Other remarks

None

## 62. Taxes and surcharges

Unit: RMB

Items	Current period	Prior period
Urban maintenance and construction tax	13,816,638.45	19,745,602.24
Education surcharge	11,840,055.90	17,805,728.34
Housing property tax	11,769,148.28	10,896,560.51
Land use tax	9,848,384.13	11,197,338.30
Vehicle usage tax	22,272.08	107,075.05
Stamp duty	3,556,512.48	3,646,380.92
Environmental protection tax	334,797.31	298,447.98
Chamber of Commerce Tax	444,915.02	648,072.21
Business tax	1,746,705.49	1,210,761.06
Others	650,056.39	470,748.48
<b>Total</b>	<b>54,029,485.53</b>	<b>66,026,715.09</b>

Other remarks:

None

**63. Selling expenses**

Unit: RMB

Items	Current period	Prior period
Transportation fee		98,999,575.96
Rental costs	32,639,223.39	33,427,814.50
Employee compensation and labor insurance premiums	57,286,444.90	49,507,270.00
Commission	80,144,914.92	98,764,600.84
Travel expense	2,917,023.59	8,112,411.21
Business hospitality	2,280,016.25	5,135,790.26
Rework and repair fee	1,314,888.29	1,021,698.74
Other	26,354,907.56	31,404,151.59
<b>Total</b>	<b>202,937,418.90</b>	<b>326,373,313.10</b>

Other remarks:

None

**64. Administrative expenses**

Unit: RMB

Items	Current period	Prior period
Employee compensation and labor insurance premiums	253,974,877.57	336,547,102.49

Depreciation expense	81,012,763.39	84,928,773.17
Professional service fee	67,268,386.40	68,386,119.76
Amortization of intangible assets	28,081,645.11	27,377,486.81
Business hospitality	24,918,655.72	24,112,594.31
Office expense	20,034,195.34	22,860,054.00
Property rental fee	14,777,427.27	16,925,824.89
Computer and software maintenance fee	13,717,008.33	13,242,229.66
Travel expense	5,196,486.24	13,022,022.58
Insurance	4,654,956.23	1,953,097.69
Employee education funds and labor union funds	2,914,839.77	2,497,355.21
Others	74,286,505.01	57,609,135.28
<b>Total</b>	<b>590,837,746.38</b>	<b>669,461,795.85</b>

Other remarks:

None

## 65. R&D expenses

Unit: RMB

Items	Current period	Prior period
Trial production and material cost	120,631,171.97	165,239,150.69
Depreciation expenses	35,023,658.55	34,559,098.29
Fuel and power	37,037,593.92	57,391,913.63
Mold expenses	14,064,645.28	14,567,653.35
Employee compensation and labor insurance premiums	121,930,108.10	155,149,369.13
Others	8,761,692.86	19,195,773.76
<b>Total</b>	<b>337,448,870.68</b>	<b>446,102,958.85</b>

Other remarks:

None

## 66. Financial expenses

Unit: RMB

Items	Current period	Prior period
Interest expense	245,818,075.95	241,813,490.17
Less: Interest income	34,003,395.60	46,585,659.98
Translation losses	49,782,761.54	14,505,478.58
Bank fees	7,524,559.08	9,279,889.76

<b>Total</b>	269,122,000.97	219,013,198.53
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Other remarks:

None

### 67. Other income

Unit: RMB

Source of the other income	Current period	Prior period
Government grants related to operating activities	104,562,193.16	91,765,417.17

### 68. Investment income

Unit: RMB

Items	Current period	Prior period
Investment income from long-term equity investments under equity method	-876,459.23	633,198.02
Investment income from disposal of long-term equity investments	-675,223.58	
Investment income from disposal of held-for-trading financial assets	-4,600.00	
Gains and losses on settlement of foreign exchange forward contracts	2,077,790.82	-1,037,330.00
Investment income of short-term financial products	1,485.24	2,834,421.98
Gains and losses on settlement of futures contracts	-1,235,024.00	
Gains and losses on settlement of foreign exchange option	1,324,581.60	-409,440.00
<b>Total</b>	<b>612,550.85</b>	<b>2,020,850.00</b>

Other remarks:

None

### 69. Gains and losses on net exposure to hedging risk

Unit: RMB

Items	Current period	Prior period

Other remarks:

None

### 70. Gains and losses on changes in fair value

Unit: RMB

Sources of income from	Current period	Prior period

changes in fair value		
<b>Held-for-trading financial assets</b>	4,154.36	18,630.78
Foreign exchange forward contract	1,960,000.00	1,050,000.00
Gains and losses on settlement of foreign exchange option	282,400.00	-1,155,357.75
Gains and losses on settlement of interest rate swap		-169,223.85
<b>Total</b>	<b>2,246,554.36</b>	<b>-255,950.82</b>

Other remarks:

None

### 71. Credit impairment loss

Unit: RMB

Items	Current period	Prior period
<b>Impairment losses on other receivables</b>	-596,030.03	1,856,502.90
Impairment losses on accounts receivable	-6,627,489.02	-34,793,447.68
<b>Total</b>	<b>-7,223,519.05</b>	<b>-32,936,944.78</b>

Other remarks:

None

### 72. Assets impairment loss

Unit: RMB

Items	Current period	Prior period
<b>II . Inventory write-down loss and contract performance cost impairment loss</b>	-7,493,604.15	-16,367,780.12
<b>VI. Fixed assets impairment loss</b>	-2,685,757.48	-2,282,636.17
<b>Total</b>	<b>-10,179,361.63</b>	<b>-18,650,416.29</b>

Other remarks:

None

### 73. Gains on disposal of asset

Unit: RMB

Sources of gains on disposal of asset	Current period	Prior period
Gains from disposal of non-current assets	2,913,955.21	2,114,706.06
Losses from disposal of non-	-2,412,798.27	-2,897,932.24

current assets		
Total	501,156.94	-783,226.18

#### 74. Non-operating revenue

Unit: RMB

Items	Current period	Prior period	Amount recorded into the current non-recurring profit and loss
Confiscated income	1,046,034.81	6,659,158.22	1,046,034.81
Compensation income (Note 1)		28,071,500.00	
Net income from production accidents in U.S. factories (Note 2)	35,106,031.66	126,048,046.71	35,106,031.66
Others	6,898,645.35	9,420,393.12	6,898,645.35
<b>Total</b>	<b>43,050,711.82</b>	<b>170,199,098.05</b>	<b>43,050,711.82</b>

Government grants recorded in current profit and loss:

Unit: RMB

Subsidy items	Issuer	Reasons	Type	Whether the subsidy affect the current year's profit and loss	Whether it is a special subsidy	Current period	Prior period	Related to assets/related to income
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Other remarks:

Note 1: On January 22, 2019, Shenzhen Kelu Electronic Technology Co., Ltd. paid the Group RMB 23,199,000.00 for the remaining equity transfer of Shanghai Kanai. Since the payment was later than the agreed date in the contract, Shenzhen Kelu Electronic Technology Co., Ltd. paid a penalty of RMB 3,611,000.00 to the Group on the same day.

On April 8, 2019, the Group received a compensation payment of RMB 24,460,500.00 from the original shareholders of Wuxi Xiongwei Precision Technology Co., Ltd., including Ma Leiquan, Xiang Yuyu, Yan Yidong, and Zhao Weijun for unfulfilled performance commitments.

Note 2: On May 2, 2018, a production accident occurred in the US Meridian Lightweight Technology Co., Ltd., a subsidiary of the Group, which caused damage to some buildings and production equipment. In 2020, US Meridian Lightweight Technology Co., Ltd. received a follow-up compensation of RMB 35,106,031.66 from the insurance company, which was recognized as non-operating revenue.

**75. Non-operating expenditures**

Unit: RMB

Items	Current period	Prior period	Amount recorded into the current non-recurring profit and loss
External donation	1,362,874.02	80,410.61	1,362,874.02
Losses from production accidents in U.S. and Canadian factories	3,539,343.31		3,539,343.31
Special Fund for Water Conservancy Construction	752,950.97	693,492.19	752,950.97
Loss from scrap of non-current assets		1,599,934.06	
Others	4,331,701.81	4,561,344.43	4,331,701.81
<b>Total</b>	<b>9,986,870.11</b>	<b>6,935,181.29</b>	<b>9,986,870.11</b>

Other remarks:

None

**76. Income tax expenses**

## (1) Income tax expenses

Unit: RMB

Items	Current period	Prior period
Current period income tax expenses	124,485,676.11	138,277,717.78
Deferred income tax expenses	-60,339,163.96	34,516,501.29
Total	64,146,512.15	172,794,219.07

## (2) Reconciliation of accounting profit to income tax expenses

Unit: RMB

Items	Current period
<b>Profit before tax</b>	829,022,733.03
<b>Income tax expense based on statutory/applicable tax rate</b>	124,353,409.98
<b>The impact of different tax rates applied to subsidiaries</b>	54,621,522.03
<b>The impact of income tax before adjustment</b>	-2,088,886.95
<b>The impact of non-taxable income</b>	-7,407,788.55
<b>The impact of non-deductible cost, expense, and losses</b>	13,225,300.77
The impact of change in tax rate	-1,097,562.36

Use of deductible losses of the previous years and recognize the deductible losses that have not been recognized in the previous years	-106,350,989.94
Effect of deductible temporary differences or deductible losses not recognized	13,851,320.32
Deductible expenses not included in the total profit	-160,134.66
Extra deduction of expenses	-46,749,493.17
Cross-border profit distribution withholding income tax	21,949,814.68
Tax expenses calculated according to the company's effective tax rate	64,146,512.15
<b>Income tax expenses</b>	<b>64,146,512.15</b>

Other remarks:

As mentioned in Note vi, the Company and its internal subsidiaries enjoy tax incentives for high-tech enterprises, and their income tax is accrued based on the estimated taxable income obtained in China with the applicable tax rate of 15%. Except for these subsidiaries, the income tax of other subsidiaries in China is accrued based on the estimated taxable income obtained in China and the applicable tax rate of 25%. Taxes on taxable income derived from other regions are calculated at the applicable tax rate in accordance with the current laws, interpretations and practices of the country where the company operates.

## 77. Other comprehensive income

See Note VII. 57 for details.

## 78. Notes to items of the consolidated cash flow statement

(1) Other cash receipts related to operating activities

Unit: RMB

Items	Current period	Prior period
Insurance indemnities received in a production accident in the United States except for the purchase and construction of assets	35,106,031.66	72,873,856.18
Government grants related to income	92,987,587.09	61,362,644.82
Government grants related to assets	22,779,011.30	500,000.00
Changes in other cash and cash equivalents	10,408,322.61	297,656.27
Others	46,980,676.05	33,041,991.55
<b>Total</b>	<b>208,261,628.71</b>	<b>168,076,148.82</b>



Description of other cash receipts related to operating activities:

No

(2) Other cash payments related to operating activities

Unit: RMB

Items	Current period	Prior period
Selling expenses	148,403,947.53	277,559,152.72
Administrative and R&D expenses	427,832,236.32	589,436,025.60
Expenditures related to production accidents in the United States and Canada	3,539,343.30	36,144,970.27
Changes in other cash and cash equivalents	-4,097,276.75	-
Bank fees	8,022,755.63	9,510,528.79
Cash paid for operating costs	126,351,662.51	
Others	9,416,220.14	18,089,678.97
<b>Total</b>	<b>719,468,888.68</b>	<b>930,740,356.35</b>

Remarks on other cash payments related to operating activities

No

(3) Other cash receipts related to investing activities

Unit: RMB

Items	Current period	Prior period
Related parties return funds and interest	944,235,315.71	1,360,423,532.78
Wuxi Precision Acquisition Performance Compensation		24,460,500.00
Receipt of payment for default on disposal of equity		3,611,000.00
Insurance compensation received for the purchase and construction of assets in a production accident in a US factory		89,319,160.80
Gains from disposal of held-for-trading financial assets	2,962,130.80	
Settlement income of other financial products	1,485.24	7,793.38
Changes in restricted cash and cash equivalents guaranteed for Wanfeng Group	629,500,000.00	635,893,602.05

Others		74,602.02
<b>Total</b>	1,576,698,931.75	2,113,790,191.03

Remarks on other cash receipts related to investing activities:

None

(4) Other cash payments related to investing activities

Unit: RMB

Items	Current period	Prior period
Cash lent to related parties	76,650,000.00	1,883,450,707.00
Disposal of held-for-trading financial assets	888,940.00	1,446,770.00
Changes in restricted cash and cash equivalents guaranteed for Wanfeng Group	13,049,800.00	-
<b>Total</b>	90,588,740.00	1,884,897,477.00

Remarks on other cash payments related to investing activities

No

(5) Other cash receipts related to financing activities

Unit: RMB

Items	Current period	Prior period
Recover the deposit paid to obtain loan	218,800,000.00	58,929,200.00
<b>Total</b>	218,800,000.00	58,929,200.00

Other remarks on other cash receipts related to financing activities

None

(6) Other cash payments related to financing activities

Unit: RMB

Items	Current period	Prior period
Stock repurchases	238,720,382.77	333,092,868.42
Deposit paid to obtain loan	230,000,000.00	268,800,000.00
Cash paid to acquire subsidiary	2,418,075,000.00	
<b>Total</b>	2,886,795,382.77	601,892,868.42

Other remarks on other cash payments related to financing activities

None

## 79. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Unit: RMB

Supplement information	Current period	Prior period
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>	--	--
Net profit	764,876,220.88	1,041,234,342.21
Add: Provisions for assets impairment loss	17,402,880.68	51,587,361.07
Depreciation of fixed assets, oil and gas assets, productive biological assets	582,853,810.83	551,655,806.11
Amortization of right-of-use assets		
Amortization of intangible assets	80,622,869.88	91,458,733.96
Amortization of long-term deferred expenses	119,829,558.25	118,705,736.28
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less:gains)	-501,156.94	783,226.18
Loss on scrap of fixed assets (Less: gains)		1,599,934.06
Losses on changes in fair value (Less: gains)	-2,246,554.36	255,950.82
Financial expenses (Less: gains)	248,850,044.00	237,169,394.08
Investment losses (Less: gains)	-612,550.85	-2,020,850.00
Decrease of deferred tax assets (Less: increase)	-75,400,834.00	20,468,783.72
Increase of deferred tax liabilities (Less: decrease)	8,208,840.54	16,116,037.21
Decrease of inventories (Less: increase)	69,482,782.06	-131,522,140.63
Decrease of operating receivables (Less: increase)	-181,446,594.32	-404,474,923.83
Increase of operating payables (Less: decrease)	102,038,205.77	-53,092,585.55
Others	1,823,384.00	-119,555,925.92
Net cash flows generated from operating activities	1,735,780,906.42	1,420,368,879.77
<b>2 . Significant investing and financing activities not related to cash receipts and payments:</b>	--	--
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
<b>3 . Net changes in cash and cash equivalents:</b>	--	--
Cash at the end of the period	1,412,366,847.54	1,426,647,961.41

<b>Less: Cash at the beginning of the period</b>		
<b>Add: Cash equivalents at the end of the period</b>		
<b>Less: Cash equivalents at the beginning of the period</b>	1,426,647,961.41	1,167,968,107.34
<b>Net increase of cash and cash equivalents</b>	-14,281,113.87	258,679,854.07

## (2) Net cash paid for acquiring subsidiaries in current period

Unit: RMB

	Amount
<b>Cash and cash equivalents paid in current period for business combination</b>	2,418,075,000.00
<b>Including:</b>	--
Acquired subsidiaries	2,418,075,000.00
<b>Including:</b>	--
<b>Including:</b>	--
<b>Net cash paid to acquire subsidiaries</b>	2,418,075,000.00

Other remarks:

None

## (3) Net cash receipts from disposal of subsidiaries in current period

Unit: RMB

	Amount
<b>Net cash of cash equivalents receipts from disposal of subsidiaries in current period</b>	10,461,733.98
<b>Net cash receipts from disposal of subsidiaries</b>	10,461,733.98

Other remarks:

Disposal of a 20% equity in the joint venture CETC Wuhu General Aviation Industry Technology Research Institute Co., Ltd.

## (4) Composition of cash and cash equivalents

Unit: RMB

Items	Closing balance	Opening balance
<b>I. Cash</b>	1,412,366,847.54	1,426,647,961.41
<b>Including: Cash on hand</b>	928,560.58	1,007,340.38
<b>Cash in bank that can be readily drawn on demand</b>	1,411,438,286.96	1,425,640,621.03
<b>II. Cash equivalents</b>		

III. Cash and cash equivalents at end of year	1,412,366,847.54	1,426,647,961.41
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Other remarks:

None

## 80. Notes to Statement of Changes in Owner's Equity

Remarks on the "other" items and the amount of adjustment to adjust the balance at the end of the previous year:

No

## 81. Assets with restriction on ownership or use rights

Unit: RMB

Items	Carrying amount at the end of the period	Reasons for restriction
Cash and cash equivalents	262,612,110.63	Note 1
Fixed assets	756,254,109.17	Note 3
Intangible assets	317,431,152.87	Note 3
Accounts receivable financing	187,082,811.84	Note 2
<b>Total</b>	<b>1,523,380,184.51</b>	<b>--</b>

Other remarks:

Note 1: As of December 31, 2020, the cash and cash equivalent for which the ownership of the Group is restricted is RMB 262,612,110.63 (December 31, 2019: RMB 1,026,106,121.97), including: 1) The guarantee deposit for issuing a letter of guarantee to provide guarantee for Wanfeng Group's loans is RMB 13,049,800 (December 31, 2019: The deposit certificate pledged for Wanfeng Group's loan guarantee is RMB 629,500,000.00); 2) The deposit for issuing bank acceptance bills is RMB 52,834,578.20 (December 31, 2019: RMB 95,615,428.67); 3) Issuing bank acceptance drafts with a pledge of RMB 20,000,000.00 in term deposits (December 31, 2019: None); 4) The deposit for issuing a letter of credit is RMB 19,567,430.00 (December 31, 2019: RMB 4,883,340.00); 5) The deposit for issuing a bank guarantee is RMB 16,760,000.00 (December 31, 2019: RMB 19,728,406.08); 6) The deposit for issuing forward foreign exchange settlement is RMB 943,992.47 (December 31, 2019: RMB 2,537,790.28); 7) The guarantee deposit for obtaining loans is RMB 50,000,000.00 (December 31, 2019: RMB 218,800,000.00); 8) The pledged term deposit of RMB 30,000,000.00 is the guarantee for the Group's borrowings (December 31, 2019: None); 9) Issue a guarantee deposit of RMB 1,114,223.59 for the quality of construction project (December 31, 2019: RMB 1,114,223.59); 10) Issue a sales performance bond of RMB 159,004,141.44 (December 31, 2019: RMB 142,231,939.85) with a deposit of RMB 56,002,086.37 (December 31, 2019: RMB 53,926,933.35) as a guarantee; 11) Bank deposits of RMB 2,340,000 were frozen due to equipment contract disputes (December 31, 2019: None).

Note 2: As of December 31, 2019, the Group's held-for-trading financial assets with restricted ownership were RMB 60,000,000.00. Including 1) Pledge of structured deposits of RMB 50,000,000.00 to obtain loans; 2) Pledge of structured deposits of RMB 10,000,000.00 to obtain bank acceptance bills.

Note 3: As of December 31, 2020, the Group's restricted ownership of accounts receivable financing was RMB 187,082,811.84 (December 31, 2019: 147,871,797.58). Including: 1) Pledge of RMB 95,818,762.46 of accounts receivable financing (December 31, 2019: RMB 63,456,986.58 of bills receivable) to issue bank acceptance drafts; 2) Pledge of RMB 30,000,000.00 of accounts receivable financing to obtain loans from China Construction Bank Fuling Branch (December 31, 2019: Pledge of RMB 20,870,000.00 of bills receivable to obtain loans from China Construction Bank Fuling Branch); 3) Financing of RMB 58,264,049.38 yuan (December 31, 2019: RMB 53,544,811.00 of bills receivable) endorsed to pay the supplier purchase price; 4) Financing of RMB 3,000,000.00 with accounts receivable (December 31, 2019: RMB 10,000,000.00 of bills receivable) and discounted to obtain bank loans.

Note 4: As of December 31, 2020, except for the assets guaranteed or mortgaged by Wanfeng Meridian disclosed below, the fixed assets and intangible assets with restricted ownership of the Group were RMB 756,254,109.17 and RMB 317,431,152.87, respectively (December 31, 2019: RMB 529,912,312.56 and RMB 184,362,853.26), including:

1) Fixed assets of RMB 17,056,994.90 and intangible assets of RMB 6,820,428.00 were pledged to obtain a loan line of RMB 164.12 million from Jiangmen Rural Commercial Bank Co., Ltd Tangxia Branch. On December 31, 2020, under the agreement, the balance of short-term loan was RMB 128.35 million;

2) Fixed assets of RMB 103,453,918.66 and intangible assets of RMB 138,628,139.83 were collateralized to obtain a loan line of RMB 200 million from Export-Import Bank of China Jilin Branch. On December 31, 2020, under the agreement, the balance of short-term loans obtained was RMB 40 million, and the balance of long-term loans obtained was RMB 102.16 million, of which RMB 34.16 million was due within one year;

3) Intangible assets of RMB 71,927,645.22 were collateralized to obtain a loan line of Indian rupees 800 million from HDFC Bank . On December 31, 2020, under the agreement, the balance of short-term loan obtained was Indian rupees 200 million (Equivalent to RMB 17.82 million);

4) Fixed assets of RMB 82,973,199.73 were collateralized to obtain a loan line of EUR 10 million from Oberbank AG. As of December 31, 2020, under the agreement, there was no loan balance;

5) With fixed assets of RMB 54,198,682.69 as collateral, on December 31, 2020, under the agreement, Wanfeng Auto Wheel obtained a short-term loan of RMB 60 million from Agricultural Bank of China Xinchang Branch;

6) With Wanfeng Auto Wheel's fixed assets of RMB 22,953,031.39 and intangible assets of RMB 49,928,224.40 as collateral, on December 31, 2020, under the agreement, Wanfeng Auto Wheel obtained a short-term loan of RMB 230 million from Agricultural Bank of China Xinchang Branch;

7) With Fengzeyuan's fixed assets of RMB 399,001,519.62 as collateral, on December 31, 2020, under the agreement, the Company obtained a short-term loan of RMB 30 million from Agricultural Bank of China Xinchang Branch ;

8) With the residual value of fixed assets of Fengzeyuan and the residual value of fixed assets and intangible assets of Wanfeng Auto Wheel as collateral, on December 31, 2020, under the agreement, Wanfeng Auto Wheel obtained a short-term loan of RMB 80 million from Agricultural Bank of China Xinchang Branch;

9) With the residual value of fixed assets of Fengzeyuan and the residual value of fixed assets and intangible assets of Wanfeng Auto Wheel as collateral, and guarantee from Zhejiang Rifa Holding Group Co., Ltd., on December 31, 2020, under the agreement, the Company obtained a short-term loan of RMB 260 million from Agricultural Bank of China Xinchang Branch;

10) With the residual value of fixed assets and intangible assets of Wanfeng Auto Wheel as collateral, and guarantee from Zhejiang Rifa Holding Group Co., on December 31, 2020, under the agreement, the Company obtained a long-term loan of RMB 190 million from Agricultural Bank of China Xinchang Branch;

11) With its fixed assets of RMB 13,842,308.28 and intangible assets of RMB 22,813,328.69 as collateral, and joint liability guarantee from Zhejiang Rifa Holding Group Co., Ltd., on December 31, 2020, under the agreement, the Company obtained a short-term loan of RMB 1.82 million from Export-Import Bank of China Zhejiang Branch;

12) With fixed assets of RMB 62,774,453.90 and intangible assets of RMB 27,313,386.73 as collateral, and 95% equity of the subsidiary Wuxi Xiongwei Precision Technology Co., Ltd. pledged to Minsheng Bank Hangzhou Branch, the Company obtained a credit line of RMB 750,000,000.00. Please refer to the following " Pledge of long-term equity investment in subsidiaries" for details.

The above 5 to 11 loans are all supplemented with Chen Ailian's personal joint liability guarantee.

Other situations where ownership or use rights are restricted

## Wanfeng Meridian Guarantee

Wanfeng Meridian Group is a subsidiary group controlled by the Company. On August 27, 2014, Meridian Lightweight Technologies UK Limited, Magnesium Products of America Inc., and Magnesium Meridian Lightweight Technologies Inc. signed a term and revolving credit loan agreement with Comerica Incorporated (as the lead bank), with a revolving loan amount of up to USD 65 million and a term loan amount of up to USD 81.6 million. The maturity date for revolving loans and term loans is September 20, 2023. On December 31, 2020, under the agreement, long-term loans of USD 74,987,847.79 (equivalent to RMB 489,288,208.06) and GBP 10,865,111.00 (equivalent to RMB 96,594,096.32) were obtained, of which USD 20,333,218.77 (equivalent to RMB 132,672,219.18) and GBP 2,329,113.60 RMB (equivalent to RMB 20,706,518.64), will mature within one year (December 31, 2019: Long-term borrowings of USD 74,497,542.43 (equivalent to RMB 517,983,727.20) and GBP 7,571,361.52 (equivalent to RMB 69,556,654.95), of which USD 17.2 million (equivalent to RMB 123,370,484.51) and GBP 1,336,122.62 (equivalent to RMB 12,274,703.80), will be due within one year).

As of December 31, 2020, and December 31, 2019, the assets of Wanfeng Meridian Group have the following guarantees:

- a. Meridian Lightweight Technologies UK Limited took Comerica Bank (as the lead bank) as the beneficiary and set fixed and floating charges on all its land, goodwill, accounts, investments, intellectual property rights and licenses to guarantee debts under the credit agreement.
- b. Wanfeng Meridian took Comerica Bank (as the lead bank) as the beneficiary and set all the property rights, interests and other rights it enjoys in any land, equipment, goodwill, accounts, shares and intellectual property as mortgage to guarantee the debts under the credit agreement. In addition, Wanfeng Meridian have also pledged its shares of its subsidiary companies Meridian Lightweight Technologies UK Limited, Meridian Lightweight Technologies Deutschland GmbH, Mexico Meridian Technologies Mexico, S. de RL de CV.
- c. Meridian Lightweight Technologies Inc. pledged all its shares and assets to Comerica Bank (as the lead bank) as the beneficiary at the same time, for debts assumed by Comerica Incorporated (as the lead bank), and subject to the risks of credit agreements and related guarantees.
- d. Meridian Lightweight Technologies Holdings Inc. pledged all its shares and assets to Comerica Bank (as the lead bank) as the beneficiary at the same time, for debts assumed by Comerica Incorporated (as the lead bank), and subject to the risks of credit agreements and related guarantees.



e. Magnesium Products of America Inc. pledged all its shares, assets and equipment to Comerica Incorporated (as the lead bank) as the beneficiary, as a guarantee for the debts of its and/or affiliated companies under the credit agreement.

f. Mexico Meridian Technologies Mexico, S. de RL de CV. pledged its assets (equipment, machinery, accessories, and movable property used to implement the company's main business activities) to Comerica Bank (as the lead bank) as the pledgee, in a non-possessive way. The 2-A and 2-B plots and buildings owned by Meridian Technologies Mexico, S. de R.L. de C.V. have all been mortgaged to Comerica Incorporated (as the lead bank).

#### Pledge of long-term equity investment in subsidiaries

As of December 31, 2020, the Company's long-term equity investment with restricted ownership was RMB 1.254 billion (December 31, 2019: RMB 1.254 billion). The Company pledged 95% equity of Wuxi Xiongwei Precision Technology Co., Ltd. to Minsheng Bank Hangzhou Branch to obtain a credit line of RMB 750,000,000.00.

On December 31, 2020, under this line of credit, the Company obtained a financing guarantee letter of EUR 85,000,000.00 issued by the Minsheng Bank Hangzhou Branch, against which the Company borrowed EUR 18,531,816.60 (equivalent to RMB 148,717,828.22) and Euro 32,259,896.27 (equivalent to RMB 258,885,667.48) for long-term loans from Minsheng Bank Hong Kong Branch and China Merchants Bank Hong Kong Branch. Loans from Minsheng Bank Hong Kong Branch Euro 18,631,799.84 (equivalent to RMB 149,520,193.69 yuan) and China Merchants Bank Hong Kong Branch Euro 32,259,896.27 (equivalent to RMB 258,885,667.48 yuan) will mature within one year.

## 82. Monetary items in foreign currencies

### (1) Monetary items in foreign currencies

Unit: RMB

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and cash equivalents	--	--	
Including: USD	93,819,960.95	6.5249	612,165,863.19
EUR	35,301,672.42	8.0250	283,295,921.17
HKD			
CAD	12,610,915.22	5.1161	64,518,703.37
MXN	6,143,754.32	0.3280	2,015,151.42

YEN	153,044,536.00	0.0632	9,677,924.28
GBP	4,405,086.45	8.8903	39,162,540.06
INR	488,563,163.81	0.0891	43,532,932.15
CZK	3,230,720.63	0.3046	984,077.50
<b>Accounts receivable</b>	--	--	
<b>Including: USD</b>	83,057,055.28	6.5249	541,938,980.00
<b>EUR</b>	10,316,741.45	8.0250	82,791,850.17
<b>HKD</b>			
CAD	13,801,351.24	5.1161	70,609,093.10
MXN	401,652.66	0.3280	131,742.07
YEN	344,785,275.06	0.0632	21,802,841.65
GBP	1,392,790.53	8.8903	12,382,325.65
INR	801,918,585.01	0.0891	71,454,153.60
CZK	9,648,899.10	0.3046	2,939,054.67
<b>Other accounts receivable</b>			
USD	1,198,098.08	6.5249	7,817,470.16
CAD	1,557,272.36	5.1161	7,967,161.10
YEN	1,326,000.06	0.0632	83,850.94
EUR	5,480,137.04	8.0250	43,978,099.75
GBP	28,827.37	8.8903	256,283.97
INR	17,581,895.62	0.0891	1,566,617.23
CZK	1,489.96	0.3046	453.84
<b>Short-term borrowings</b>			
USD		6.5249	
EUR	1,637,487.80	8.0250	13,140,839.60
INR	500,000,000.00	0.0891	44,552,000.00
<b>Accounts payable</b>			
USD	19,433,367.90	6.5249	126,800,782.19
CAD	11,492,117.79	5.1161	58,794,823.84
MXN	7,711,898.90	0.3280	2,529,502.84
YEN		0.0632	
EUR	14,350,423.29	8.0250	115,162,146.88
GBP	783,794.99	8.8903	6,968,172.60
INR	243,396,199.16	0.0891	21,687,574.93

CZK	998.19	0.3046	304.05
<b>Other accounts payable</b>			
USD	630,060.27	6.5249	4,111,080.27
CAD	345,315.59	5.1161	1,766,669.09
MXN	1,294.67	0.3280	424.65
YEN	6,416,792.02	0.0632	405,772.26
EUR	8,076,552.28	8.0250	64,814,332.05
GBP	986.66	8.8903	8,771.68
INR	615,007,123.06	0.0891	54,799,594.69
<b>Non-current liabilities due within one year</b>			
USD	26,083,218.77	6.5249	170,190,394.15
EUR	50,791,712.87	8.0250	407,603,495.77
GBP	2,329,113.60	8.8903	20,706,518.64
<b>Long-term borrowings</b>	--	--	
<b>Including: USD</b>	63,654,629.02	6.5249	415,340,088.89
<b>EUR</b>		8.0250	
<b>HKD</b>			
GBP	8,535,997.40	8.8903	75,887,577.69

Other remarks:

No

(2) Notes on overseas operating entities, including for the significant overseas operating entities, its main operating locations, reporting currency and the basis for selection should be disclosed, and the reason for changes in functional currency should also be disclosed.

Applicable  Not Applicable

Conversion rate of the main statement items of overseas operating entities

	Currency exchange on December 31, 2020	Currency exchange on December 31, 2019
USD	6.5249	6.9762
GBP	8.8903	9.1501
CAD	5.1161	5.3421
INR	0.0891	0.1021
EUR	8.0250	7.8155

The functional currency information of significant overseas business entities is as follows:

	Principle place of	Reporting Currency
--	--------------------	--------------------

	business	
Wanfeng Meridain Holdings Co., Ltd.	UK	USD
Meridian Lightweight Technologies Holdings Inc.	Canada	CAD
Meridian Lightweight Technologies Deutschland GmbH	Germany	CAD
Meridian Lightweight Technologies UK Limited	UK	GBP
Meridian Technologies Mexico, S. de R.L. de C.V.	Mexico	USD
Magnesium Products of America Inc.	America	USD
Meridian Lightweight Technologies Inc.	Canada	CAD
Wanfeng Aluminum Wheels (India) Pty Co., Ltd.	India	INR
Diamond Aircraft Industries GmbH	Austria	EUR
Austro Engine GmbH	Austria	EUR
Diamond Aircraft Industries Inc.	Canada	CAD

The reasons for the overseas business entity to determine the functional currency for bookkeeping are: Commodities and services are usually priced and settled in this currency; this currency is used for the valuation and settlement of commodities and required service, labor, materials and other expenses; It is the currency obtained from financing activities and used to save the money received from operating activities.

### 83. Hedging

Disclosure of qualitative and quantitative information about hedged items, related hedging tools, and hedged risks according to the types of hedges:  
None

### 84. Government grants

(1) Government grants overview

Unit: RMB

Category	Amount	Listed project	Amount recognized through profit and loss
--			

(2) Refund of government grants

 Applicable  Not Applicable

Other remarks:

None

**85. Others**

None

**VIII. Changes in Scope of Consolidation****1. Business combinations not under the common control**

(1) Business combinations not under the common control occurred in the current period

Unit: RMB

Acquiree	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquisition	Method of equity acquisition	Purchase date	The basis for determining the purchase date	Revenue of acquiree from the purchase date to the end of the period	Net profit of acquiree from the purchase date to the end of the period
--								

Other remarks:

None

(2) Combination cost and goodwill

Unit: RMB

Combination cost
--

Explanation on the determination method of combination cost at fair value, and contingent consideration and its changes:

None

The main reasons of large amounts of goodwill:

None

Other remarks:

None

(3) Identifiable assets and liabilities on the purchase date

Unit: RMB

	Fair value at purchase date	Carrying value at purchase date

Determination method of identifiable assets and liabilities at fair value:

None

Contingent liabilities of the acquiree assumed in a business combination

None

Other remarks:

None

(4) Gains and losses arising from the remeasurement of equity held before the purchase date at fair value

Whether there is a transaction that realizes a business combination step by step through multiple transactions and obtains control during the reporting period

Yes  No

(5) Explanations on failure to reasonably determine the combination consideration or the fair value of the identifiable assets and liabilities of the acquiree on the purchase date or at the end of the current period

None

(6) Others

None

## 2. Business combinations under the common control

(1) Business combinations under the common control occurred in the current period

Unit: RMB

Combined party	Proportion of equity acquisition	The basis for a business combination under the common control	Combination date	The basis for determining the combination date	Revenue of the combined party from the beginning of the current period to the combination date	Net profit of the combined party from the beginning of the current period to the combination date	Revenue of the combined party during the comparison period	Net profit of the combined party during the comparison period
Wanfeng Aircraft Industry Co., Ltd.	55.00%	The parent company of the Aircraft Industry is the Aviation Industry, and the ultimate controlling shareholder is Wanfeng Group. Since both parties are controlled by Wanfeng Group before and after the combination and the control is not temporary, the transaction is a business combination under the common control.	April 16, 2020	Aviation Industry completed the industrial and commercial change registration on April 16 and transferred all the shares of the Aircraft Industry to the Company, so the combination date was determined to be April 16.	438,319,818.56	74,836,418.19	1,847,397,485.11	229,910,806.41

Other remarks:

In September 2019, Wanfeng Group passed a resolution to increase the capital of Wanfeng Aircraft by injection of 100% equity of Wanfeng (UK) Aviation Co., Ltd. held by Wanfeng Aviation Industry Co., Ltd. Since Wanfeng Aircraft and Wanfeng (UK) Aviation Co., Ltd. are both under the ultimate control of Wanfeng Group and the control is not temporary, the transaction is a business

combination under the common control. The industrial and commercial change registration for this equity transfer was completed on September 11, 2019, so the combination date was determined as of September 11. In accordance with the relevant accounting requirements for business combinations under the common control, the financial position, operating results and cash flow of Wanfeng (UK) Aviation Co., Ltd in the consolidated financial statements of its ultimate controlling party will be included in Wanfeng Aircraft's consolidated financial statements since January 1, 2019. And the balance and transactions occurred between the two parties will be offset at the time of the combination. The reporting entity formed after the combination is deemed to have always existed since the ultimate controlling party began to exercise control.

In April 2020, the Company acquired a 55% equity interest in Wanfeng Aircraft for RMB 2,418,075,000.00 in cash. Wanfeng Aviation Industry Co., Ltd. completed the industrial and commercial change registration on April 16 and transferred all the shares of Wanfeng Aviation to the Company. Therefore, the combination date is determined to be April 16.

The above-mentioned business combination under the common control constitutes a related transaction.

## (2) Combination cost

Unit: RMB

Combination cost	
--Cash	2,418,075,000.00

Explanation on contingent consideration and its changes

None

Other remarks:

None

## (3) Book value of assets and liabilities of the combined party on the combination date

Unit: RMB

Items	Balance at the combination date	Balance at the end of the previous period
<b>Assets:</b>	4,440,614,324.41	4,498,316,371.34
<b>Cash and cash equivalents</b>	217,109,673.96	398,090,569.07
<b>Account receivables</b>	155,575,659.38	131,640,062.99
<b>Inventory</b>	1,213,468,662.16	1,079,583,549.14
<b>Fixed assets</b>	330,606,218.74	276,904,814.44
<b>Intangible assets</b>	833,140,588.89	839,189,958.47
<b>Held- for-trading financial</b>	2,559,383.90	2,559,383.90



<b>assets</b>		
<b>Advances paid</b>	9,524,841.32	46,082,520.69
<b>Other account receivables</b>	384,336,723.38	356,043,582.32
<b>Other current assets</b>	19,073,647.50	26,832,125.14
<b>Long-term equity investments</b>	567,810.84	12,612,542.86
<b>Other equity instrument investments</b>	4,733,395.22	4,942,489.56
<b>Construction in progress</b>	20,429,169.40	19,760,466.37
<b>Intangible assets</b>	833,140,588.89	839,189,958.47
<b>R&amp;D expenses</b>	12,869,539.70	
<b>Goodwill</b>	1,104,898,547.65	1,159,535,292.23
<b>Long-term prepayments</b>	240,934.87	247,818.70
<b>Deferred tax assets</b>	131,479,527.50	143,803,981.04
<b>Liabilities:</b>	976,780,258.18	1,151,205,028.35
<b>Account payables</b>	128,081,891.74	175,358,430.08
<b>Unearned revenue</b>		606,781,571.25
<b>Contract liabilities</b>	474,698,284.16	
<b>Employee benefits payable</b>	66,313,543.82	74,491,858.24
<b>Tax payable</b>	10,903,698.95	9,945,612.55
<b>Other payable</b>	59,694,052.74	68,309,049.34
<b>Provisions</b>	188,391,712.74	170,512,297.69
<b>Deferred income</b>	9,296,944.93	9,369,233.55
<b>Deferred tax liabilities</b>	39,400,129.10	36,436,975.65
<b>Net assets</b>	3,463,834,066.23	3,347,111,342.99
<b>Less: Minority interest</b>	1,557,977,455.85	1,505,477,431.91
<b>Net assets acquired</b>	1,905,856,610.38	1,841,633,911.08

The contingent liabilities of the combined party assumed in the business combination:

None

Other remarks:

None

### 3. Reverse purchase

Basic information of the transaction, the basis for the reverse purchase of the transaction, whether the assets and liabilities retained by the listed company constitute a business and its basis, the determination of the combination cost,

the amount of equity adjustment and its calculation when processing the equity transaction:

None

#### **4. Disposal of subsidiaries**

Whether single disposal of the investment in the subsidiary will lose control of the investment

Yes  No

Whether the investment in the subsidiary is disposed of step by step through multiple transactions and the control is lost in the current period

Yes  No

#### **5. Changes in consolidation scope due to other reasons**

Explain the changes in the scope of consolidation caused by other reasons (such as the establishment of a new subsidiary, a liquidation subsidiary, etc.) and related conditions:

WNS Grundstücksverwertungsgesellschaft M.B.H., to simplify the group structure, the board of directors of the company decided to dissolve the company. Related assets and liabilities were absorbed by its parent company Diamond Verwaltungs GmbH. The company has been liquidated and canceled in 2019.

Diamond Maintenance GmbH, to simplify the group structure, the board of directors of the company decided to dissolve the company. Related assets and liabilities were absorbed by its parent company Diamond Verwaltungs GmbH. The company has been liquidated and cancelled in 2019.

Diamond Star Engines GmbH, to simplify the group structure, the board of directors of the company decided to dissolve the company. Related assets and liabilities were absorbed by its parent company, Austro Engine GmbH. The company has been liquidated and cancelled in 2019.

Diamond Simulation Holding GmbH, to simplify the group structure, the board of directors of the company decided to dissolve the company. Related assets and liabilities were absorbed by its parent company Diamond Aircraft Industries GmbH. The company has been liquidated and cancelled in 2019.

Diamond Simulation Holding GmbH & Co. KG, to simplify the group structure, the board of directors of the company decided to dissolve the company. Related assets and liabilities were absorbed by its parent company Diamond Aircraft Industries GmbH. The company has been liquidated and cancelled in 2019.

Diamond Aircraft Holdings Inc., to simplify the group structure, the company's board of directors decided to dissolve the company. Related assets and liabilities were absorbed by Diamond Aircraft Industries Inc. The company has been liquidated and cancelled in 2020.

Diamond D-Jet Corporation, to simplify the group structure, the board of directors of the company decided to dissolve the company. Related assets and liabilities were absorbed by Diamond Aircraft Industries Inc. The company has been liquidated and cancelled in 2020.

## 6. Others

None

## IX. Interest in Other Entities

### 1. Interest in subsidiaries

(1) The composition of the Group

Subsidy	Main operating place	Place of registration	Business nature	Holding proportion		Inclusion method
				Direct	Indirect	
Weihai Wanfeng Auto Wheel Co., Ltd.	Shandong	Shandong	Manufacture	65.00%		Establishment
Ningbo Aoweier Wheel Co., Ltd.	Zhejiang	Zhejiang	Manufacture	75.00%		Establishment
Jilin Wanfeng Auto Wheel Co., Ltd.	Jilin	Jilin	Manufacture	100.00%		Establishment
Chongqing Wanfeng Aolun Aluminum Wheel Co., Ltd	Chongqing	Chongqing	Manufacture	100.00%		Establishment
Wanfeng North America Co., Ltd.	America	America	Service	100.00%		Establishment
Wanfeng Aluminum Wheels (India) Pty. Co., Ltd	India	India	Manufacture		100.00%	Establishment
Shandong Weiwanketechuan Engineering Technology Co., Ltd.	Shandong	Shandong	Manufacture		68.80%	Establishment
Shanghai Fengtu Automobile Technology Co., Ltd.	Shanghai	Shanghai	Commerce	55.00%		Establishment

Wanfeng Meridian New Material Technology Co., Ltd.	Zhejiang	Zhejiang	Manufacture		100.00%	Establishment
Zhejiang Wanfeng Shangda Coating Technology Co., Ltd.	Zhejiang	Zhejiang	Manufacture		100.00%	Establishment
Wanfeng Japan Co., Ltd.	Japan	Japan	Service	100.00%		Establishment
Zhejiang Wanfeng Motorcycle Wheel Co., Ltd.	Zhejiang	Zhejiang	Manufacture	100.00%		Business combination
Guangdong Motorcycle Wheel Co., Ltd.	Guangdong	Guangdong	Manufacture		100.00%	Business combination
Weihai Wanfeng Magnesium Technology Development Co., Ltd.	Shandong	Shandong	Manufacture	68.80%		Business combination
Wanfeng MLTH Holdings CO.,Ltd.	UK	UK	Investment	100.00%		Business combination
Meridian Lightweight Technologies Holdings Inc.	Canada	Canada	Investment		100.00%	Business combination
Meridian Lightweight Technologies Deutschland GmbH	Germany	Germany	Office		100.00%	Business combination
Meridian Lightweight Technologies UK Limited	UK	UK	Manufacture		100.00%	Business combination
Meridian Technologies Mexico,S.de R.L de C.V.	Mexico	Mexico	Manufacture		100.00%	Business combination
Magnesium Products of America Inc.	America	America	Manufacture		100.00%	Business combination
Meridian Lightweight Technologies Inc.	Canada	Canada	Manufacture		100.00%	Business combination
Meridian Canada Inc.	Canada	Canada	Investment		100.00%	Business combination

Shanghai Meridian Magnesium Products Company Limited	Shanghai	Shanghai	Manufacture		60.00%	Business combination
Wanfeng Aircraft Industry Co., Ltd.	Zhejiang	Zhejiang	Manufacture	55.00%		Business combination
Wanfeng (UK) Aviation Co., Ltd.	UK	UK	Investment		55.00%	Business combination
Wanfeng Aircraft Industries s.r.o	Czech Republic	Czech Republic	Service		55.00%	Business combination
Diamond Verwaltungs GmbH	Austria	Austria	Manufacture		55.00%	Business combination
Wanfeng (Canada) Aviation Co., Inc.	Canada	Canada	Investment		55.00%	Business combination
Diamond SFCA Flugplatzbetriebs GmbH	Austria	Austria	Service		54.40%	Business combination
Diamond Informatics GmbH	Austria	Austria	Manufacture		55.00%	Business combination
2542112 Ontario Inc.	Canada	Canada	Investment		55.00%	Business combination
Diamond finance-Services GmbH	Austria	Austria	Finance		55.00%	Business combination
Diamond Development GmbH	Austria	Austria	Manufacture		55.00%	Business combination
Diamond Aircraft Industries GmbH	Austria	Austria	Manufacture		55.00%	Business combination
Austro Engine GmbH	Austria	Austria	Manufacture		55.00%	Business combination
钻石飞机工业有限公司 (Diamond Aircraft Industries Inc.)	Canada	Canada	Manufacture		55.00%	Business combination
Diamond Airborne Sensing GmbH	Austria	Austria	Commerce		55.00%	Business combination
Diamond Aircraft Industries	Germany	Germany	Service		55.00%	Business combinati

Deutschland GmbH						on
Diamond Aviation Center d.o.o	Croatia	Croatia	Service		49.50%	Business combination
Diamond Financial USA Inc.	America	America	Service		55.00%	Business combination
Diamond Aircraft Sales USA Inc.	America	America	Commerce		55.00%	Business combination
DK café Inc.	Canada	Canada	Service		55.00%	Business combination
Shanghai Dacromet Coating Industry Co., Ltd	Shanghai	Shanghai	Manufacture	100.00%		Business combination
Ningbo Economic and Technological Development Zone Dacromet Coating Industry Co., Ltd	Ningbo	Ningbo	Manufacture		100.00%	Business combination
Wuxi Xiongwei Precision Technology Co., Ltd.	Jiangsu	Jiangsu	Manufacture	95.00%		Business combination
Changchun Xiongwei Auto Parts Co., Ltd.	Jilin	Jilin	Manufacture		95.00%	Business combination
Wuxi Geoff Machinery Technology Co., Ltd.	Jiangsu	Jiangsu	Manufacture		95.00%	Business combination
Yancheng Xiongwei Auto Parts Co., Ltd.	Jiangsu	Jiangsu	Manufacture		95.00%	Business combination
Yizheng Xiongwei Machinery Technology Co., Ltd.	Jiangsu	Jiangsu	Manufacture		95.00%	Business combination
Suzhou Yucuiyuan Trading Enterprise (General Partnership)	Shanghai	Jiangsu	Service		75.03%	Business combination

Explanation on the proportion of shares held in the subsidiary differing from the proportion of voting rights:

None

Basis for holding half or less of the voting rights but still controlling the investee,

and holding more than half of the voting rights but not controlling the investee:

None

Basis for significant structured entities included in the scope of consolidation and control:

None

Basis for determining whether the company is an agent or a principal:

None

other remarks:

None

(2) Significant but not wholly owned subsidiaries

Unit: RMB

Subsidiy	Minority shareholders' shareholding ratio	Profit and loss attributable to minority shareholders in the current period	Dividends declared to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Weihai Wanfeng Auto Wheel Co., Ltd.	35.00%	4,834,605.90	17,500,000.00	262,479,382.40
Ningbo Aoweier Wheel Co., Ltd. and its subsidiaries	25.00%	-645,141.19		46,732,996.94
Weihai Wanfeng Magnesium Technology Development Co., Ltd. and its subsidiaries	31.20%	14,498,760.18	3,744,000.00	65,621,607.55
Shanghai Meridian Magnesium Products Co., Ltd	40.00%	20,533,316.47	12,736,253.01	78,187,737.82
Shanghai Fengtu Automobile Technology Co., Ltd.	45.00%	1,549,586.01		11,730,384.21
Wuxi Xiongwei Precision Technology Co., Ltd.	5.00%	5,091,015.31	5,925,000.00	50,830,107.81
Wanfeng Aircraft Industry Co., Ltd. and its subsidiaries	45.00%	153,193,447.38		1,639,642,470.39
Total		199,055,590.06	39,905,253.01	2,155,224,687.12

Explanation on minority shareholder's shareholding ratio differing from the voting rights ratio:

None

Other remarks:

None

## (3) Financial information of significant not wholly-owned subsidiaries

Unit: RMB

Subsidiary	Closing balance						Opening balance					
	Current asset	Non-current asset	Total asset	Current liability	Non-current liability	Total liability	Current asset	Non-current asset	Total asset	Current liability	Non-current liability	Total liability
Weihai Wanfeng Auto Wheel Co., Ltd.	794,177,416.41	280,815,017.83	1,074,992,434.24	324,551,341.62		324,551,341.62	808,518,137.56	301,520,710.34	1,110,038,847.90	323,910,915.00		323,910,915.00
Ningbo Aoweier Wheel Co., Ltd. and its subsidiaries	108,400,523.31	501,063,987.27	609,464,510.58	414,903,052.71		414,903,052.71	205,810,706.91	514,724,296.75	720,535,003.66	523,713,810.62		523,713,810.62
Weihai Wanfeng Magnesium Technology Development Co., Ltd. and its subsidiaries	273,765,767.21	119,207,910.91	392,973,678.12	161,488,352.27	10,559,660.63	172,048,012.90	208,648,418.99	111,403,926.15	320,052,345.14	128,527,561.80	14,858,171.97	143,385,733.77
Shanghai Meridian Magnesium	221,587,127.07	108,619,121.84	330,206,248.91	162,327,657.61		162,327,657.61	164,243,712.93	120,312,891.65	284,556,604.58	133,048,491.26		133,048,491.26



Products Co., Ltd												
Shanghai Fengtu Automobile Technology Co., Ltd.	27,006,853.75	1,191,624.04	28,198,477.79	2,130,957.33		2,130,957.33	23,841,008.04	2,048,613.94	25,889,621.98	3,265,625.98		3,265,625.98
Wuxi Xiongwei Precision Technology Co., Ltd.	837,836,401.05	354,243,955.49	1,192,080,356.54	273,601,668.54	3,999,207.84	277,600,876.38	701,692,373.22	383,143,929.06	1,084,836,302.28	165,215,556.54	4,917,614.04	170,133,170.58
Wanfeng Aircraft Industry Co., Ltd. and its subsidiaries	2,185,109,576.62	2,504,994,279.14	4,690,103,855.76	798,502,880.59	245,772,024.86	1,044,274,905.45	2,040,831,793.25	2,457,484,578.09	4,498,316,371.34	934,886,521.45	216,318,506.89	1,151,205,028.34

Unit: RMB

Subsidy	Current period				Prior period			
	Operating revenue	Net profit	Other comprehensive income	Cash flow generate by operating activities	Operating revenue	Net profit	Other comprehensive income	Cash flow generate by operating activities
Weihai Wanfeng Auto Wheel Co., Ltd.	558,754,738.19	13,813,159.72	13,813,159.72	12,764,916.42	774,637,527.87	37,182,310.51	37,182,310.51	30,282,570.93
Ningbo Aoweier Wheel Co., Ltd. and its	299,608,751.12	-2,588,674.19	-2,588,674.19	45,138,682.32	245,254,508.45	-28,986,937.83	-28,986,937.83	43,878,947.19

subsidiaries								
Weihai Wanfeng Magnesium Technology Development Co., Ltd. and its subsidiaries	337,661,298.68	48,590,385.18	48,590,385.18	43,609,591.42	335,979,824.72	46,985,561.24	46,985,561.24	33,067,452.70
Shanghai Meridian Magnesium Products Co., Ltd	323,295,619.36	50,219,906.78	50,219,906.78	80,207,783.88	332,422,363.18	35,378,480.58	35,378,480.58	45,802,503.40
Shanghai Fengtu Automobile Technology Co., Ltd.	56,541,260.51	3,443,524.46	3,443,524.46	6,678,598.10	40,693,342.65	2,329,133.92	2,329,133.92	-6,185,631.51
Wuxi Xiongwei Precision Technology Co., Ltd.	753,572,627.73	117,389,834.06	117,389,834.06	77,175,260.06	823,033,014.32	146,459,146.34	146,459,146.34	233,554,648.19
Wanfeng Aircraft Industry Co., Ltd. and its subsidiaries	1,630,390,974.68	340,429,883.23	298,543,578.19	152,598,936.24	1,847,397,485.11	229,910,806.40	294,949,841.61	57,966,752.80

Other remarks:

Main financial information of the above-mentioned subsidiaries. This information is the amount before offsetting between the companies in the Group (excluding the goodwill obtained due to business combinations not under the common control).

(4) Significant restrictions on the use of the Group assets and the settlement of the Group debts

None

(5) Financial support or other support provided to structured entities included in the scope of consolidated financial statements

None

Other remarks:

None

## 2. Transactions resulting in changes in subsidiaries' equity but without losing control

(1) Changes in subsidiaries' equity

As stated in Note VII. 55, in 2020, Zhejiang Wanfeng Motorcycle Wheel Co., Ltd., a subsidiary of the Company, invested RMB 399,800.00 in cash to acquire the 0.1% partnership share of Suzhou Yucuiyuan Trading Enterprise (General Partnership) held by Wanfeng Aviation. The net asset share of Suzhou Yucuiyuan Trading Enterprise (general partnership) obtained in this acquisition is RMB 383,871.26 based on the proportion of the partnership share. The difference between the purchase cost and the net asset share calculated according to the proportion of the partnership share obtained was RMB 15,928.74 to offset the share premium of the capital reserve.

(2) Effect of transactions on non-controlling interest and equity attributable to parent company

Unit: RMB

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Other remarks:

None

## 3. Interest in significant joint venture or associate

(1) Significant joint venture or associate

Joint venture or associates	Principal place of business	Place of registration	Business nature	Holding proportion		Accounting treatment of investment in joint ventures or associates
				Direct	Indirect	
Diamond Flight Centre London INC.	Canada	Canada	Service		25.00%	Equity method
CETC Wuhu General Aviation Industry Technology Research Institute Co., Ltd.	Anhui Wuhu	Anhui Wuhu	Manufacture		20.00%	Equity method

Explanation on shareholding ratio in a joint venture or associate differing from

the voting rights ratio:

None

Basis for holding less than 20% of the voting rights but having significant influence, or holding 20% or more of the voting rights but not having significant influence:

None

(2) Financial information of significant joint venture

Unit: RMB

	Closing balance/ Current period	Opening balance / Prior period

Other remarks:

None

(3) Financial information of significant associate

Unit: RMB

	Closing balance/ Current period	Opening balance / Prior period

Other remarks:

None

(4) Financial information of non-significant joint venture and associate

Unit: RMB

	Closing balance/ Current period	Opening balance / Prior period
<b>Joint venture:</b>	--	--
<b>The total of the following items calculated according to the shareholding ratio</b>	--	--
<b>Associate:</b>	--	--
<b>The total of the following items calculated according to the shareholding ratio</b>	--	--

Other remarks:

None

(5) Explanation of significant restrictions on the ability of joint ventures or associates to transfer funds to the company

None

(6) Excess losses incurred by joint ventures or associates

Unit: RMB

Joint venture or associate	Cumulative unrecognized loss accumulated in the previous period	Unrecognized loss in the current period (or net profit shared in the current period)	Accumulated unrecognized loss at the end of the period
--			

Other remarks:

None

(7) Unrecognized commitments related to joint venture investment

No

(8) Contingent liabilities related to investment in joint ventures or associates

None

#### 4. Significant joint operation

Joint operation	Principal place of business	Place of registration	Business nature	Holding proportion	
				Direct	Indirect

Explanation of the shareholding ratio or the share entitled in the joint operation differing from the voting rights ratio:

No

If a joint operation is a separate entity, the basis for classification as a joint operation:

None

other remarks

None

#### 5. Interest in the structured entities that are not included in the consolidated financial statements

Relevant explanations for structured entities not included in the scope of the

consolidated financial statements:

None

## 6. Others

No

## X. Financial Instrument Related Risk

### 1. Financial instruments classification

The book values of various financial instruments on the balance sheet date are as follows:

2020 FY

Financial asset

Unit: RMB

	Financial assets measured at fair value and changes recognized through profit and loss		Financial assets measured at amortized cost	Financial assets measured at fair value and changes recognized through other comprehensive income		Total
	Standards requirement	Designation		Standards requirement	Designation	
Cash	-	-	1,674,978,958.17	-	-	1,674,978,958.17
Held-for-trading financial assets	5,312,974.87	-	-	-	-	5,312,974.87
Account receivable	-	-	2,314,980,882.28	-	-	2,314,980,882.28
Account receivable financing	-	-	-	382,204,743.00	-	382,204,743.00
Other account receivable	-	-	68,318,081.18	-	-	68,318,081.18
Investment in other equity instruments	-	-	-	4,733,395.22	-	4,733,395.22
<b>Total</b>	5,312,974.87	-	4,058,277,921.63	386,938,138.22	-	4,450,529,034.72

Financial liability

Unit: RMB

	Financial liability measured at fair value and changes recognized through profit and loss	Financial liabilities measured at amortized cost	Total

	Standards requirement	Designation		
Short-term borrowings	-	-	3,544,296,670.02	3,544,296,670.02
Notes payable	-	-	192,867,169.90	192,867,169.90
Account payable	-	-	935,542,222.20	935,542,222.20
Other account payable	-	-	384,220,500.31	384,220,500.31
Non-current liability due within one year	-	-	694,425,998.19	694,425,998.19
Long-term borrowings	-	-	1,179,201,272.08	1,179,201,272.08
<b>Total</b>	-	-	6,930,553,832.70	6,930,553,832.70

2019 FY

Financial asset

Unit: RMB

	Financial assets measured at fair value and changes recognized through profit and loss		Financial assets measured at amortized cost	Financial assets measured at fair value and changes recognized through other comprehensive income		Total
	Standards requirement	Designation		Standards requirement	Designation	
Cash	-	-	2,452,754,083.38	-	-	2,452,754,083.38
Held-for-trading financial assets	63,034,283.90	-	-	-	-	63,034,283.90
Account receivable	-	-	2,555,697,203.97	-	-	2,555,697,203.97
Account receivable financing	-	-	-	378,904,590.58	-	378,904,590.58
Other account receivable	-	-	916,325,582.02	-	-	916,325,582.02
Investment in other equity instruments	-	-	-	4,942,489.56	-	4,942,489.56
<b>Total</b>	63,034,283.90	-	5,924,776,869.37	383,847,080.14	-	6,371,658,233.41

Financial liability

Unit: RMB

	Financial liability measured at fair value and changes recognized through profit and loss	Financial liability measured at amortized cost	Total

	Standards requirement	Designation		
Short-term borrowing	-	-	3,070,118,768.19	3,070,118,768.19
Held-for-trading financial liability	1,324,581.60	-	-	1,324,581.60
Notes payable	-	-	218,601,865.08	218,601,865.08
Account payable	-	-	1,083,181,883.19	1,083,181,883.19
Other account payable	-	-	759,261,155.63	759,261,155.63
Non-current liability due within one year	-	-	571,968,504.83	571,968,504.83
Long-term borrowings	-	-	1,165,220,492.00	1,165,220,492.00
<b>Total</b>	<b>1,324,581.60</b>	<b>-</b>	<b>6,868,352,668.92</b>	<b>6,869,677,250.52</b>

## 2. Financial instrument offset

None

## 3. Financial instrument transfer

Financial assets that have been transferred but not fully derecognized

As stated in Note vii, 6, (1), as of December 31, 2020, to settle accounts payable and other account payables, the book value of bank acceptance bill that the Group has endorsed to suppliers but not fully derecognized is RMB 57,264,049.38. The book value of the commercial acceptance bill is RMB 1,000,000.00. The book value of the bank acceptance bill that the Group has discounted to the bank but not fully derecognized is RMB 3,000,000.00. On December 31, 2020, its maturity is from 1 to 11 months. The Group believes that the Group retains almost all its risks and rewards, including the associated default risk. Therefore, it continues to fully recognize it and its related settled accounts payable and other payables, as well as short-term borrowings. After endorsement or discounting, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties.

The transferred financial assets that have been fully derecognized but continue to be involved

As of December 31, 2020, to settle accounts payable and other account payables, the book value of bank acceptance bill that the Group has endorsed to suppliers and fully derecognized is RMB 706,520,717.60. (As of December 31, 2019: , to settle accounts payable and other account payables, the book value of bank acceptance bill that the Group has endorsed to suppliers and fully



derecognized is RMB 586,953,297.41). On December 31, 2020, its maturity date is 1 to 12 months. According to the relevant provisions of the *Negotiable Instruments Law*, if the accepting bank refuses to pay, its holder has the right to recourse against the Group ("continued involvement"). The Group believes that the Group has transferred almost all of its risks and rewards. Therefore, it has derecognized its book value and related settled accounts payable and other payables. The maximum loss and undiscounted cash flow of continuing involvement and repurchase are equal to its book value. The Group believes that continued involvement in fair value is not significant.

In 2020, the Group did not recognize gains and losses on the transfer date. The Group did not continue to be involved in the derecognized financial assets for the current year and accumulatively recognized income or expenses. Endorsements occurred roughly evenly this year.

#### **4. Financial instrument risk**

The Group faces various financial instrument risks in its daily activities, mainly including credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and commodity price risk). The main financial instruments of the Group include monetary funds, equity investment, loans, notes receivable and accounts receivable, notes payable and accounts payable, etc. The risks associated with these financial instruments and the risk management strategies adopted by the Group to reduce these risks are as follows. The Group mitigates the risks of financial instruments through appropriately diversified investment and business portfolios and formulates risk management policies to reduce the risks concentrated in any single industry, specific region or specific counterparty.

##### **Credit risk**

The Group only conducts transactions with recognized and reputable third parties and related parties. According to the Group's policy, all customers who require credit-based transactions are subject to credit review. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risks of doubtful debts. For transactions that are not settled in the functional currency of the relevant business unit, the Group does not provide credit transaction conditions, unless specifically approved by the credit control department of the Group.

Since the counterparties of monetary funds, bank acceptance bills receivable and derivative financial instruments are banks with good reputations and high credit ratings, these financial instruments have relatively low credit risks.

Other financial assets of the Group include accounts receivable and other receivables. The credit risk of these financial assets originates from the default of the counterparty, and the maximum risk exposure is equal to the book value of these instruments.

The maximum credit risk exposure that the Group faces on each balance sheet date is the total amount received from customers minus the amount of doubtful debt provision.

Since the Group only conducts transactions with recognized and reputable third parties and related parties, there is no need for collateral. Credit risk is centralized and managed according to customers. As of December 31, 2020, the Group has a specific concentration of credit risk. 6.11% (2019: 5.93%) and 18.56% (2019: 19.08%) of the Group's accounts receivable are derived from accounts receivable of the largest and the top five customers respectively. The Group does not hold any collateral or other credit enhancements for the balance of accounts receivable.

For quantitative data on the credit risk exposure of the Group due to accounts receivable and other receivables, please refer to Notes VII, 5 and 8.

#### Standards to judge the significant increase of credit risk

The Group assesses on each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since the initial recognition. When determining whether the credit risk has increased significantly since the initial recognition, The Group considers reasonable and well-founded information obtained without unnecessary additional cost or effort, including qualitative analysis based on historical data of the Group, external credit risk ratings, and forward-looking information. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group compares the risk of default on the balance sheet date and the risk of default on the initial recognition date to determine the changes in the risk of default during expected life of the financial instrument.

When the following qualitative standards are triggered, the Group believes that the credit risk of financial instruments has increased significantly:

The qualitative standards are mainly the major adverse changes in the owing party's business or financial situation, the list of early warning customers, etc.

#### Definition of credit-impaired assets

In order to determine whether credit impairment has occurred, the standard used by the Group is consistent with the internal credit risk management objectives for relevant financial instruments, and qualitative indicators are also considered. When the Group assesses whether an owing party has credit impairment, it mainly considers the following factors:

(1) The issuer or owing party has major financial difficulties;

- (2) The owing party breached the contract, such as defaulting or overdue payment of interest or principal;
- (3) The creditor, out of economic or contractual considerations related to the owing party's financial difficulties, gives the owing party a concession that the creditor would not make under any other circumstances;
- (4) The owing party is likely to go bankrupt or other financial reorganization;
- (5) The issuer or owing party's financial difficulties lead to the disappearance of the active market for the financial asset;
- (6) A financial asset is purchased or originated at a steep discount, and the discount reflects the fact that credit losses have occurred.

The credit impairment of financial assets may be caused by a combination of multiple events, and may not be caused by a separately identifiable event.

#### Parameters of expected credit loss measurement

According to whether there has been a significant increase in credit risk and whether credit impairment has occurred, the Group measures impairment provisions for different assets with 12-month or entire duration expected credit losses. The key parameters of expected credit loss measurement include default probability, loss given default and default risk exposure. The Group considers the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantee methods and types of collaterals, repayment methods, etc.) to establish models of default probability, loss given default and default risk exposure.

The relevant definitions are as follows:

- (1) The probability of default refers to the possibility that the owing party will not be able to perform its payment obligations in the next 12 months or throughout the remaining duration. The Group's default probability is adjusted based on the expected credit impairment model results. And forward-looking information is added to reflect the default probability of owing parties under the current macroeconomic environment;
- (2) The loss given default refers to the Group's expectations of the extent of losses incurred by default risk exposures. The loss given default varies according to the type of counterparty, the method and priority of recourse, and the collateral. The loss given default is the percentage of the risk exposure loss at the time of the default, calculated based on the next 12 months or the entire duration;
- (3) Default risk exposure refers to the amount that the Group should be repaid when default occurs in the next 12 months or throughout the remaining duration.

The assessment of a significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Group has identified key economic indicators that affect the credit risks and expected credit losses of various business types.

The impact of these economic indicators on the probability of default and loss given default vary by different types of businesses. In this process, the Group referred to authoritative forecasts. Based on the results, the Group predicted these economic indicators and determined the impact of these economic indicators on the probability of default and loss given default.

## 2020 FY

The maximum risk exposure of the Group's financial assets and the classification according to the credit risk level at the end of the year are as follows:

Unit: RMB

	Expected credit loss in the next 12 months	Lifetime expected credit loss			Total
	Phase I	Phase II	Phase III	Simple method	
Cash and cash equivalents	1,674,978,958.17	-	-	-	1,674,978,958.17
Account receivable financing	-	-	-	382,204,743.00	382,204,743.00
Account receivable	-	-	-	2,314,980,882.28	2,314,980,882.28
Other account receivable	55,724,863.72	6,810,285.82	5,782,931.64	-	68,318,081.18
<b>Total</b>	<b>1,730,703,821.89</b>	<b>6,810,285.82</b>	<b>5,782,931.64</b>	<b>2,697,185,625.28</b>	<b>4,440,482,664.63</b>

## 2019 FY

Unit: RMB

	Expected credit loss in the next 12 months	Lifetime expected credit loss			Total
	Phase I	Phase II	Phase III	Simple method	
Cash and cash equivalents	2,452,754,083.38	-	-	-	2,452,754,083.38
Account receivable financing	-	-	-	378,904,590.58	378,904,590.58
Account	-	-	-	2,555,697,203.97	2,555,697,203.97

<b>receivable</b>					
<b>Other account receivable</b>	570,392,006.87	342,677,517.73	3,256,057.42		916,325,582.02
<b>Total</b>	3,023,146,090.25	342,677,517.73	3,256,057.42	2,934,601,794.55	6,303,681,459.95

### Liquidity risk

The Group uses circular liquidity planning tools to manage the risk of shortage of funds. This tool considers both the maturity date of its financial instruments and the estimated cash flows generated by the Group's operations.

The Group's goal is to use bank borrowings, notes payable, bonds payable and other financing methods to maintain a balance between continuity and flexibility of financing. In 2020, 81.70% (2019: 81.40%) of the Group's debt will mature in less than one year.

The following table summarizes the maturity analysis of financial liabilities based on undiscounted contractual cash flows:

2020 FY

Unit: RMB

	Spot	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
<b>Short-term borrowings</b>	-	492,747,376.81	3,117,045,843.55	-	-	3,609,793,220.36
<b>Notes payable</b>	-	111,693,820.23	81,173,349.67	-	-	192,867,169.90
<b>Account payable</b>	134,192,679.97	800,394,943.15	954,599.08	-	-	935,542,222.20
<b>Other account payable</b>	157,657,562.97	154,861,277.46	71,701,659.88	-	-	384,220,500.31
<b>Non-current liability due within 1 year</b>	33,930,384.46	159,019,310.94	520,711,222.10	-	-	713,660,917.50
<b>Long-term borrowings</b>	-	-	-	1,307,099,209.23	-	1,307,099,209.23
<b>Total</b>	325,780,627.40	1,718,716,728.59	3,791,586,674.28	1,307,099,209.23	-	7,143,183,239.50
<b>Shor-term borrowings</b>	-	492,747,376.81	3,117,045,843.55	-	-	3,609,793,220.36

2019 FY

Unit: RMB

	Spot	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
<b>Short-term borrowings</b>	-	418,136,596.22	2,710,155,298.08	-	-	3,128,291,894.30
<b>Held-for-trading financial</b>	-	852,989.70	471,591.90	-	-	1,324,581.60

<b>liability</b>						
<b>Notes payable</b>	-	107,274,147.22	111,327,717.86	-	-	218,601,865.08
<b>Account payable</b>	200,124,368.72	883,057,514.47	-	-	-	1,083,181,883.19
<b>Other account payable</b>	196,397,643.81	508,620,199.87	54,243,311.95	-	-	759,261,155.63
<b>Non-current liability due within 1 year</b>	-	254,361,971.74	333,471,823.50	-	-	587,833,795.24
<b>Long-term borrowings</b>	-	-	-	1,320,050,160.04	-	1,320,050,160.04
<b>Total</b>	396,522,012.53	2,172,303,419.22	3,209,669,743.29	1,320,050,160.04	-	7,098,545,335.08

## Market risk

### Interest rate risk

The risk of changes in market interest rates faced by the Group is mainly related to the Group's long-term liabilities with floating interest rates.

The following table shows the sensitivity analysis of interest rate risk reflecting the impact on net profit and loss (through the impact on floating-rate borrowing) and the net after-tax impact of other comprehensive income under the assumption that all other variables remain unchanged.

Unit: RMB

	<b>Basis point increase/ (decrease)</b>	<b>Net profit and loss increase/ (decrease)</b>	<b>Net after tax other comprehensive income increase/ (decrease)</b>	<b>Total shareholders' equity increase/ (decrease)</b>
December 31, 2020	0.50%	(2,182,169.15)	-	(2,182,169.15)
USD borrowings	(0.50%)	2,182,169.15	-	2,182,169.15
December 31, 2019	0.50%	(1,996,573.70)	-	(1,996,573.70)
USD borrowings	(0.50%)	1,996,573.70	-	1,996,573.70

### Currency exchange risk

The Group faces transactional exchange rate risks. Such risks are caused by business units' sales or purchases in currencies other than their functional currency. Approximately 52% (2019: 59%) of the Group's sales are denominated in currencies other than the functional currency, and about 100% (2019: 100%) of the cost is priced in the operating unit's functional currency.

The following table shows the sensitivity analysis of exchange rate risk, reflecting the impact on net profit and loss (due to changes in the fair value of monetary assets and liabilities) and net after-tax other comprehensive income under the assumption that all other variables remain unchanged when the exchange rate changes reasonably.

2020 FY

Unit: RMB

	Exchange rate increase/(decrease)	Net profit and loss increase/(decrease)	Net after tax other comprehensive income increase/(decrease)	Equity increase/(decrease)
RMB depreciaton against USD	5%	15,834,638.29	-	15,834,638.29
RMB appreciation against USD	(5%)	(15,834,638.29)	-	(15,834,638.29)
CAD depreciaton against USD	5%	(3,456,879.75)	-	(3,456,879.75)
CAD appreciation against USD	(5%)	3,456,879.75	-	3,456,879.75
INR depreciaton against USD	5%	(4,624,522.88)	-	(4,624,522.88)
INR appreciation against USD	(5%)	4,624,522.88	-	4,624,522.88
RMB depreciaton against EUR	5%	(16,653,106.66)	-	(16,653,106.66)
RMB appreciation against EUR	(5%)	16,653,106.66	-	16,653,106.66

2019 FY

Unit: RMB

	Exchange rate increase/(decrease)	Net profit and loss increase/(decrease)	Net after tax other comprehensive income increase/(decrease)	Equity increase/(decrease)
RMB depreciaton against USD	5%	13,224,707.73	-	13,224,707.73
RMB appreciation against USD	(5%)	(13,224,707.73)	-	(13,224,707.73)
CAD depreciaton against USD	5%	(8,709,300.19)	-	(8,709,300.19)
CAD appreciation against USD	(5%)	8,709,300.19	-	8,709,300.19
INR depreciaton against USD	5%	(4,944,381.75)	-	(4,944,381.75)
INR appreciation against USD	(5%)	4,944,381.75	-	4,944,381.75
RMB depreciaton against EUR	5%	(27,396,053.18)	-	(27,396,053.18)
RMB appreciation against EUR	(5%)	27,396,053.18	-	27,396,053.18

## 5. Capital management

The main objective of the Group's capital management is to ensure continuing operations and maintaining a healthy capital ratio to support business development and maximize shareholder value.

The Group manages the capital structure and adjusts it according to changes in the economic situation and the risk characteristics of related assets. To maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. In 2020 and 2019, there is no change in capital management objectives, policies or procedures.

The Group uses a leverage ratio to manage capital. The leverage ratio refers to the ratio of net debt to shareholders' equity plus net debt. Net debt refers to the net amount of short-term loans, long-term loans due within one year, long-term loans, and bonds payable after deducting cash and cash equivalents.

The Group's leverage ratio at the balance sheet date is as follows:

Unit: RMB

Items	2020FY	2019FY
Short-term borrowings	3,544,296,670.02	3,070,118,768.19
Long-term borrowings due within one year	694,425,998.19	571,968,504.83
Long-term borrowings	1,179,201,272.08	1,165,220,492.00
Less: Cash and cash equivalents	1,674,978,958.17	2,452,754,083.38
Net debt	3,742,944,982.12	2,354,553,681.64
Shareholder's equity	7,508,833,717.32	10,007,942,082.74
Net debt and shareholder's equity	11,251,778,699.44	12,362,495,764.38
Leverage ratio	33.27%	19.05%

## XI. Disclosure of Fair Values

### 1. Fair values of the assets and liabilities at the end of the period

Unit: RMB

Items	Fair value as of the balance sheet date			
	Level 1	Level 2	Level 3	Total
I. Constant fair value measurement	--	--	--	--
i. Held-for-trading financial assets	5,312,974.87	381,704,743.00		387,017,717.87
1. Financial assets measured at fair value and changes recognized through profit and loss	5,312,974.87	381,704,743.00		387,017,717.87



(1) Debt instrument investments		381,704,743.00		381,704,743.00
(2) equity instrument investments	2,630,574.87			2,630,574.87
(3) Derivative financial assets	2,682,400.00			2,682,400.00
iii. Other equity investments			4,733,395.22	4,733,395.22
II. Non-constant measurement at fair values	--	--	--	--

**2. Basis for determining the market price of items under first level constant and non-constant measurement at fair value.**

Not applicable

**3. Items under second level constant and non-constant measurement at fair value, valuation technique adopted, and qualitative and quantitative information of significant parameters**

Not applicable

**4. Items under third level constant and non-constant measurement at fair value, valuation technique adopted, and qualitative and quantitative information of significant parameters.**

Not applicable

**5. Items under third level constant measurement at fair value, sensitivity analysis of adjusted beginning and ending book value information and unobservable parameters.**

Not applicable

**6. Items under constant measurement at fair value, switched levels in the reporting period, reasons and policy for switch timing**

Not applicable

**7. Change of valuation techniques and reasons**

Not applicable

## 8. The fair value of financial assets and financial liabilities not measured at fair value

Not applicable

## 9. Others

Fair value valuation

The following are the book values and fair values of various types of financial instruments of the Group, except for financial instruments with little difference between book value and fair value, and equity instruments without quotation in an active market and can not reliably be measured.

Unit: RMB

	2020 FY		2019 FY	
	Carrying value	Fair value	Carrying value	Fair value
<b>Long-term borrowings</b>	1,179,201,272.08	1,143,282,342.39	1,165,220,492.00	1,149,530,944.40

The management has evaluated cash and cash equivalents, notes receivable, accounts receivable, notes payable, other receivables, other current assets, short-term loans, accounts payable, other payables and non-current liabilities due within one year, etc. Since the remaining period is not long, the fair value is similar to the book value.

The fair value of financial assets and financial liabilities is determined by the amount of voluntary asset exchange or debt settlement by both parties familiar with the situation in a fair transaction, rather than the amount under forced sale or liquidation.

Long-term borrowings are measured at amortized cost. The fair value is determined by the discounted future cash flow method and the market rate of return of other financial instruments with similar contractual terms, credit risks and remaining maturities is used as the discount rate, which belongs to the third level. The significant unobservable inputs for the fair value measurement of long-term borrowings are the prepayment rate and the loss given default. The higher the prepayment rate and loss given default, the lower the fair value. On December 31, 2020, the non-performance risk such as long-term loans was assessed as not significant.

The Group has entered foreign exchange forward contracts with multiple counterparties. Foreign exchange forward contracts are measured using the discounted cash flow model and option pricing model, which belong to the second level. The model covers observable input values in multiple markets, including spot and forward exchange rates. The book value of a foreign

exchange forward contract is the same as the fair value.

The financial instruments measured at fair value by the Group and the Company in this year and last year did not have significant transfers between various levels.

## XII. Related Party Relationships and Transactions

### 1. Parent Company

Unit: RMB

Parent Company	Place of registration	Business nature	Registered capital	Shareholding proportion over the Company	Voting right proportion over the Company
Wanfeng Holding Group Co., Ltd	Zhejiang, China	Manufacture	RMB 120 million	33.37%	33.37%

Description of the Company's parent company

Please refer to Note III. Basic information of the Group.

The ultimate controlling parties of the Company are Ms. Chen Ailian and Wu Liangding's family.

other remarks:

None

### 2. Information about the Company's subsidiaries

For details of the Company's subsidiaries, please refer to Note IX. 1.

### 3. Joint ventures and associates of the Company

For details of the significant joint ventures or associates of the Company, please refer to Note IX and 3.

The situation of other joint ventures or associates that have related party transactions with the Company during the current period or the balance of the related party transactions with the Company in the previous period is as follows:

Joint venture or associates	Relationship with the Company
--	

Other remarks:

No

### 4. Other related parties of the Company

Other related parties	Relationship with the Company
Wanfeng Jinyuan Holding Group Co., Ltd.	Company controlled by Chen Ailian
Zhejiang Wanfeng Technology Development Co., Ltd.	Subsidiary of Wanfeng Jinyuan Holding Group Co., Ltd
Zhejiang Rifa Holding Group Co., Ltd.	Company controlled by Wu Liangding
Zhejiang Rifa Precision Machinery Co., Ltd.	Subsidiary of Zhejiang Rifa Holding Group Co., Ltd.
Xinchang Textile Investment Fund Association	Wu Liangding, Director of the Association
Beijing Wanfeng Innovation Investment Co., Ltd.	Subsidiary of Wanfeng Jinyuan Holding Group Co., Ltd.
Zhejiang Wanfeng Industrial Co., Ltd.	Company controlled by the parent company
Zhejiang Wanfeng Real Estate Co., Ltd.	Company s controlled by the parent company
Zhejiang Wanfeng General Aviation Co., Ltd.	Company controlled by the parent company
Zhejiang Wanfeng Property Management Co., Ltd.	Company controlled by the parent company
Wanfeng Aviation Industry Co., Ltd.	Company controlled by the parent company
Shanghai Wanfeng Aviation Club Co., Ltd.	Company controlled by the parent company
Shengzhou Hechuang Trading Co., Ltd.	Subsidiary of Wanfeng Jinyuan Holding Group Co., Ltd.
Wanfeng General Airport Management Co., Ltd.	Company controlled by the parent company
Zhejiang Wanfeng New Energy Automobile Technology Co., Ltd.	Company controlled by the parent company
Wanfeng General Aviation Co., Ltd.	Company controlled by the parent company
Shaoxing Jiajing Trading Co., Ltd.	Company controlled by Zhang Linglin, an employee of the parent company
Wanfeng Financial Leasing Co., Ltd.	Subsidiary of Wanfeng Jinyuan Holding Group Co., Ltd.
Xinchang County Chitong Intelligent Equipment Co., Ltd.	Company controlled by the parent company
Zhejiang Rifa Precision Machine Tool Co., Ltd.	Subsidiary of Zhejiang Rifa Holding Group Co., Ltd.
Zhejiang Wanfeng Precision Manufacturing Co., Ltd.	Subsidiary of Wanfeng Jinyuan Holding Group Co., Ltd.
Wanfeng General Airport Management Co., Ltd.	Subsidiary of Wanfeng Aviation Industry Co., Ltd.

**Other remarks:**

Zhang Linglin, an employee of the parent company, belongs to other natural persons who have a special relationship with the listed company and may cause the listed company to tilt its interests based on the principle of substance over form.

## 5. Related party transactions

- (1) Purchase and sale of goods, rendering and receiving services  
Purchase of goods and receiving of services

Unit: RMB

Related parties	Content of transaction	Current period	Approved Transaction Limit	Over the Transaction Limit or No	Prior period
Wanfeng Aviation Industry Co., Ltd.	Purchase aircraft and aviation materials	4,513,168.35		No	2,903,871.79
Shengzhou Hechuang Trading Co., Ltd.	Purchase molds and equipment accessories	4,132,865.14		No	6,385,194.83
Zhejiang Wanfeng Technology Development Co., Ltd.	Purchase raw materials, molds and equipment accessories	1,268,509.02		No	3,178,959.25
Zhejiang Rifa Precision Machine Tool Co., Ltd.	Purchase equipment accessories	332,458.38		No	39,668.15
Zhejiang Rifa Precision Machinery Co., Ltd.	Purchase raw materials and equipment accessories	6,796.46		No	383,784.63
Wanfeng General Aviation Co., Ltd.	Purchase goods			No	6,792.45
Wanfeng General Aviation Co., Ltd.	Air charter service	13,908,446.06		No	3,524,382.29
Zhejiang Wanfeng Property Management Co., Ltd.	Property Management Service	3,717,673.85		No	6,805,275.94
Wanfeng Group	Network and equipment maintenance services	3,678,420.37		No	5,195,743.42
Zhejiang Wanfeng Technology Development Co., Ltd.	Equipment maintenance service	964,543.62		No	238,244.40
Wanfeng Aviation Industry Co., Ltd.	Network and equipment maintenance services	488,304.32		No	

Zhejiang Rifa Precision Machine Tool Co., Ltd.	Equipment maintenance service	391,407.07		No	
Zhejiang Wanfeng General Aviation Co., Ltd.	Airport service fee	257,477.10		No	280,476.98
Wanfeng General Airport Management Co., Ltd.	Airport aircraft take-off and landing service	60,687.93		No	12,877.36

## Sale of goods and rendering of services

Unit: RMB

Related parties	Content of transaction	Current period	Prior period
Zhejiang Wanfeng General Aviation Co., Ltd.	Sales of aircraft and aviation materials	3,734,690.02	24,292.04
Shengzhou Hechuang Trading Co., Ltd.	Sales of mold	1,995,689.49	4,614,862.09
Wanfeng Aviation Industry Co., Ltd.	Sales of parts		5,183,717.63
Diamond Flight Centre London INC.	Sales of repair parts		1,627,441.28
Zhejiang Wanfeng Technology Development Co., Ltd.	Sales of finished products, raw materials and molds		863,469.44
Zhejiang Wanfeng Precision Manufacturing Co., Ltd.	For metrological maintenance service	51,880.00	
Diamond Flight Centre London INC.	Training Services		1,231,000.08
Wanfeng Aviation Industry Co., Ltd.	Providing labor services		619,539.05

Remarks of related transactions related to the purchase and sale of goods and the provision and acceptance of services

None

(2) Related entrusted management/contracting and entrusted management/outsourcing situation

The Company's entrusted management/contracting

Unit: RMB

Principal/Outsourcer's Name	Name of contractor	Types of entrusted/contracted assets	Entrustment/contracting start date	Entrustment/contracting end date	Pricing basis for entrustment/contracting income	Entrustment/contracting income recognized in the current period
--						

Description of related entrustment /contracting situation

None

The Company's entrusted management / outsourcing

Unit: RMB

Principal/Outsourcer's Name	Name of contractor	Types of entrusted/outsourced assets	Entrustment/outsourcing start date	End of entrustment/outsourcing end date	Pricing basis for entrustment/outsourcing fees	Entrustment/outsourcing fees recognized in the current period
--						

Description of related entrustment /outsourcing situation

No

### (3) Related party leases

The Company as lessor

Unit: RMB

Lessees	Types of asset leased	Lease income for current period	Lease income for the prior period
Suzhou Yucuiyuan Trading Enterprise (General Partnership)	Real estate	2,522,935.83	1,225,000.00
Aircraft industry	Real estate		512,841.60
Aircraft industry	Aircraft		406,407.74
Aircraft industry	Aircraft	88,495.58	

The Company as lessee

Unit: RMB

Lessors	Types of asset leased	Lease expenses for current period	Lease expenses for the prior period
Xinchang Textile Investment Fund Association	Real estate	290,537.80	290,537.80

Xinchang Textile Investment Fund Association	Real estate	134,497.40	134,497.40
Wanfeng Jinyuan Holding Group Co., Ltd.	Real estate	1,192,660.55	1,183,165.14
Xinchang County Chitong Intelligent Equipment Co., Ltd.	Real estate	2,100,000.00	2,100,000.00
Xinchang County Chitong Intelligent Equipment Co., Ltd.	Real estate	2,508,400.00	2,508,400.00
Zhejiang Wanfeng Industrial Co., Ltd.	Real estate		1,333,333.32
Zhejiang Wanfeng Industrial Co., Ltd.	Real estate, land, etc.	5,885,714.29	5,777,460.10
Wanfeng Aviation Industry Co., Ltd.	Real estate	1,929,524.49	1,929,524.49
Wanfeng General Aviation Co., Ltd.	Aircraft		2,551,778.76

## Remarks on related party leases

None

## (4) Related party guarantees

The Company as guarantor

Unit: RMB

Guaranteed party	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Wanfeng Group u	313,500,000.00	January 15, 2019	January 15, 2020	Yes
Wanfeng Group u	316,000,000.00	October 24, 2019	October 23, 2020	Yes
Wanfeng Group v	USD100,000,000.00	July 19, 2019	July 18, 2024	Yes
Wanfeng Group w	USD100,000,000.00	November 18, 2020	December 31, 2024	No

## The Company as guaranteed party

Unit: RMB

Guarantor	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Wanfeng Group a	10,000,000.00	May 10, 2019	May 07, 2022	No
Wanfeng Group b	100,000,000.00	August 05, 2019	May 03, 2020	Yes
Wanfeng Group c	250,000,000.00	February 15, 2019	February 15, 2021	No



Wanfeng Group d	100,000,000.00	December 23, 2019	March 19, 2022	No
Zhejiang Rifa Holding Group Co., Ltd. e	245,000,000.00	December 05, 2019	September 10, 2022	No
Zhejiang Rifa Holding Group Co., Ltd. f	USD30,000,000.00	May 15, 2015	May 15, 2025	No
Wanfeng Group g	100,000,000.00	April 27, 2020	March 19, 2022	No
Wanfeng Group h	33,000,000.00	October 13, 2020	October 13, 2023	No
Wanfeng Group i	65,000,000.00	March 20, 2020	June 19, 2020	Yes
Wanfeng Group j	35,000,000.00	March 25, 2020	November 09, 2020	Yes
Wanfeng Group and Wanfeng Jinyuan Holdings Group Co., Ltd. k	132,000,000.00	October 14, 2020	October 13, 2022	No
Zhejiang Rifa Holding Group Co., Ltd. l	240,000,000.00	September 21, 2020	September 17, 2021	No
Zhejiang Rifa Holding Group Co., Ltd. m	960,000,000.00	April 16, 2020	April 23, 2023	No
Chen Ailian n	1,200,000,000.00	April 16, 2020	April 23, 2023	No

#### Remarks on related party guarantees

a. From May 10, 2019 to May 7, 2022, Wanfeng Group provided a free guarantee for Wanfeng Auto Wheel's loan from the Agricultural Bank of China, with a guaranteed amount of RMB 10,000,000.

b. From August 5, 2019 to May 3, 2020, Wanfeng Group provided a free guarantee for Wanfeng Auto Wheel's loan from China Merchants Bank, with a guaranteed amount of RMB 100,000,000.00. The guarantee has expired and been released.

c. From February 15, 2019 to February 15, 2021, Wanfeng Group provided a free guarantee for Wanfeng Auto Wheel's loan from the Bank of China, with a guaranteed amount of RMB 250,000,000.00.

d. From December 23, 2019 to March 19, 2022, Wanfeng Group provided a free guarantee for Wanfeng Auto Wheel's loan from the Bank of Hangzhou, with a guarantee amount of RMB 100,000,000.00.

e. From December 5, 2019 to September 10, 2022, Zhejiang Rifa Holding Group Co., Ltd. provided a free guarantee for Wanfeng Auto Wheel's loan from the Export-Import Bank of China, with a guaranteed amount of RMB 245,000,000.00.

- f. From May 15th, 2015 to May 15th, 2025, Zhejiang Rifa Holding Group Co., Ltd. provided a free guarantee for Wanfeng Aluminum Wheels (India)'s loan from China Development Bank, with a guaranteed amount of USD 30,000,000.00.
- g. From April 27, 2020 to March 19, 2022, Wanfeng Group provided a free guarantee for Wanfeng Auto Wheel's loan from China Merchants Bank Shaoxing Branch, with a guaranteed amount of RMB 100,000,000.00.
- h. From October 13, 2020 to October 13, 2023, Wanfeng Group provided a free guarantee for Wanfeng Auto Wheel's loan to Shanghai Pudong Development Bank Shengzhou Branch, with a guaranteed amount of RMB 33,000,000.00.
- i. From March 20, 2020 to June 19, 2020, Wanfeng Group provided a free guarantee for Wanfeng Auto Wheel's loan from the Bank of Hangzhou Xinchang Branch, with a guaranteed amount of RMB 65,000,000. The guarantee has expired and been released.
- j. From March 25, 2020 to November 9, 2020, Wanfeng Group provided a free guarantee for Wanfeng Auto Wheel's loan from Bank of Hangzhou Shaoxing Branch, with a guaranteed amount of RMB 35,000,000. The guarantee has expired and been released.
- k. From October 14, 2020 to October 13, 2022, Wanfeng Group and Wanfeng Jinyuan Holding Group Co., Ltd. provided free guarantees for Wanfeng Auto Wheel's loans from Bank of Hangzhou Shaoxing Branch, with a guaranteed amount of RMB 132,000,000.
- l. From September 21, 2020 to September 17, 2021, Zhejiang Rifa Holding Group Co., Ltd. provided a free guarantee for Wanfeng Auto Wheel's loan from the Export-Import Bank Zhejiang Branch, with a guaranteed amount of RMB 240 million.
- m. From April 16, 2020 to April 23, 2023, Zhejiang Rifa Holding Group Co., Ltd. provided a free guarantee for Wanfeng Aowei's loan from Agricultural Bank of China Xinchang Branch, with a guaranteed amount of RMB 960,000,000.
- n. From April 16, 2020 to April 23, 2023, Chen Ailian provided a free guarantee for Wanfeng Auto Wheel's loan from Agricultural Bank of China Xinchang Branch, with a guaranteed amount of RMB 1,200,000,000.
- u. From July 2018 to October 2019, Wanfeng Auto Wheel provided a guarantee to Wanfeng Group through pledge and re-pledge after release of its bank deposit certificates deposited in the Baoji Branch of Changan Bank Co., Ltd. Under these guarantees, Wanfeng Group obtained a total of RMB 1.530 billion in loans from the Baoji Branch of Chang'an Bank Co., Ltd. from 2018 to 2019, and Wanfeng Auto Wheel provided guarantees to Wanfeng Group for a total of RMB 1.594 billion.

As of December 31, 2019, Wanfeng Group's outstanding loan amount was RMB 60 million, and Wanfeng Auto Wheel's outstanding guarantee amount was RMB 629,500,000.

In March and April 2020, Wanfeng Group has repaid the remaining RMB 60 million of the loan to the Baoji Branch of Chang'an Bank Co., Ltd., and Wanfeng Auto Wheel released the guarantee of RMB 629.5 million accordingly.

v. Meridian Lightweight Technologies Inc. provided a free credit guarantee for Wanfeng Group's loan from Export Development Canada (EDC). The guarantee period is from July 19, 2019 to July 18, 2024. The guaranteed amount is USD 100,000,000.00. At the same time, Wanfeng Auto Wheel provides liquidity support for the loan. According to the guarantee agreement and the liquidity support agreement, if Wanfeng Group is unable to perform its repayment obligations as required by the loan agreement, Meridian Lightweight Technologies Inc. shall assume joint and several repayment liabilities. Wanfeng Auto Wheel shall provide liquidity support to Wanfeng Group or the guarantor of the loan to ensure that Wanfeng Group or the guarantor of the loan performs its obligations following the requirements of the loan agreement.

In January and May 2020, Wanfeng Group has repaid US\$20 million in borrowings, and the remaining US\$80 million has not been repaid. The aforementioned guarantees and liquidity support have subsequently been released.

w. Wanfeng Auto Wheel held the 2019 Annual General Meeting of Shareholders on July 15, 2020, and approved *the Proposal on Providing External Guarantees in 2020*. In 2020, it will provide a guarantee plan of RMB 150 million for controlling shareholders. On November 19, 2020, Wanfeng Auto Wheel and Meridian have signed the *Liquidity Support Contract Exemption Letter* and *Regarding the Termination and Disclaimer Agreement of the Guarantee of Meridian Lightweight Technologies Inc.* with EDC, respectively. The liquidity support and joint liability guarantee provided by Wanfeng Auto Wheel and its subsidiary Meridian respectively to Wanfeng Group's remaining US\$80 million borrowings from EDC has been released.

On the same day, Wanfeng Group and EDC signed the *Revised and Restated Loan Agreement* with a loan balance of US\$80 million. Wanfeng Auto Wheel and its controlling subsidiary Ontario 2542112 Co., Ltd. provided joint liability guarantees for the above loans. The guarantee period is from November 19, 2020 to July 18, 2024. The Company's controlling subsidiary Wanfeng (Canada) Aviation Co., Ltd. will issue a US\$2 million letter of guarantee. The guarantee period is from November 18, 2020 to December 31, 2024. The amount of the guarantee is within the total amount of RMB 1.5 billion in guarantee for the controlling shareholder Wanfeng Group approved by Wanfeng Auto Wheel at the 2019 Annual General Meeting of Shareholders on July 15, 2020. At the same time, Wanfeng Group pledged its 40% equity of Wanfeng Aviation Industry Co., Ltd. to Wanfeng Auto Wheel as a counter-guarantee measure for

the guarantee. As of December 31, 2020, Wanfeng Group's outstanding loan balance under this guarantee was US\$80 million.

## (5) Related party lending

Unit: RMB

Related parties	Loan amount	Commencement date	Maturity date	Description
<b>Borrowed from</b>				
<b>Lent to</b>				
Wanfeng Aviation Industry Co., Ltd.	312,620,000.00	April 16, 2020	August 17, 2020	Prior to January 1, 2020, Diamond Aircrafts Industries GMBH, a subsidiary of Wanfeng Aircraft, had borrowed funds from Wanfeng Aviation Industry Co., Ltd. with a balance of RMB 312.62 million, which Wanfeng Aviation Industry Co., Ltd. had repaid in August 2020. The total principal and interest were RMB 316.18 million.
Wanfeng Group	76,650,000.00	January 02, 2020	August 14, 2020	From January to April 2020, prior to business combination under the same control, Wanfeng Aircraft had lent RMB 76.65 million to Wanfeng Group, and Wanfeng Group had repaid RMB 4.65 million, and the remaining amount was RMB 72 million. Wanfeng Group has repaid all principal and interest of RMB 73.51 million from April to August 2020.
Wanfeng Group	380,700,000.00	December 05, 2019	March 25, 2020	On December 5, 2019, Chongqing Wanfeng repaid the principal and interest of the loan RMB 380.70 million on behalf of Wanfeng Group due to the overdue payment of the remaining loans of RMB 376 million. On December 31, 2019, the balance formed Wanfeng Group's capital occupation of Wanfeng Auto Wheel. Wanfeng Group has repaid RMB 120 million and RMB 260.7 million to Chongqing Wanfeng on March 24, 2020 and March 25, 2020, respectively, and the capital occupation has been settled.
Wanfeng Group (through Shaoxing Jiajing Trading Co., Ltd.)	740,000,000.00	January 02, 2019	March 26, 2020	In 2019, the Group lent RMB 740 million to Wanfeng Group through Shaoxing Jiajing Trading Co., Ltd., and recovered RMB 590 million. As of December 31, 2019, the balance was RMB 150 million. The above-mentioned lent funds formed Wanfeng Group's capital occupation of Wanfeng Auto Wheel. On March 26, 2020, the amount was repaid to the Group by Wanfeng Group through Shaoxing Jiajing Trading Co., Ltd.

## (6) Assets transfer and debt restructuring of the related parties

Unit: RMB

Related parties	Content of related party transactions	Current period	Prior period

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## (7) Key management's emoluments

Unit: RMB

Items	Current period	Prior period
Key management's emoluments	8,555,298.00	5,864,537.00

## (8) Other related party transactions

Wanfeng Group received two government grants totaling RMB 38.82 million from the 2018 National Industrial Transformation and Upgrade Fund and the 2017 Second Batch of Provincial Technology-based Small and Medium-sized Enterprises Support and Technology Development Special Fund. Wanfeng Group intended to cooperate with Wanfeng Meridian New Material Technology Co., Ltd., a subsidiary of the Group, to complete the government subsidy project, and paid RMB 35.82 million as deposit for the intended cooperation to Wanfeng Meridian New Material Technology Co., Ltd.

In 2019, Wanfeng Meridian New Material Technology Co., Ltd. returned to Wanfeng Group RMB 2 million of 2017 Second Batch of Provincial Technology-based Small and Medium-sized Enterprises Support and Technology Development Special Fund in accordance with the requirements of the government subsidy grantor. As of the end of 2020, RMB 28.82 million from the 2018 National Industrial Transformation and Upgrading Fund has been checked and accepted and transferred to deferred income. The balance of RMB 5 million of 2017 Second Batch of Provincial Technology-based Small and Medium-sized Enterprises Support and Technology Development Special Fund has not yet been checked and accepted this year. The Group will list the deposit for intended cooperation received as other payables.

**6. Account receivable and payable of related parties**

## (1) Receivables

Unit: RMB

Items	Related parties	Closing balance		Beginning balance	
		Book balance	Provision for doubtful debts	Book balance	Provision for doubtful debts
Account receivable	Wanfeng Aviation Industry Co., Ltd.	7,349,781.19		7,157,908.40	
Account receivable	Zhejiang Wanfeng General Aviation Co., Ltd.	4,089,187.56		1,011,549.00	

Account receivable	Shanghai Wanfeng Aviation Club Co., Ltd.	900,000.00			
Account receivable	Diamond Flight Centre London INC.	439,969.35			
Account receivable	Shengzhou Hechuang Trading Co., Ltd.	100,000.00		5,214,794.16	
Advances paid	Zhejiang Wanfeng Technology Development Co., Ltd.	24,000.00		189,462.00	
Advances paid	Wanfeng General Aviation Co., Ltd.			1,339,952.92	
Other account receivable	Zhejiang Rifa Precision Machinery Co., Ltd.	176,000.00			
Other account receivable	Wanfeng Auto Holding Group Co., Ltd.			380,700,000.00	
Other account receivable	Wanfeng Aviation Industry Co., Ltd.			312,620,000.00	
Other account receivable	Shaoxing Jiajing Trading Co., Ltd.			150,000,000.00	
Other account receivable	Zhejiang Wanfeng Technology Development Co., Ltd.			91,538.50	
Other account receivable	Zhejiang Wanfeng Property Management Co., Ltd.			25,037.62	
Other account receivable	Zhejiang Wanfeng New Energy Automobile Technology Co., Ltd.			2,040.61	
Other non-current assets	Zhejiang Wanfeng Technology Development Co., Ltd.	49,771.65		38,271,052.25	

## (2) Payables

Unit: RMB

Items	Related parties	Closing balance	Beginning balance
Account payable	Wanfeng Aviation Industry Co., Ltd.	4,518,937.15	29,875,732.07
Account payable	Zhejiang Wanfeng Technology Development Co., Ltd.	1,082,569.09	1,380,818.37
Account payable	Zhejiang Rifa Precision Machinery Co., Ltd.	1,062,394.00	207,044.08
Account payable	Zhejiang Rifa Precision Machine Tool Co., Ltd.	264,822.00	75,072.00
Account payable	Shengzhou Hechuang Trading Co., Ltd.	5,409.14	2,442,228.10
Account payable	Wanfeng General Aviation Co., Ltd.		505,023.91

Account payable	Wanfeng Group		29,266.73
Account payable	Wanfeng General Airport Management Co., Ltd.		6,975.50
Other account payable	Zhejiang Rifa Precision Machinery Co., Ltd.	16,115,519.05	4,928,580.19
Other account payable	Wanfeng Group	5,000,000.00	33,820,000.00
Other account payable	Zhejiang Wanfeng Technology Development Co., Ltd.	4,938,304.35	8,995,287.32
Other account payable	Zhejiang Rifa Precision Machine Tool Co., Ltd.	1,924,001.84	
Other account payable	Shengzhou Hechuang Trading Co., Ltd.	253,862.98	452,369.32
Other account payable	Wanfeng Finance Leasing Co., Ltd.		2,000,000.00

## 7. Related party commitments

- (1) On December 31, 2020, the Group and Zhejiang Wanfeng Technology Development Co., Ltd. signed an unfulfilled equipment procurement contract totaling RMB 4,674,400.00 (RMB 4,136,637.17 excluding tax), and purchase production machinery and equipment from the latter. As of December 31, 2020, the purchase amount paid by the Group was RMB 1,547,820.00, and the contracted and unprovided amount was RMB 3,126,580.
- (2) On December 31, 2020, the Group and Zhejiang Rifa Precision Machine Tool Co., Ltd. signed an unfulfilled equipment procurement contract totaling RMB 2,071,473.05 (RMB 1,833,161.99 excluding tax) to purchase machinery and equipment from the latter for production. As of December 31, 2020, the purchase amount paid by the Group was RMB 414,292.00, and the contracted and unprovided amount was RMB 1,657,181.05.
- (3) On December 31, 2020, according to the lease contract signed between the Group and Zhejiang Wanfeng Industrial Co., Ltd., the minimum lease payment for an irrevocable lease was RMB 33,697,452.86. The lease term is from August 1, 2016 to July 31, 2026. The factory and land are leased for production and operation.
- (4) On December 31, 2020, according to the lease contract signed between the Group and Xinchang County Chitong Intelligent Equipment Co., Ltd., the minimum lease payment for an irrevocable lease was RMB 9,216,800.00. The lease term is from January 1, 2019 to December 31, 2022. The factory are leased for production and operation.

## **8. Others**

None

## **XIII. Share-based Payment**

### **1. Overall information of share-based payment**

Applicable  Not applicable

### **2. Equity-settled share-based payment**

Applicable  Not applicable

### **3. Cash-settled share-based payment**

Applicable  Not applicable

### **4. Amendment and termination of share-based payment**

None

### **5. Others**

None

## **XIV. Commitments and Contingencies**

### **1. Significant commitments**

Important commitment on the balance sheet date

#### **(1) Important commitments**

As of December 31, 2020, the amount of capital commitments that the Group has signed but not provided for is RMB 67,753,615.41 (December 31, 2019: RMB 73,700,139.92). As of December 31, 2020, the Group has no investment commitments that have been signed but not provided for (December 31, 2019: None).

#### **(2) Pending litigation**

As stated in Note VII, 50, Shandong Bin'ao Aircraft Manufacturing Co., Ltd. litigated a dispute over the authorization of model production licenses by the Company's subsidiary Austria Diamond Aircraft Industries GmbH. As of December 31, 2020, the litigation is still in the process of arbitration. Austria Diamond Aircraft Industries GmbH made provisions based on estimates.



(3) Outstanding claims

As stated in Note VII, 50, the Group had a number of outstanding employee claims on December 31, 2020. The Group has hired a third-party risk management company to handle employee compensation claims and made provisions based on its estimated amount after evaluating all outstanding claims.

## 2. Contingencies

(1) Significant contingencies existing on the balance sheet date

① Environmental testing deposit

In April 2001, Canada Meridian Technology Holdings Inc. divested its business activities related to its primary aluminum business unit. As one of the steps in divestiture, the Company disposed of all the net assets of Jutras Die Casting Ltd. except for real estate, which is located in Toronto, Ontario. According to the terms of the divestiture, Canadian Meridian Technology Holdings Inc. continues to retain the rights to the real estate, mainly because the real estate is undergoing environmental investigations related to legal proceedings at that time. The lawsuit was filed by a company adjacent to Jutras Die Casting Ltd. and a financial institution that provided financing services for the company. In December 2001, the lawsuit ended. According to the results of the lawsuit, the real estate will be transferred to the adjacent company of Jutras Die Casting Ltd. after completing a series of administrative procedures and environmental investigations in accordance with Ontario's legal requirements. Canada Meridian Technology Holding Inc. is obliged to monitor the environmental level of the real estate within 10 years, and the monitoring results must show that the pollution level of the transferred real estate has been gradually degraded according to the model predictions displayed at the time of the lawsuit. In 2004, the relevant administrative procedures were completed, including the provision of a CAD 2,100,000.00 guarantee to the Ministry of Environment in the form of a letter of credit. The relevant real estate was transferred on December 14, 2004. In 2014, before the expiration of the monitoring obligation, Canadian Meridian Technology Holdings Inc. agreed to continue to extend the monitoring obligation to 2017. In 2020, the company has completed the above-mentioned environmental testing obligations and is waiting for the final certification result of the government's Ministry of Environment.

② Pay taxes

On April 16, 2013, Meridian Lightweight Technologies Holding Inc. was informed that, after completing the audit, the Italian customs department had filed with the liquidator Magnesium Products of Italy S.r.L (formerly known as Magnesium Products of America Inc.) during the 2009 tax period. It is claimed

that its unpaid value-added tax amounted to EUR 138,000 and demanded a fine of EUR 141,640. Magnesium Products of Italy has been liquidated and has no assets to repay. As of the date of issuance of this report, none of the above taxes and fines have been paid. After consulting with legal counsel, the management believes that Magnesium Products of America Inc. and Wanfeng Meridian Group, as independent entities, have no legal obligation to pay such taxes and fines. In 2015, Wanfeng Group issued a commitment, and it agreed that if Wanfeng Meridian Group would eventually have to bear corresponding taxes and/or penalties due to these matters, the resulting losses (including but not limited to taxes, fines, and litigation costs) will be compensated by Wanfeng Group or its designated third party (excluding Wanfeng Meridian Group, and Wanfeng Auto Wheel and its companies within the scope of its consolidated financial statements).

### ③Customer compensation

Magnesium Products of America Inc. and Meridian Lightweight Technologies Inc. had multiple production accidents in 2018 that affected daily production. One or more customers may request Magnesium Products of America Inc. and Meridian Lightweight Technologies Inc. to compensate for the losses caused by the interruption of their supply chain. In October 2020, Ford Motor Company filed a lawsuit against Meridian Lightweight Technologies Inc. through its agent insurance company. Since the specific compensation amount will be formally proposed in the discovery stage several months later, the future compensation obligations and compensation amount are highly uncertain. Therefore, on December 31, 2020, the Group did not make relevant provisions.

(2) If no significant contingent matter to be disclosed by the Company, it should also be noted accordingly

No important contingent matter needs to be disclosed by the Company.

(3) Other information required by the *Guidelines for Information Disclosure of Automobile Manufacturing Related Industries*

Mortgage sales, finance leasing and other models of sales accounted for more than 10% of operating revenue

Applicable  Not applicable

The Company's guarantee to the dealer

Applicable  Not applicable

### 3. Others

No

**XV. Events after the Balance Sheet Date****1. Significant non-adjustment items**

Unit: RMB

Items	Content	Impact on financial position and operating results	Reasons

**2. Profit distribution**

Unit: RMB

Proposed profits or dividends	207,210,752.00
Profits or dividends declared to be paid after approval	207,210,752.00

**3. Sales return**

None

**4. Other explanation on events after the balance sheet date****(1) Share repurchase**

On December 30, 2020 the Company held the sixth meeting of the seventh board of directors and approved the *Proposal on the Repurchase of Company Shares*. On January 4, 2021, it disclosed the *Report on the Repurchase of Company Shares* decided to repurchase the Company's shares by means of centralized bidding through the Shenzhen Stock Exchange trading system with own funds or self-raised funds. These shares will be used for subsequent employee stock ownership plans or equity incentives. The total amount of funds for the repurchase of shares shall not be less than RMB 100 million and not more than RMB 200 million, and the repurchase price shall not exceed RMB 11 per share (inclusive), and the repurchase period shall be no more than 12 months from the date of approval of the repurchase plan by the board of directors. Starting from January 2021, the Company has successively implemented share repurchases.

**(2) Subsidiary establishment**

The Company held the seventh meeting of the seventh board of directors on January 12, 2021, and approved the *Proposal on the Establishment of a Wholly Owned Subsidiary of by Subsidiary Aircraft Industry*, agreeing that Wanfeng Aircraft Industry Co., Ltd., a subsidiary of the Company, shall invest in the establishment of a wholly-owned subsidiary Zhejiang Wanfeng Aircraft Manufacturing Co., Ltd. in the form of assets and cash. Zhejiang Wanfeng Aircraft Manufacturing Co., Ltd. was established on January 15, 2021, with a registered capital of RMB 100 million, of which RMB 39.9 million was contributed by assets and RMB 60.1 million was contributed by cash. The

address is located at No. 1, Aofeng Road, Xinchang Industrial Park, Zhejiang, China. The scope of business includes design, testing, production, sales, maintenance and repair of general aviation aircraft, helicopters, aero engines, avionics, electrical and mechanical systems; technology development and consulting services for the general aviation industry; bonded warehouse operations; goods import and export; technology import and export.

## XVI. Other Significant Events

### 1. Prior accounting error correction

#### (1) Retrospective restatement method

Unit: RMB

Correction of accounting error	Processing procedure	Items in each comparison period affected	Cumulative influence
--			

#### (2) Prospective adjustment method

Unit: RMB

Correction of accounting error	Approval procedure	Reasons for adopting prospective adjustment method
--		

### 2. Debt restructuring

No

### 3. Asset replacement

#### (1) Non-monetary asset exchange

None

#### (2) Replacement of other assets

None

### 4. Annuity plan

None

### 5. Discontinued business

Unit: RMB

Items	Revenue	Expenses	Total profit	Income tax	Net profit	Discontinue

				expense		d operating profit attributable to owners of the parent company
--						

Other remarks:

None

## 6. Segment information

(1) Basis for reportable segments and the accounting policy

Operating Segments

For management purposes, the Group divides its business units based on products. The Group has the following 6 reporting segments:

- (1) The Automobile Wheel segment produces automobile wheels;
- (2) The Motorcycle Wheels segment produces motorcycle wheels;
- (3) The Coating segment is engaged in the coating treatment of mechanical parts;
- (4) The Magnesium Alloy Die-Casting Products segment produces magnesium alloy die-casting products;
- (5) Stamping Parts segment produces stamping parts for automobiles;
- (6) The General Aviation Aircraft segment produces general aviation aircraft.

For the decision-making purposes of resource allocation and performance evaluation, the management separately manages the operating results of each segment. Division performance is evaluated based on the reported segment profit. This indicator is an adjusted indicator of the total profit from continuing operations and is consistent with the total profit from continuing operations of the Group.

(2) Financial information of the reporting segment

Unit: RMB

Item	Automobile wheel	Motorcycle wheel	Coating processing	Magnesium alloy die casting products	Stamping	General Aviation Aircraft	Inter-segment elimination	Total
External transaction revenue	3,861,538,493.07	1,623,157,538.62	272,914,859.29	2,557,650,411.18	753,572,627.73	1,630,390,974.68		10,699,224,904.57
Inter-segment transaction revenue	2,825,131.19						-2,825,131.19	
Investment income from associates						-876,459.23		
Asset impairment loss	-3,988,474.85	-3,036,182.07		509,471.83	-2,983,670.52	-680,506.02		-10,179,361.63
Depreciation and amortization	258,899,027.39	122,648,411.78	32,815,327.54	225,733,598.51	68,442,088.67	74,767,785.07		783,306,238.96
The total profit	532,939,773.63	33,621,660.30	46,252,586.15	263,278,982.96	117,676,362.71	294,305,214.27	-459,051,846.99	829,022,733.03
Income tax expense	6,795,013.66	-2,853,684.21	9,345,321.42	82,128,473.82	14,856,056.42	-46,124,668.96		64,146,512.15
Total assets	10,089,670,942.84	1,971,970,108.80	463,180,113.04	3,435,371,228.62	1,192,080,356.54	4,690,103,855.76	-5,869,150,704.73	15,973,225,900.87
Total liabilities	5,596,204,167.89	1,285,425,861.89	75,421,685.39	1,358,857,504.44	277,600,876.38	1,044,274,905.45	-1,173,392,817.89	8,464,392,183.55
Long-term equity investment in associates						567,810.84		567,810.84

(3) Reasons on no reportable segment, or the total assets and total liabilities of each reportable segment that cannot be disclosed  
None

(4) Other remarks

None

**7. Other significant events influencing investor's investment decision**

None

**8. Others**

None

**XVII. Notes to Parent Company Financial Statements Items****1. Accounts receivable**

(1) Account receivable disclosed by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Doubtful debt provisions		Carrying value	Book balance		Doubtful debt provisions		Carrying value
	Amount	%	Amount	%		Amount	%	Amount	%	
Accounts receivable provided for doubtful debts on individual basis	17,923,454.32	3.44%	5,305,626.69	29.60%	12,617,827.63	16,558,335.50	2.40%	7,689,685.14	46.44%	8,868,650.36
Including:										

<b>Accounts receivable provided for doubtful debts on collective basis</b>	502,413,199.87	96.56%	2,659,777.96	0.53%	499,753,421.91	673,934,882.91	97.60%	4,617,306.15	0.69%	669,317,576.76
<b>Including:</b>										
<b>Total</b>	520,336,654.19	100.00%	7,965,404.65	1.53%	512,371,249.54	690,493,218.41	100.00%	12,306,991.29	1.78%	678,186,227.12

Provision for doubtful debts on individual basis: 5,305,626.69

Unit: RMB

Company	Closing balance			
	Book balance	Provisions for doubtful debt	%	Reasons
Hunan Leopard Automobile Co., Ltd.	8,280,910.13	2,781,910.13	33.59%	Estimated collection risk
CIA WHEEL GROUP	6,625,061.06	1,414,787.38	21.36%	Product quality disputes
CPC WHEELS CORPORATION	3,017,483.13	1,108,929.18	36.75%	Estimated collection risk
<b>Total</b>	17,923,454.32	5,305,626.69	--	--

Provision for doubtful debts on individual basis:

Unit: RMB

Company	Closing balance			
	Book balance	Provisions for doubtful debt	%	Reasons

Provision for doubtful debts on collective basis: 2,659,777.96



Unit: RMB

Company	Closing balance		
	Book balance	Provisions for doubtful debt	%
Within 1 year	499,501,004.84	2,296,548.48	0.46%
1 year to 2 years	372,690.38	79,459.12	21.32%
2 years to 3 years	438,033.11	131,409.93	30.00%
More than 3 years	2,101,471.54	152,360.43	7.25%
<b>Total</b>	<b>502,413,199.87</b>	<b>2,659,777.96</b>	<b>--</b>

Description of determining the collective basis:

None

Provision for doubtful debts on collective basis:

Unit: RMB

Company	Closing balance		
	Book balance	Provisions for doubtful debt	%

Description of determining the collective basis:

If the provision for doubtful debts of accounts receivable is accrued in accordance with the general model of expected credit losses, please refer to the disclosure of other accounts receivable:

Applicable  Not applicable

Disclosure by age

Unit: RMB

Aging	Book balance
<b>Within 1 year (including 1 year)</b>	505,726,693.22
<b>1 year to 2 years</b>	2,407,884.12
<b>2 years to 3 years</b>	8,718,943.24
<b>More than 3 years</b>	3,483,133.61
<b>3 years to 4 years</b>	3,483,133.61
<b>Total</b>	<b>520,336,654.19</b>

(2) Provision for doubtful debts accrued, recovered or reversed in the current period

Doubtful debt provisions in the current reporting period

Unit: RMB

Category	Opening balance	Change in current reporting period				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
2020FY	12,306,991.29		4,341,586.64			7,965,404.65
<b>Total</b>	12,306,991.29		4,341,586.64			7,965,404.65

Significant reversal of doubtful debt provisions in the current reporting period

Unit: RMB

Company	Recovery or reversal amount	Recovery method
--		

No provision for doubtful debts was made in 2020, and the recovery of provision for doubtful debts was RMB 4,341,586.64 (with provision for doubtful debts of RMB 6,888,847.81 in 2019, no recovery or reversal of provision for doubtful debts).

(3) Accounts receivable written off in the current period

Unit: RMB

Items	Written off amount
--	

Significant account receivable written off

Unit: RMB

Company	Nature of account receivable	Written off amount	Reasons for write-off	Write-off procedure	Whether the payment is generated by related party transactions
--					

Explanation on account receivable written off

There are no accounts receivable actually written off in 2020 (2019: none).

(4) The top five accounts receivable at the end of the period aggregated by the owing party

Unit: RMB

Company	Account receivable closing balance	% of the total balance of accounts receivable at the end of the period	Closing balance of provisions for doubtful debt
No. 1	72,086,733.75	13.85%	360,433.67
No. 2	58,758,771.03	11.29%	282,042.10
No. 3	57,723,960.86	11.09%	277,075.01
No. 4	37,786,187.75	7.26%	181,373.70

No. 5	31,414,819.00	6.04%	150,791.13
<b>Total</b>	<b>257,770,472.39</b>	<b>49.53%</b>	

(5) Accounts receivable derecognized due to the transfer of financial assets  
None

(6) The amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved  
None

Other remarks:

None

## 2. Other receivables

Unit: RMB

Items	Closing balance	Opening balance
Interest receivables	0.00	
Dividend receivables	0.00	129,600,000.00
Other receivables	241,713,997.31	365,180,887.10
<b>Total</b>	<b>241,713,997.31</b>	<b>494,780,887.10</b>

(1) Interest receivables

1) Interest receivables by category

Unit: RMB

Items	Closing balance	Opening balance
<b>Total</b>	<b>0.00</b>	

2) Significant overdue interest

Unit: RMB

Borrower	Closing balance	Overdue time	Reasons for overdue	Whether impairment occurred and its judgment basis
--				

Other remarks:

None

3) Doubtful debt provisions

Applicable  Not applicable

## (2) Dividend receivables

## 1) Dividend receivables by category

Unit: RMB

Items (or investee)	Closing balance	Opening balance
Zhejiang Wanfeng Motorcycle Wheel Co., Ltd.	0.00	129,600,000.00
<b>Total</b>	<b>0.00</b>	<b>129,600,000.00</b>

## 2) Significant dividends receivable with an aging of more than 1 year

Unit: RMB

Items (or investee)	Closing balance	Age	Reasons for not received	Whether impairment occurred and its judgment basis
--				

## 3) Provision for doubtful debts

 Applicable  Not applicable

Other remarks:

None

## (3) Other receivables

## 1) Other receivables categorized by nature

Unit: RMB

Other receivables categorized by nature	Closing balance	Opening balance
Subsidiary financial aid	229,800,000.00	247,700,000.00
Amounts due from related parties		100,000,000.00
Stock repurchases deposit and withdrawal	866,935.63	6,913,835.11
Employee petty cash	173,368.21	198,110.62
Disbursement fee	10,157,307.66	10,157,307.66
Other	716,385.81	211,680.95
<b>Total</b>	<b>241,713,997.31</b>	<b>365,180,934.34</b>

## 2) Doubtful debt provisions

Unit: RMB

Doubtful debt provisions	Phase I	Phase II	Phase III	Total
	Next 12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Balance on January 1, 2020		47.24		47.24
Balance in current period on January 1, 2020	—	—	—	—
Provision reversed in current period		47.24		47.24
Balance on December 31, 2020		0.00		0.00

Loss provisions for significant changes in book balances in current period

 Applicable  Not Applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	231,356,452.61
1 to 2 years	38,650.56
Over 3 years	10,318,894.14
3 to 4 years	10,318,894.14
Total	241,713,997.31

3) Provision for doubtful debt accrued, recovered or reversed in current period  
 Provision for doubtful debt accrued in current period:

Unit: RMB

Category	Opening balance	Changes in the current period				Closing balance
		Accrued	Recovered or reversed	Write-off	Others	
2020FY	47.24		47.24			0.00
Total	47.24		47.24			0.00

Including significant provision for doubtful debt recovered or reversed amount:

Unit: RMB

Owing parties	Recovered or reversed	Way of collection
--		

## 4) Other accounts receivable actually written off in the current period

Unit: RMB

Items	Amount written off
--	

Significant other account receivable written off:

Unit: RMB

Owing parties	Nature of other account receivable	Amount written off	Reasons for write-off	Write-off procedures	Whether the payment is generated by related party transactions
--					

Remarks on other account receivable written off:

None

## 5) Top 5 owing parties with the largest other receivables balances

Unit: RMB

Owing parties	Nature of receivables	Closing balance	Aging	Proportion to the total balance of other receivables	Provision for doubtful debt at the end of the period
--					

## 6) Other receivables related to government grants

Unit: RMB

Company	Government subsidy project	Closing balance	Aging	Estimated time, amount and basis of receipt
--				

## 7) Other receivables derecognized due to the transfer of financial assets

None

## 8) The amount of assets and liabilities formed by transferring other

receivables and continuing to be involved

None

Other remarks:

None

### 3. Long-term equity investments

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	6,104,568,111.43		6,104,568,111.43	4,198,711,501.05		4,198,711,501.05
<b>Total</b>	6,104,568,111.43		6,104,568,111.43	4,198,711,501.05		4,198,711,501.05

#### (1) Investment in subsidiaries

Unit: RMB

Investees	Opening balance (Carrying amount)	Changes in the current period				Closing balance (Carrying amount)	Closing balance of provision for impairment
		Investment increased	Investments decreased	Provision for impairment	Others		
Weihai Wanfeng Auto Wheel Co., Ltd.	78,600,024.75					78,600,024.75	
Ningbo Aoweier Wheel Co., Ltd.	118,269,148.42					118,269,148.42	
Jilin Wanfeng Auto Wheel Co., Ltd.	250,000,000.00					250,000,000.00	
Chongqing Wanfeng Aolun Aluminum Wheel Co.,	200,000,000.00					200,000,000.00	

Ltd										
Wanfeng North America Co., Ltd.	797,300.00								797,300.00	
Zhejiang Wanfeng Motorcycle Wheel Co., Ltd.	587,585,877.60								587,585,877.60	
Weihai Wanfeng Magnesium Technology Development Co., Ltd.	32,647,399.88								32,647,399.88	
Shanghai Dacromet Coating Industry Co., Ltd.	508,163,547.00								508,163,547.00	
Wanfeng Meridian Holdings Co., Ltd.	1,151,962,857.40								1,151,962,857.40	
Shanghai Fengtu Automobile Technology Co., Ltd.	16,500,000.00								16,500,000.00	
Wuxi Xiongwei Precision Technology Co., Ltd.	1,254,000,000.00								1,254,000,000.00	
Wanfeng Japan Co., Ltd.	185,346.00								185,346.00	
Wanfeng Aircraft Industry Co., Ltd.		1,905,856,610.38							1,905,856,610.38	
<b>Total</b>	<b>4,198,711,501.05</b>	<b>1,905,856,610.38</b>							<b>6,104,568,111.43</b>	

## (2) Investments in associates and joint ventures

Unit: RMB

Investees	Opening balance	Changes in the current period								Closing balance	Closing balance of
		Investments	Investments	Investment	Adjustment	Changes in	Cash dividend	Provision for	Others		



	(Carrying amount)	increased	decreased	gains and losses recognized under equity method	in other comprehensive income	other equity	d/profit declared for distribution	impairment		(Carrying amount)	provision for impairment
<b>I. Joint ventures</b>											
<b>II. Associates</b>											

(3) Other remarks

#### 4. Operating revenue and Operating cost

Unit: RMB

Items	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
<b>Main operations</b>	2,294,509,596.18	1,994,367,230.96	3,076,231,080.13	2,559,457,625.21
<b>Other operations</b>	54,634,067.04	42,564,059.18	63,428,127.46	46,464,981.02
<b>Total</b>	2,349,143,663.22	2,036,931,290.14	3,139,659,207.59	2,605,922,606.23

Information related to revenue:

Unit: RMB

Contract classification	Segment 1	Segment 2		Total
<b>Including:</b>				

Information related to performance obligations:

No

Information related to the transaction price allocated to the remaining performance obligations:

At the end of the reporting period, the amount of revenue corresponding to the performance obligations that have been signed, but not yet performed or not yet completed is 0.00 yuan.

Other remarks:

None

#### 5. Investment income

Unit: RMB

Items	Current period	Prior period
<b>Investment income from long-term equity investments under</b>	499,807,846.99	116,260,000.00

cost method		
Gains on disposal of held-for-trading financial products	-4,600.00	
Gains on settlement of foreign exchange forward contract	1,603,380.82	
<b>Total</b>	501,406,627.81	116,260,000.00

## 6. Others

### XVIII. Supplementary Information

#### 1. Non-recurring profit and loss in current period

Applicable  Not applicable

Unit: RMB

Items	Amount	Note
Gains or loss on disposal of non-current assets	501,156.94	
Government grants included in profit and loss (excluding those closely related to operating activities of the Company, with quantity/quota based on certain standards)	104,562,193.16	
Net profit and loss in the current period from the beginning of the period to the date of the combination arising from a business combination under the common control	74,836,418.19	
Gains on changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other investment, excluding those arising from hedging business related to operating activities	2,859,105.21	
Reversal of provision for impairment of receivables and contract assets that have been tested for impairment on individual basis	4,653,372.07	
Other non-operating revenue or expenditures except the above items	33,063,841.71	
Less: Corporate income tax affected	27,235,065.43	
Non-controlling interest affected	43,299,488.94	
<b>Total</b>	149,941,532.91	--

For items defined as non-recurring profit and loss according to *the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Profit and loss*, non-recurring profit and loss items listed in the said document defined as recurring profit and loss

items, specify the reason

Applicable  Not Applicable

## 2. ROE and EPS

Profit of the reporting period	Weighted average ROE	EPS	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to ordinary shareholders of the Company	10.27%	0.27	0.27
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	7.21%	0.20	0.20

## 3. Accounting data differences under domestic and abroad accounting standards

(1) Differences of net profits and net assets in the financial reports disclosed according to the IFRS and Chinese Accounting Standards

Applicable  Not Applicable

(2) Differences of net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese Accounting Standards

Applicable  Not Applicable

(3) Reasons for accounting data differences under domestic and international accounting standards, and for the difference adjustment on the data already audited by an overseas audit institution, the name of the audit institution should be noted.

None

## 4. Others

None

### **Section XIII: Documents Available for Reference**

- I. Financial statements signed and sealed by the legal representative, the person in charge of the accounting work, and the person in charge of the accounting department.**
- II. The original audit report with the seal of the accounting firm and the signature and seal of the certified public accountant.**
- III. The original copies of all Company documents and announcements publicly disclosed in newspapers designated by the CSRC during the reporting period.**
- IV. The original documents of the 2020 Annual Report with the signature of the legal representative.**
- V. The place where the above reference documents are prepared: the office of the Company's Board of Directors.**

Zhejiang Wanfeng Auto Wheel Co., Ltd

Legal Representative: Chen Bin

April 30, 2021