

Chongqing Jianshe Vehicle System Co., Ltd.

2018 Annual Report

2019-034

April 2019

I. Important Prompts, Table of Contents, and Definitions

The Board of Directors, The Supervisory Committee, the supervisors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

Mr. Lv Hongxian, The Company leader, Mr.Tan Mingxian, the Financial Officer, Ms.Niu Yanli, the manager of accounting department, hereby declare: the truthfulness and completeness of the Financial Report are guaranteed.

Except the following directors, all the directors attended the board meeting for reviewing the annual Report.

The name of the directors absent	Positions	Reasons for the absence	Name of the consignee
Yan Xuechuan	Director	Business trip	Lv Hongxian
Hao Lin	Director	Business trip	Li Dingqing
Liu Zhiqiang	Independent Director	Business trip	Peng Jue

Prospective statements carried in this report, such as business plans for future are not constituting any substantial commitment to the investors. Please be cautious to the risks. This report is prepared both in English and Chinese. When there is any conflict in understanding, the Chinese version shall prevail.

The company had concretely described the existed factors of risks of the company in the report, of which please refer to the contents in the Report of directors concerning the possible facing risk factors in the company's future development. The company's business plan and business goal of the year do not represent the 2019-annual earnings forecast made by the company, hence whether those can be realized depending on many factors such as the market circumstance and the extent of hard working of the management team, thus there is a large extent of uncertainty, please be aware of the investment risks.

The Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period.

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Definition

Terms to be defined	Defined as	Definition
Company, the Company, Jianmo Stock, Jianshe Vehicle B	Defined as	Chongqing Jianshe Vehicle System Co., Ltd.
Shenjianmo	Defined as	Shenzhen North Jianshe Motorcycle Co., Ltd. (predecessor of the Company)
Jianmo B	Defined as	Chongqing Jianshe Motorcycle Co., Ltd. (predecessor of the Company)
Military Equipment Group	Defined as	China Military Equipment Group Co., Ltd. (China Southern Industry Group Co., Ltd.)
Military Finance Co.	Defined as	Military Equipment Group Finance Co., Ltd.
Southern Motorcycle	Defined as	Chongqing Southern Motorcycle Co., Ltd.
Jianshe Industry	Defined as	Chongqing Jianshe Industry Co., Ltd. – former State-owned Jianshe Machinery Factory, Jianshe Industry (Group) Co., Ltd.
Jianshe Group	Defined as	Jianshe Industrial (Group) Co., Ltd.
Jianshe Mechanical and Electric	Defined as	Chongqing Jianshe Mechanical and Electric Co., Ltd.
HANON, KOREA HANON	Refined as	Korea Hanon System Co., Ltd.
Jianshe HANON	Refined as	Chongqing Jianshe HANON Automobile Thermal Management System Co., Ltd.
China Jialin	Defined as	China Jialin Industry Co., Ltd. (Group)
Jinan Qingqi	Defined as	Jinan Qingqi Motorcycle Co., Ltd.
Changan Auto	Defined as	Chongqing Changan Automobile Co., Ltd.
Luoyang Northern	Defined as	Luoyang Northern Enterprise Group Co., Ltd.
Vehicle air conditioner	Defined as	Chongqing Jianshe Automobile Air-conditioner Co., Ltd.

	defined as	
Import & Export Co.	Defined as	Chongqing Northern Jianshe Import & Export Co., Ltd.
Shanghai Jianshe	Defined as	Shanghai Jianshe Motorcycle Co., Ltd.
Chongqing Jianya	Defined as	Chongqing Jianshe YAMAHA Motorcycle Co., Ltd.
Zhuzhou Jianya	Defined as	Zhuzhou Jianshe YAMAHA Motorcycle Co., Ltd.
Pingshan Taikai	Defined as	Chongqing Pingshan Taikai Carburetor Co., Ltd.
South Air International	Defined as	South Air International Co., Ltd.
Major asset restructuring	Defined as	The company has made an agreement to sale the 100% stake of Jianshe Mechanical and Electric Company-the company's subsidiary funded by the liabilities and the motorcycle business related assets held by the company to Military Equipment Group.

II. Basic Information of the Company and Financial index

I .Company Information

Stock ID	Jianshe Vehicle B	Stock Code	200054
Stock Exchange Listed	Shenzhen Stock Exchange		
Company Name in Chinese	重庆建设汽车系统股份有限公司		
Short form of Company Name in Chinese	建车 B		
Company Name in English	Chongqing Jianshe Vehicle System Co., Ltd		
Short form of Company Name in English	JSVS-B		
Legal representative:	Lv Hongxian		
Registered address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing		
Postal code of the Registered Address	400054		
Office Address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing		
Postal code of the office address	400054		
Internet Web Site	http://www.jianshe.com.cn		
E-mail	cqjismc@jianshe.com.cn		

II .Contact person and contact manner

	Secretary of the Board	Representative of Stock Affairs
Name	Zhang Hushan	Li Wenling
Address	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing	No.1 Jianshe Road, Huaxi Industrial Zone, Ba'nán District, Chongqing
Tel.	023-66295333	023-66295333
Fax.	023-66295333	023-66295333
Email.	cqjismc@jianshe.com.cn	cqjismc@jianshe.com.cn

III. Information disclosure and placed

Newspapers selected by the Company for information disclosure	Securities Times and Hongkong Commercial Daily.
Internet website designated by CSRC for publishing the Annual report of the Company	http://www.cninfo.com.cn
The place where the Annual report is prepared and placed	Secretarial office of the Board

IV. Changes in Registration

Organization Code	915000007474824231
Changes in principal business activities since listing (if any)	In 2015, the company implemented the major asset restructuring, stripped the main assets and liabilities involved in the motorcycle business, completed the structural adjustment of the main business and the vehicle air-conditioning business has become the company's main business.
Changes is the controlling shareholder in the past (is any)	<p>(a) The company was set up by Jianshe Group and China North Industries Corp Shenzhen Company in July 1995, of which the Jianshe Group was the company's controlling shareholder that holds 71.13% stake of the company.</p> <p>(b) On August 31, 2005, the 71.13% stake of the company held by Jianshe Group was transferred to Military Equipment Group in an agreement, thus the Military Equipment Group. has become the company's controlling shareholder.</p> <p>© On March 2, 2016, according to Agreement of Share Transfer in Zero Price signed between Military Equipment Group and Jianshe Mechanical and Electric, Military Equipment Group shall transfer its 71.13% stake of the company to Jianshe Mechanical and Electric in zero price, thus the Jianshe Mechanical and Electric will become the company's controlling shareholder.</p> <p>(d) On December 20, 2018, according to the Stock Rights Transfer Agreement of State-owned Listed Company signed by Jianshe Mechanical and Electric and Military Equipment Group , Jianshe Mechanical and Electric will hold 71.13% of the company's equity, and the agreement will be transferred to Military Equipment Group , which will become the controlling shareholder of the company.</p>

V. Other Relevant Information**CPAs engaged**

Name of the CPAs	Hebei Guanghuacai Guanghua Certified public Accountants LLP.
Office address	A24, 22/F, No.2 Fuchengwai Street, Xicheng District, Beijing
Names of the Certified Public Accountants as the signatories	Fan Rui, Wang Haoyu

The sponsor performing persistent supervision duties engaged by the Company in the reporting period.

Applicable Not applicable

The Financial advisor performing persistent supervision duties engaged by the Company in the reporting period

Applicable Not applicable

VI. Summary of Accounting data and Financial index

Indicate by tick mark whether the Company needs to retroactively restate any of its accounting data.

Yes No

	2018	2017	Changed over last year (%)	2016
Operation revenue (Yuan)	971,804,000.23	1,009,531,078.68	-3.74%	873,286,486.75
Net profit attributable to the shareholders of the listed company (Yuan)	10,543,247.05	14,375,111.84	-26.66%	12,267,006.14
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (Yuan)	9,074,662.19	13,866,734.69	-34.56%	12,908,428.98
Net Cash flow generated by business operation (Yuan)	162,824,513.55	62,980,107.16	158.53%	108,619,119.02
Basic earning per share(Yuan/Share)	0.088	0.120	-26.67%	0.103
Diluted gains per share(Yuan/Share)(Yuan/Share)	0.088	0.120	-26.67%	0.103
Net asset earning ratio (%)	3.66%	5.22%	-1.56%	4.68%
	End of 2018	End of 2017	Changed over last year (%)	End of 2016
Gross assets (Yuan)	1,461,770,573.54	1,302,238,427.15	12.25%	1,559,334,881.03
Net assets attributable to shareholders of the listed company (Yuan)	293,301,450.54	282,758,203.49	3.73%	268,383,091.65

VII. The differences between domestic and international accounting standards

1. Simultaneously pursuant to both Chinese accounting standards and international accounting standards disclosed in the financial reports of differences in net income and net assets.

Applicable Not applicable

Nil

2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards.

Applicable Not applicable

Nil

VIII. Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operation revenue	266,811,269.51	244,885,461.90	215,629,758.62	244,477,510.20
Net profit attributable to the shareholders of the listed company	55,789.60	66,020,738.88	-1,585,147.13	-53,948,134.3
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	-275,476.62	66,071,417.34	-3,124,094.71	-53,597,183.82
Net Cash flow generated by business operation	18,706,058.10	9,779,972.15	56,259,518.62	78,078,964.68

Whether significant variances exist between the above financial index or the index with its sum and the financial index of the quarterly report as well as semi-annual report index disclosed by the Company.

Yes No

IX. Items and amount of non-current gains and losses

Applicable Not applicable

In RMB

Items	Amount (2018)	Amount (2017)	Amount (2016)	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	784,500.48	31,763.59	-3,646.70	
Government subsidies recognized in current gain and loss(excluding those closely related to the Company's business and granted under the state's policies)	1,960,750.00	713,200.00	1,223,200.00	
Debt restructuring gains and losses		-341,200.03		
Operating income and expenses other than the aforesaid items	-429,537.06		-1,919,510.10	
Other non-business income and expenditures other than the above		104,613.59		

Less: Influenced amount of income tax	251,064.39		-29,247.81	
Influence on minority shareholders' equity (after tax)	596,064.17		-29,286.15	
Total	1,468,584.86	508,377.15	-641,422.84	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No.1 on information disclosure for Companies Offering their Securities to the Public-Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No.1 on information Disclosure for Companies offering their securities to the public-non-recurring Gains and losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Applicable Not applicable

None of Non-recurring gain /loss items recorgnized as recurring gain /loss/itesm as defined by the information disclosure explanatory Announcement No.1- Non –recurring gain/loss in the report period.

III. Outline of Company Business

I .Main Business the Company is Engaged in During the Report Period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

The company engages mainly in production and sales of the vehicle air compressor including the vane iron and aluminous compressor, piston swash-plate fixed discharge rate compressor, piston swash-plate variable discharge rate compressor and motor compressor (with the discharge rate from 32cc to 480cc), has been awarded “China Famous Brand”, “High-quality Product of French Technological Quality Surveillance Evaluation Commission” and “China Recommended Product for Entry into WTO”, etc. for products and has the strategical cooperative partners including the leading production and sales volume in terms of finished automobile such as Chanan Auto, PEUGEOT, Dongfeng Nissan and Great Wall Motors, etc.

II .Major Changes in Main Assets

1.Major Changes in Main Assets

Main assets	Major changes
Equity assets	This year, the company transferred 51% of its subsidiary Shanghai Jianshe's equity. After the transfer is completed, the company will no longer hold Shanghai Jianshe's equity.

2. Main Conditions of Overseas Assets

Applicable Not applicable

III. Analysis On core Competitiveness

Whether the company needs to comply with the disclosure requirements of the particular industry

No

The company has the enterprise technology center which recognized by Chongqing City, established the rotary vane technology platform and the piston technology platform and formed the three series products of iron, aluminum and electric-driven. Through continuous independent innovation and introduction, the company has shaped a strong R&D capability of automotive air conditioner compressor, and the products are mature and cost-effective with stable performance. In the rotary vane compressor market, the company's product has constantly gained a stable market share. The advanced equipment which introduced from countries including the United States, Germany, Switzerland and Japan accounts for more than 80%, enabling the company to have precision manufacturing capacity. In the last two years, the company increased the investment in technological transformation, so the company has realized the production and sales scale of 2.3 million per year, and the company has made a comprehensive improvement on on-line testing ability, quality testing ability and R&D capability and experimental capability.

IV. Management's Discussion and Analysis

I. General

In 2018, facing the unstable international environment, Sino-US trade friction, more intense market competition and adjustment of national policies, we made great efforts to promote the transformation and upgrading of enterprises, improve quality and increase efficiency. Firstly, the auto air-conditioning industry continued to maintain steady development, with sales volume of 2.3532 million units, operating income of 970 million yuan and profit of 10.54 million yuan, accounting for 98% of the annual sales budget and 105% of the revenue budget. Secondly, we completed the transfer of Shanghai Jianshe's equity and realized an investment income of 53.04 million yuan. Thirdly, the joint venture Jianshe HANON has been established and registered with its registered capital in place. At present, the factory has been renovated and the equipment has been installed and commissioned. Fourthly, we have completed the capital reduction of the joint venture Pingshan Taikai and recovered the investment of USD 4.5 million.

The following work has been focused on this year:

1. Continuous optimization of market structure

Firstly, all key projects have been progressing smoothly. Changan CS35-VAVE, S111, Geely Emgrand 1.4T, Great Wall C211, Dongfeng Nissan 591 1.4T and other projects have achieved mass production. Secondly, overseas markets continued to grow, with 784,300 units sold throughout the year, with a year-on-year increase of 34.62%. Thirdly, we have further optimized the management of major customers, actively collected information on major customers in a timely manner through regular visits, high-level visits and other work, and regularly held special conferences on major customer analysis for countermeasures so as to maintain a stable relationship with major customers. Fourthly, we have prevented and controlled customer risks and stopped supplying risky customers in time.

2. Core competence continuously strengthened

First, we made solid progress in tackling key technical problems. The 96 aluminum machine blade electroplating completed four rounds of sample evaluation successfully; The NVH test and performance test of 27 prototypes have been completed for the optimization of step tone, with obvious improvement effect; The cylinder body weight reduction has completed NVH detection/performance detection and data analysis for 4 compressors in weight reduction state and 1 compressor in conventional state, which has laid a solid foundation for product weight reduction and noise optimization. Secondly, new progress has been made in science and technology innovation platforms. The company successfully won the title of "Key Laboratory of Automobile Air Conditioning Compressor" in Chongqing, enabling the enterprise to have three scientific and technological innovation platforms including the enterprise technology center and the engineering technology research center of automobile thermal management system. Thirdly, core technological achievements are increasing. In 2018, 30 patents were accepted, including 1 invention patent and 13 utility models.

3. The quality system has been continuously improved and the product quality has been continuously improved.

Firstly, the integration of IATF16949 system of the company and its subordinate business units is promoted by combining the company's business and management and control modes. Secondly, the quality indicators such

as the qualified rate of primary offline, the failure rate of zero kilometers, and the waste loss rate are all within the control range. Thirdly, it has won the first prize and the excellent prize for QC achievements released by Chongqing Quality Control Association.

4. Lean management and lean production work promoted steadily

Firstly, it has promoted the all-round benchmarking management, with emphasis on quality control, cost control and basic management control. Secondly, it has carried out the whole process of cost reduction in lean production. In the aspect of comprehensive cost reduction in the manufacturing process, 35 cost reduction projects of 5 major topics were steadily promoted throughout the year. In terms of comprehensive cost reduction in purchasing, the focus is on following up the optimization of the supply chain, improvement of leakage of Shell parts, improvement of the first pass rate of Shell parts and the effect verification for cost reduction topics in purchasing.

5. New energy undertaking continued to advance

Firstly, the New Energy Division has realized independent operation, formulated a medium-term development plan, and defined the future development direction. Second, the market expansion has achieved initial results, realizing the batch supply of Beiqi Foton M3, Changan A002, M401 and other projects, and completing the docking and sample delivery of Shandong Redding, Nanjing Kaiwo, South Korea Donghuan Volvo and other projects. Thirdly, the construction of manufacturing capacity has been continuously strengthened, and the construction of vortex electric production lines and the transformation of storage and logistics have been successfully completed.

6. Business benefits of spare parts increased.

Firstly, strengthen the relations with the Automobile Air Conditioning and Chongqing Jianshe Yamaha to increase production. Secondly, actively explore new markets, successfully realize the trial production of Hongbang tooth shaft samples, mass production of Nissan 531 head cover shells, and actively expand Jianshe Hanang's parts processing business. Thirdly, continuously improve the production level and reduce the cost. Continuously improve technology, efficiency and quality, and greatly improve labor efficiency and productivity.

7. Jianshe HANON 's investment and construction promoted smoothly

Firstly, all parties contributed funds as planned, ensuring the smooth progress of the construction of the joint venture. Secondly, the factory building renovation, equipment installation and commissioning have been completed, ensuring the timely progress of the project. Thirdly, the market expansion has achieved remarkable results. Now it has won the bid for projects such as Chang'an C211NE14, S301-18 and Great Wall B30 platform, creating conditions for the joint venture to reach production target.

8. Safety and environmental protection work in place

We have continued to promote safety stabilization, optimize the standardization system for production safety, improve the standardization of fire safety, consolidate the construction of a dual-standard system (environmental and occupational health and safety management), consolidate the construction of a safety technology system, and further improve the level of intrinsic safety. Through hard work, the environmental credit evaluation passed the acceptance of the Environmental Protection Bureau and reached a good level. Throughout the year, the company had no environmental pollution incidents, no complaints from residents, and the pollutant discharge reached the standard in an all-round way; After three times of safety and environmental protection external inspections, 0 problem were found, and excellent results were achieved with no deaths, serious injuries, minor injuries and fire accidents throughout the year.

II. Main business analysis

1. General

1. Main business income and cost

During the reporting period, the sales volume of automobile air-conditioning compressors reached 2.3532 million units, with a year-on-year increase of 1.61%. Influenced by factors such as the price reduction of the automobile main engine factory and the price increase of manufacturing factors, the company's main business income decreased by 6.87% year on year, the main business cost decreased by 4.77% year on year, and the gross profit margin decreased by 1.87% year on year.

(1) Composition of operating income

Affected by the decline in sales volume of domestic brands, the domestic market sales revenue of the company's products dropped by 17.3% year on year. Through the expansion of the foreign automobile market, the sales revenue of the company's products in the foreign market increased by 34.79% year on year.

(2) Composition of operating costs

Affected by the company's acquisition of auto parts business at the end of 2017, the consumption of fuel and power increased by 21.91% year on year, while the expenditures on direct materials, staff salaries and manufacturing expenses were basically the same as the previous year.

(3) Main sales customers and main suppliers

The company sold 716 million yuan to the top five customers, accounting for 73.67% of the total annual sales revenue. Among them, related party sales accounted for 11.85% of the total annual sales in the top five customers.

The company's top five suppliers totaled 403 million yuan in purchasing, accounting for 39.46% of the total annual purchasing.

2. Charges

During the reporting period, the company incurred a total of 154 million yuan in expenses, up 17 million yuan from the previous year, with a year-on-year increase of 12.65%. This is mainly due to the corresponding increase in staff salaries, depreciation, repair and other expenses after the new auto parts processing business was added, resulting in a 29.96% year-on-year increase in management expenses.

3. Research and development investment

This year, the company has invested 23.85 million yuan in research and development on projects such as "electric compressor project", "aluminum machine project" and "key customer project of rotary blade iron machine", accounting for 2.45% of operating income, with a year-on-year decrease of 32%.

2. Revenue and cost

(1) Component of Business Income

In RMB

	2018		2017		Increase /decrease
	Amount	Proportion	Amount	Proportion	
Total operating revenue	971,804,000.23	100%	1,009,531,078.68	100%	-3.74%
On Industry					

Main operating	918,358,218.69	94.50%	986,059,639.48	97.68%	-6.87%
Other operating	53,445,781.54	5.50%	23,471,439.20	2.32%	127.71%
On products					
Vehicle air conditioner	911,621,983.96	93.81%	981,936,878.97	97.27%	-7.16%
Motorcycle and parts	6,736,234.73	0.69%	4,122,760.51	0.41%	63.39%
Other	53,445,781.54	5.50%	23,471,439.20	2.32%	127.71%
On Area					
Anhui	17,247,930.48	1.78%	38,244,354.32	3.79%	-54.90%
Beijing	25,405.16	0.00%	15,162,457.25	1.50%	-99.83%
Fujian	26,482.78	0.00%	70,410.29	0.01%	-62.39%
Guangdong	5,188,961.00	0.53%	65,761,290.24	6.51%	-92.11%
Guangxi	285,920.05	0.03%	32,222.02	0.00%	787.34%
He bei	68,994,967.05	7.10%	76,636,941.82	7.59%	-9.97%
Hean	80,083,588.55	8.24%	987,025.62	0.10%	8,013.63%
Hei longjiang		0.00%	7,403,352.72	0.73%	-100.00%
Hubei	41,654,437.56	4.29%	55,986,920.72	5.55%	-25.60%
Jilin	18,186.72	0.00%	210,844.63	0.02%	-91.37%
Jiangsu	19,122,536.29	1.97%	40,635,432.90	4.03%	-52.94%
Jiangxi	14,112,042.60	1.45%	18,236,438.80	1.81%	-22.62%
Liaoning	325,280.80	0.03%		0.00%	
Shandong	824,779.79	0.09%	764,988.61	0.08%	7.82%
Shaanxi	148,787.58	0.02%	512,841.88	0.05%	-70.99%
Shanghai	2,325,658.30	0.24%	13,586,239.91	1.35%	-82.88%
Sichuan	57,482.37	0.01%	34,017.10	0.00%	68.98%
Tianjing	137,528,560.39	14.15%	161,691,876.52	16.02%	-14.94%
Yunnan	352,886.82	0.04%	1,466,820.49	0.15%	-75.94%
Zhejiang	118,977,279.27	12.24%	22,491,535.16	2.23%	428.99%
Chongqing	144,754,805.40	14.90%	268,669,055.30	26.61%	-46.12%
Ningxia	15,862.07	0.00%		0.00%	
Shanxi	14,327.60	0.00%		0.00%	
Hunan	86,993.70	0.01%		0.00%	
Other	53,445,781.54	5.50%	23,471,439.20	2.32%	127.71%
Overseas	266,185,056.36	27.39%	197,474,573.18	19.56%	34.79%

(2) Situation of Industry, Product and District Occupying the Company's Business Income and Operating Profit

with Profit over 10%

√ Applicable □ Not applicable

Whether the company needs to comply with the disclosure requirements of the particular industry

No

In RMB

	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
On Industry						
Main operating	918,358,218.69	780,332,555.78	15.03%	-6.87%	-4.77%	-1.87%
Other operating	53,445,781.54	43,923,649.06	17.82%	127.71%	140.94%	-4.51%
On products						
Vehicle air conditioner	911,621,983.96	772,623,019.05	15.25%	-7.16%	-5.21%	-1.75%
Motorcycle and parts	6,736,234.73	7,709,536.73	-14.45%	63.39%	78.19%	-9.51%
Other	53,445,781.54	43,923,649.06	17.82%	127.71%	140.94%	-4.51%
On Area						
Anhui	17,247,930.48	14,013,943.52	18.75%	-54.90%	-54.24%	-1.17%
Beijing	25,405.16	20,923.69	17.64%	-99.83%	-99.82%	-7.63%
Fujian	26,482.78	21,212.71	19.90%	-62.39%	-64.13%	3.90%
Guangdong	5,188,961.00	4,231,078.80	18.46%	-92.11%	-91.96%	-1.55%
Guangxi	285,920.05	234,568.81	17.96%	787.34%	766.64%	1.96%
Hebei	68,994,967.05	56,065,110.22	18.74%	-9.97%	-11.63%	1.52%
Henan	80,083,588.55	65,147,999.29	18.65%	8,013.63%	7,949.31%	0.65%
Heilongjiang				-100.00%	-100.00%	-12.00%
Hubei	41,654,437.56	33,831,734.19	18.78%	-25.60%	-24.02%	-1.68%
Jilin	18,186.72	15,094.98	17.00%	-91.37%	-91.86%	5.00%
Jiangsu	19,122,536.29	15,621,199.90	18.31%	-52.94%	-52.98%	0.07%
Jiangxi	14,112,042.60	11,461,801.00	18.78%	-22.62%	-18.09%	-4.49%
Liaoning	325,280.80	275,187.56	15.40%			15.40%
Shandong	824,779.79	686,216.79	16.80%	7.82%	3.49%	3.48%
Shaanxi	148,787.58	120,830.39	18.79%	-70.99%	-72.97%	5.96%
Shanghai	2,325,658.30	1,890,760.20	18.70%	-82.88%	-85.03%	11.64%

Sichuan	57,482.37	46,675.68	18.80%	68.98%	63.35%	2.80%
Tianjing	137,528,560.39	111,755,908.17	18.74%	-14.94%	-14.42%	-0.50%
Yunnan	352,886.82	289,720.08	17.90%	-75.94%	-77.56%	5.90%
Zhejiang	118,977,279.27	97,418,596.27	18.12%	428.99%	454.79%	-3.81%
Chongqing	144,754,805.40	119,072,428.41	17.74%	-46.12%	-48.50%	3.80%
Ningxia	15,862.07	12,848.28	19.00%			19.00%
Shanxi	14,327.60	11,648.34	18.70%			18.70%
Hunan	86,993.70	70,812.87	18.60%			18.60%
Overseas	266,185,056.36	248,016,255.64	6.83%	34.79%	47.94%	-8.28%
Other	53,445,781.54	43,923,649.06	17.82%	127.71%	140.94%	-4.51%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest on year's scope of period-end.

Applicable Not applicable

(3) Whether the Company's Physical Sales Income Exceeded Service Income

Yes No

Classification	Items	Unit	2018	2017	Changes
Vehicle air conditioner	Sales	Ten thousand sets	235.32	231.6	1.61%
	Production	Ten thousand sets	233.99	221.02	5.87%
	Stock	Ten thousand sets	34.11	36.38	-6.24%

Explanation for a year-on-year change of over 30%

Applicable Not applicable

(4) Degree of Performance of the Significant Sales Contract Signed up to this Report Period

Applicable Not applicable

Whether the company needs to comply with the disclosure requirements of the particular industry

No

The company signed the finished product and part sale basic contract with Great Wall Automobile, Chana Auto, PSA (Peugeot), Dongfeng Nissan and Zhejiang Yuanjing, etc. and will organize manufacturing based on orders. In 2018, the company planned 2.1 million for orders of main clients and realized the sales volume 2.01 million accounting for 96% thereof.

(5) Component of business cost

Industry of classification

In RMB

Industry	Items	2018		2017		Increase/Decrease (%)
		Amount	Proportion in the operating costs	Amount	Proportion in the operating costs	

			(%)		(%)	
Industry	Direct material	709,836,270.24	86.12%	730,725,729.86	87.27%	-2.86%
Industry	Fuel and energy	15,407,553.51	1.87%	12,638,975.76	1.51%	21.91%
Industry	Staff salary	38,200,458.49	4.63%	35,582,854.13	4.25%	7.36%
Industry	Manufacturing cost	60,811,922.60	7.38%	58,371,688.14	6.97%	4.18%

Note

This year, fuel and power increased by 21.91% compared with the previous year, due to the company's acquisition of auto parts business at the end of 2017 and the increase in production capacity.

(6) Whether Changes Occurred in Consolidation Scope in the Report Period

√ Yes □ No

Dispose branch company

(1) Loss of control upon a single disposal of investment in a subsidiary

Subsidiary	Disposition of equity - PRICES	Proportion of equity disposal (%)	Share disposal way	Loss of control Timing	Basis to determine time of losing control power	The difference between the price and the subsidiary's net assets at the consolidated statement level corresponding to the disposal investment
Shanghai Jianshe Motorcycle Co., Ltd.	61,200,000.00	51.00	Transfer by listing agreement	June 15, 2018	After signing the property right transaction contract, receiving the transfer money, the company has gone through the procedures for the transfer of equity rights and lost control of financial management activities	59,095,066.65

Note: In January 2019, Shanghai Jianshe Motorcycle Co., Ltd. completed the equity change procedures and received the updated *Business License for Enterprise Legal Person*.

(7) Relevant Situation of Significant Changes or Adjustment of the Business, Product or Service in the Company's Report Period

Applicable Not applicable

(8) Situation of Main Customers and Main Supplier

Information of Main Customers

Total sales amount to top 5 customers (Yuan)	715,942,876.47
Proportion of sales to top 5 customers in the annual sales(%)	73.67%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	11.85%

Information of the Company's top 5 customers

No	Name	Amount(RMB)	Proportion(%)
1	Customers1	225,424,341.24	23.20%
2	Customers2	193,083,674.63	19.87%
3	Customers3	115,174,745.80	11.85%
4	Customers4	118,936,238.89	12.24%
5	Customers5	63,323,875.91	6.52%
Total	--	715,942,876.47	73.67%

Other explanation :

Applicable Not applicable

The company director, supervisor, senior executive, core technician and shareholder holding more than 5%

Principal suppliers

Total purchase of top 5 Suppliers (Yuan)	402,886,653.80
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	39.46%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	0.00%

Information about the top 5 suppliers

No	Name	Amount (Yuan)	Proportion
1	Anhui Haofang Mechanical & Electric Co., Ltd.	210,456,658.70	20.61%
2	Chongqing Zhongkuo Machinery Co., Ltd.	64,624,449.21	6.33%
3	Chongqing Yujiang Die-Casting Co., Ltd.	54,981,596.80	5.39%

4	Chongqing Mingxin Machinery Manufacturing Co., Ltd.	39,145,118.86	3.83%
5	Small warehouse clutch (Dongguan) Co., Ltd.	33,678,830.21	3.30%
Total	--	402,886,653.80	39.46%

Other explanation :

Applicable Not applicable

The company's directors, supervisors, senior management personnel and key technical personnel have no direct or indirect interests in the major suppliers of the above-said suppliers.

3. Expenses

In RMB

	2018	2017	Increase/Decrease(%)	Notes
Sale expenses	26,907,009.75	28,461,519.31	-5.46%	
Administration expenses	80,279,460.82	61,770,635.46	29.96%	This year, it was caused by the new auto parts processing business.
Financial expenses	32,854,038.18	34,414,583.70	-4.53%	
R & D expenses	13,728,589.43	11,848,985.86	15.86%	

4. R& D Expenses

Applicable Not applicable

For the year, the company input 23.85 million yuan for projects of “electric compressor”, “aluminous machine project”, and “vane iron machine major clients project”, etc., which account for 2.45% of the operation revenue with the decrease of 32% compared with the past year.

Situation of Research and Development Input by the Company

	2018	2017	Increase/Decrease(%)
Number of Research and Development persons (persons)	71	49	44.90%
Proportion of Research and Development persons	9.00%	5.58%	3.42%
Amount of Research and Development Investment (Yuan)	23,850,000.00	35,057,400.00	-31.97%
Proportion of Research and Development Investment of Operation Revenue	2.45%	3.47%	-1.02%

Amount of Research and Development Investment Capitalization (Yuan)	0.00	0.00	
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	0.00%	

Notes to the year-on-year change of the relevant data

Applicable Not applicable

The company has increased investment in R&D for electric compressors and aluminum machines.

Applicable Not applicable

5. Cash Flow

In RMB

Items	2018	2017	Increase/Decrease(%)
Subtotal of cash inflow received from operation activities	438,796,198.79	453,133,242.77	-3.16%
Subtotal of cash outflow received from operation activities	275,971,685.24	390,153,135.61	-29.27%
Net cash flow arising from operating activities	162,824,513.55	62,980,107.16	158.53%
Subtotal of cash inflow received from investing activities	60,811,362.10	4,000,000.00	1,420.28%
Subtotal of cash outflow for investment activities	114,663,766.13	9,160,272.52	1,151.75%
Net cash flow arising from investment activities	-53,852,404.03	-5,160,272.52	943.60%
Subtotal cash inflow received from financing activities	1,115,155,280.42	1,332,258,966.51	-16.30%
Subtotal cash outflow for financing activities	1,277,801,726.06	1,537,622,093.15	-16.90%
Net cash flow arising from financing activities	-162,646,445.64	-205,363,126.64	-20.80%
Net increase in cash and cash equivalents	-53,674,336.12	-147,543,292.00	-63.62%

Notes to the year-on-year change of the relevant data

Applicable Not applicable

Net cash flow from operating activities increased, mainly due to cash receipts for export goods.

The increase in cash inflow from investment activities was mainly due to the transfer of Shanghai Jianshe equity. The increase in cash outflow from investment activities was mainly due to increased investment in Jianshe HANON .

The decrease in net cash flow from fund-raising activities is mainly due to the repayment of loans.

Notes to the big difference between cash flow from operating activities and net profit in the reporting year

Applicable Not applicable

III. Analysis of Non-core Business

Applicable Not applicable

In RMB

	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)
Investment income	58,779,354.04	491.97%	The company's transfer of its 51% equity in Shanghai Jianshe resulted in an increase in investment income.	No
Impairment of assets	34,695,144.97	290.39%	Provision for impairment of fixed assets and provision for bad debts of accounts receivable	No
Non-operating income	395,515.24	3.31%		
Non-operating expenses	460,352.30	3.85%		

IV. Condition of Asset and Liabilities

1. Condition of Asset Causing Significant Change

In RMB

	End of 2018		End of 2017		Proportion increase/decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)	Amount	Proportion in the total assets(%)		
Monetary fund	351,903,987.18	24.07%	249,648,466.46	19.17%	4.90%	
Accounts receivable	274,941,895.41	18.81%	280,383,810.21	21.53%	-2.72%	
Inventories	177,566,823.26	12.15%	176,214,199.33	13.53%	-1.38%	

Investment real estate	45,698,993.28	3.13%	110,646,354.41	8.50%	-5.37%	
Long-term equity investment	187,208,081.45	12.81%	84,591,794.06	6.50%	6.31%	
Fixed assets	341,863,883.57	23.39%	334,707,635.51	25.70%	-2.31%	
Construction in process		0.00%	4,800,176.35	0.37%	-0.37%	
Short-term loans	262,000,000.00	17.92%	312,000,000.00	23.96%	-6.04%	
Long-term loans			1,500,000.00	0.12%	-0.12%	

2. Asset and Liabilities Measured by Fair Value

Applicable Not applicable

3. Restricted asset rights as of the end of this Reporting Period

Items	Ending book value	Reason
Monetary fund	279,352,856.84	Bill margin
Total	279,352,856.84	

V. Investment situation

1. General

Applicable Not applicable

Investments made in the Reporting Period (RMB)	Investments made in the prior year (RMB)	Increase/Decrease(%)
106,500,000.00	45,102,000.00	136.13%

2. Condition of Acquiring Significant Share Right Investment during the Report Period

Applicable Not applicable

In RMB

Target company name	Main businesses	Investment way	Investment amount	Shareholding rate	Capital source	Partner	Investment period	Product type	Progress to the balance sheet date	Predicted revenue	Investment profit and loss of the current	Litigation	Disclosure date	Disclosure Index

											period			
Jianshe HANO N	Development, manufacturing, sales and import of the auto thermal management system	New establishment	106,500,000.00	25.36%	Self	Shareholder Jianshe Electro mechanical and Korean HANO N	50 years	Air conditioning, compressor, motor cooling system, electronic components, related parts and CKD, etc.	Sign The Chongqing Jianshe HANO N Auto Thermal Management System Co., Ltd. Sino-foreign Joint Venture Contract	0.00	-3,215,379.12	No	October 12, 2017	See on www.cninfo.com.cn company announcement on October 12, 2017, October 14, 2017, October 14, 2017 and December 2, 2017, Announcement No. 2017-057, 2017-064, 2017-090
Total	--	--	106,500,000.00	--	--	--	--	--	--	0.00	-3,215,379.12	--	--	--

3. Situation of the Significant Non-equity Investment Undergoing in the Report Period

Applicable Not applicable

4. Investment of Financial Asset

(1) Securities investment

Applicable Not applicable

No such cases in the Reporting Period

(2) Investment in Derivatives

Applicable Not applicable

No such cases in the Reporting Period

5. Application of the raised capital

Applicable Not applicable

No such cases in the Reporting Period

VI. Significant Asset and Right Offering

1. Situation of Significant Asset Sale

Applicable Not applicable

No such cases in the Reporting Period

2. Situation of Substantial Stake Sale

Applicable Not applicable

Counter party	Sold equities	Sold date	Transaction price(Ten thousand yuan)	Net profits contributed by the equities to the listed companies from the period-b egin to the sold date (Ten thousand	Influence of the selling of the Company	Proportion of the net profits of the contributed amount of the equities selling to the listed companies to the total amount	Pricing principles of the equities selling	Whether was the related transaction	Relationship with the center party	Whether the involved equities completed the ownership transfer	Whether execute as scheduled and if failed, should state the reasons and the adopted measurements of the company	Disclosure date	Disclosure Index

				ed yuan)		t of the net profits							
Shanghai Hecang Industry Co., Ltd.	51% stake of Shanghai Jianshe	June 15, 2018	6,120	73	After the sale of the equity, Shanghai Jianshe was no longer included in the consolidated statement of the company at the end-period of the balance sheet, and consolidated the income statement and cash flow as of the base date.	443.89%	The listed transaction price not lower than the assessment value	No	No	Yes	Yes	June 21, 2018	See on www.cninfo.com.cn company announcement on November 16, 2017, December 2, 2017, June 21, 2018 and June 27, 2018

VII. Analysis of the Main Share Holding Companies and Share Participating Companies

√ Applicable □ Not applicable

Situation of Main Subsidiaries and the Joint-stock Company with over 10% net profit influencing to the Company

In RMB

Company name	Type	Main business	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net Profit

Air Conditioner Co.	Subsidiaries	Manufacturing and sales of auto air-conditioners	160,000,000	1,200,427,528.59	255,577,190.32	937,500,801.90	1,960,951.78	1,702,044.65
Pingshan Taikai	Shareholding company	Production and sales of motorcycles and parts	USD 10 million	187,386,663.05	166,981,334.51	118,411,396.55	6,744,261.45	5,663,333.03

Acquirement and disposal of subsidiaries in the Reporting period

√ Applicable □ Not applicable

Name	Ways of acquisition and disposal of subsidiaries during the reporting period	Impact on overall operation and performance
Shanghai Jianshe	The company publicly listed and transferred its holding stake of 51% stake of Shanghai Construction through the Shanghai United Property Exchange	After the transfer of Shanghai Jianshe equity, the business structure of the company was further improved, which was in line with the company's restructuring arrangements and the company's development strategy plan. The above-mentioned equity transfer after completion generated the investment income of 53.04 million yuan.
Jianshe Hanon	New Investment	Through the joint venture approach to introduce the variable displacement compressors and the air conditioning integration technology to meet the needs of the company's automotive air conditioning industry development, in order to enhance the company's development momentum.

Notes

VIII. Structured vehicle controlled by the Company

□ Applicable √ Not applicable

IX. Prospect for future development of the Company

(A) External situation analysis

Macro-situation: The world economy is undergoing in-depth adjustment. Sino-US trade friction has increased the instability and uncertainty of the global economy. The domestic economy is generally running smoothly, but with downward pressure gradually increasing. The 2019 Central Economic Work Conference proposed to increase the drive for innovation, put high-quality manufacturing development in a more prominent position, and unswervingly build a manufacturing power so that the real economy faces both opportunities and challenges.

In terms of automobile industry: the automobile industry has entered the stage of reshuffling, and the industry concentration has further improved. The joint venture has strengthened to occupy the high end, while the

price of products has been fully explored, and independent brands have been exploring for brand promotion in difficult times. For the whole year, it is expected that automobile sales will continue to decline slightly, industry competition will further intensify, and industry profits will further decline.

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In the parts industry, the liberalization of the vehicle joint stock ratio will lead to the strengthening of the control rights of multinational companies and the further increase of barriers for independent brand parts to enter the high-end market. The competition in the industry is heated and the transmission of price war in the terminal market keeps increasing the cost pressure of spare parts.

(2) Analysis of the company's current situation

The company has the following advantages: firstly, after years of operation, it is with reasonable industrial and customer structure, stable market share, and certain scale advantages. Secondly, through joint venture and cooperation, the company has initially acquired the supply capability from fuel vehicles to electric vehicles and from single products to modules. Thirdly, the product pedigree is perfect, which can meet the demand for auto thermal management products from autonomy to joint venture and from low-end to high-end.

Challenges faced by the company: firstly, the company's traditional products, fixed displacement compressors, are facing more intense competition, causing gross profit margins declining and benefits declining. It is urgent to improve the cost performance ratio and explore new markets and customers. Secondly, Jianshe Hanang will enter the initial stage of development. It is urgent to stabilize the management level, expand the market, reduce costs, and realize the improvement of enterprise benefits. Thirdly, the company's weak foundation has not been fundamentally changed. The investment in industrial development cannot keep pace with the development speed of the automobile industry, which restricts the improvement of the company's competitiveness.

(3) The company's development plan and measures

The company will closely follow the development direction of the auto parts industry, take the lead in developing the auto air-conditioning compressor business, innovate and develop new energy business, develop joint ventures with high efficiency, and strive to become an excellent domestic auto heat management system supplier and march towards a world-class enterprise with international competitiveness. In 2019, efforts will be made to realize the sales of 2.1 million units of automobile air-conditioning compressors with a sales revenue of 848 million yuan. In order to achieve the annual target, in 2019 it will focus on the following aspects:

1. Automobile air conditioning compressor sub business

Firstly, expand the market development of automobile air conditioning compressors. Domestically: strengthen the management of major customers, focus on major customers such as Chang'an, Great Wall and Geely, eliminate blind spots in business, and continuously expand the variety and share of supply; In Dongfeng Nissan, DPCA and other joint-venture brands, efforts will be made to expand the brand power and influence of products and strive for new projects; Vigorously develop the domestic mainstream automobile enterprise markets such as FAW self-production, Dongfeng Liuqi and Chery, and strive to achieve a breakthrough of more than 2 brand-new customers by 2019; Meanwhile, strengthen the research of competition strategy, enrich the bidding methods, ensure the gross profit of products and improve the marketing level. Internationally: Consolidate PSA's global market share and maintain PSA's global sales volume of 600,000 units; Seize the opportunity of Geely-PROTON's internal research and export to promote the sales volume in Southeast Asian regional markets;

Pay attention to the changes in Iran's political and economic situation and strive to resume supply; Pay attention to the layout and progress of overseas businesses of customer enterprises, and expand new overseas markets through channel sharing, cooperative development, etc.

Secondly, strengthen the management of scientific and technological research and development innovation. According to the requirements of normalization, standardization, platformization and systematization, ensure the optimization of development process, comb and refine the standards and norms for product development, continuously enrich the experience database for product research and development and project management, and consolidate the scientific and technological management; Vigorously strengthen the three scientific and technological innovation platforms of enterprise technology center, engineering technology research center, compressor key laboratory, strengthen the cooperation of production, learning and research, through the use of intelligence to enhance the efficiency and effect of enterprise product development and major research projects; Fully utilized the role of post-doctoral workstations and the introduction of doctors, train the research and development teams through major technical topics, and enhance independent research and development capabilities; Continue to benchmark the National Enterprise Technology Center and rapidly improve the experimental design, testing and analysis capabilities; Continue to strengthen product research and development, focusing on 11 strategic products such as 11D, 09D, Changan B328, Geely FE-6 and Great Wall P3011, with the contribution rate of new products remaining above 50%; Well ensure relevant technical research and subject research with P5 technology as the core to ensure the competitiveness of products.

Thirdly, strengthen lean management. Strengthen quality management, take Ford Q1 as the lead, and promote the construction of IATF16949, QSB+ quality system and Chang'an QCA2.0 certification as a whole, striving to pass the sub-system certifications of Chang'an QCA2.0 QIP (Quality Improvement Process) and SCE (Supplier Capability Evaluation) in 2019; Push forward the cost reduction of the whole value chain, gather all efforts, analyze the whole process and links of the company's operation, find out the problems, adopt effective measures to ensure the production balance, "two cost" reduction, purchasing cost reduction, cost reduction, etc., and effectively improve the profit level; Strengthen lean production, focus on the construction of lean production system, strengthen team building, enhance the application of advanced management tools, and strive to reach the three-star standard for 50% of production teams by the end of 2019.

Fourthly, strengthen safety, environmental protection, security and confidentiality management. Optimize the safety management and technical system, strengthen the safety supervision of subsidiaries and joint ventures, and promote their self-management ability; Seriously carry out the "large investigation, rectification and promotion" activities deployed by the China South Industries Group to improve the safety management level and ensure the target of zero death, serious injury and serious fire accidents and no more than 2‰ minor injury accidents throughout the year; Strengthen hot stove rule in terms of safety and environmental protection, maintain a high-pressure situation, strictly reward and punish, and ensure that the factory's emissions meet the standards.

2. Sub-businesses of New Energy Division

In terms of technology, we will speed up mastering the relevant core technologies of electric scroll compressors, accelerate the development of 18cc and 27cc electric scroll compressors, form research and development capabilities, enrich the product spectrum, and strive to realize SOP in the first half of 2019. In terms of market, we will expand the sales volume of Chang'an A002, M401, X3 and Beiqi Foton M3, and strive to realize the sales volume of 11,000 electric compressors; Increase the tracking of South Korea's Donghuan Volvo, Redding and other projects and accelerate the realization of batch supply; Continue to pay attention to other markets such as Luobeiyi low-speed electric vehicles and strive to achieve a zero breakthrough; Make substantial progress in realizing 2-3 brand-new projects throughout the year. In terms of cooperation, we will accelerate progress and strive to achieve new models and new development.

3. Sub-business of Casting Machine Division

Firstly, strengthen capacity building. Speed up the upgrading and transformation of vacuum die casting, X-ray detection and other capacity, accelerate the IATF16949 quality management system certification, and import Chang'an QCA2.0 PCE subsystem and HANON W-CMS special arts and crafts quality system as soon as possible. Secondly, actively explore new market and guarantee to obtain Jianshe HANON's parts processing business. Thirdly, strengthen benchmarking, improve management level and reduce costs. Fourthly, strengthen strategic cooperation and transform the development mechanism. The annual sales revenue was 80 million yuan, and the total profit was balanced from loss.

4. Investment management business

We will continue to strengthen the monitoring of the joint venture's benefit targets and economic indicators to enhance the joint venture's cooperative benefits. Firstly, strengthen the control of Pingshan Taikai's annual business target, optimize the capital structure of Pingshan Taikai, enhance the profitability of the joint venture company, and ensure the realization of annual business target. Secondly, speed up the improvement of the development quality of Jianshe HANON. Finish all preparations before mass production on time to ensure smooth mass production in July; Accelerate the improvement of cost analysis of the whole value chain and continuously improve the operating efficiency; Increase market development efforts, speed up the development of new customers, win new orders, in order to achieve scale effect as soon as possible; Strengthen the research on process technology, product characteristics and management tools to form core capabilities.

X.Particulars about researches, visits and interviews received in this reporting period

1.Particulars about researches, visits and interviews received in this reporting period

√ Applicable □ Not applicable

Reception time	Way of reception	Types of visitors	Basic index
March 19,2018	Onsite investigation	Individual	Visit the company's production site.
June 30,2018	By phone	Individual	Q: I heard about the rumors of the suspension of production of Beiqi Yinxiang Company. What is the impact on the company? A: The company has issued the "Risk Reminder on Accounts Receivable That Cannot Be Recovered on Time" on July 25. The company will pay close attention to the progress of the above-mentioned payment recovery and fulfill its information disclosure obligations in a timely manner.
September 17,2018	By phone	Other	Q: Since there is risk for the company can not recover the receivables from Beiqi Yinxiang on time, then what measures has the company taken? Will the company file a lawsuit? A: According to the requirements of the

			company's risk management and control, the subsidiary has stopped the automotive air conditioner supply to Beiqi Yinxiang and related enterprises, and it has been paying close attention to their business dynamics, actively recovering the goods payment and ensuring there will be no new losses, and if necessary, the company will take legal actions.
November 28,2018	By phone	Individual	Q: What is the purpose of the Military Equipment Group Corporation to acquire the equity of the listed company? A: The Military Equipment Group Corporation is advancing to strengthen and expand the automobile industry. It intends to properly integrate related businesses, improve the assets and operation quality of the listed company, and establish a high-quality listed company platform.
Reception times			11
Reception agency amount			0
Reception personal number			10
Others			1
Whether to disclose, reveal or disclose non-public material information	Undisclosed and unacknowledged significant information.		

V. Important Events

I Specification of profit distribution of common shares and capitalizing of common reserves

Formulation, implementation and adjustment of profit distribution policy of common shares especially cash dividend policy during the reporting period

Applicable Not applicable

According to " notice of related matters about further implementation of the listed company's cash dividend ([2012] No. 37)"issued by China Securities Regulatory Commission. On July 26th, 2012,the company's the sixth board of directors made some supplements and revisions about profit distribution policy stipulated in articles of association its seventh meeting, which confirms the specific policies in terms of profit allocation forms, specific conditions and proportion of dividend distributions and using principles of undistributed profits,and commits deliberation and permission of first extraordinary general meeting in 2012,convened on August 30, 2012. Board of directors maps out the annual per-arranged planning about distribution of profits,which conforms to the regulations of articles of association under the consent issued by independent director.Per-arranged planning about distribution of profits that has been examined and approved by the company's general meeting of shareholders has been already completed by board of directors.

Special cash dividend policy description	
Whether meets the requirements of the provisions of the articles of association or shareholders' meeting resolutions:	Yes
Whether dividends standard and proportion are clear	Yes
Whether decision making and supervision mechanism for profit distribution are completed	Yes
Whether independent directors perform their duties responsibly and play its due role:	Yes
Whether the Minority shareholders have adequate opportunity to express their views and aspirations and Their legitimate rights and interests have been fully protected	Yes
Whether the Cash dividend policy to adjust or change the conditions and procedures are compliant and transparent	Yes

The profit distribution preplan or proposal and the preplan or proposal of conversion of the capital reserve into share capital in the past three years(with the reporting period inclusive):

As the accumulated undistributed profits are under the standard during the year of 2016 and 2018, According to the *Articles of Association*, the after-tax profit of the Company shall give priority to make up for losses of previous years, so the Company has not implemented profit distribution and capitalization of capital reserve funds in the past three years.

Dividend distribution of the latest three years

In RMB

Year	Amount for cash bonus (tax included)	Net profit attributable to the over of the parent company in the consolidated financial statements	Ratio in net profit attributable to the parent company in the consolidated financial statements	Amount of cash dividends from cash offer to repurchase shares of the funds	Proportion of cash dividends from cash offer to repurchase shares of the funds	Amount for cash bonus (tax included)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2018	0.00	10,543,247.05	0.00%	0.00	0.00%	0.00	0.00%
2017	0.00	14,375,111.84	0.00%	0.00	0.00%	0.00	0.00%
2016	0.00	12,267,006.14	0.00%	0.00	0.00%	0.00	0.00%

In the reporting period, both the Company's profit and the parent company's retained earnings were positive however not cash dividend distribution proposal has been put forward.

Applicable Not applicable

In the reporting period, it was profitable and the profits distributed among common shareholders were positive, but the reason for the profit-sharing scheme by cash was not proposed.	Purpose of and plans to use undistributed profits.
Accumulated undistributed profits are all under the standard	Net operating profits after tax are used to less prior year deficiency this current year.

II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable Not applicable

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

III. Commitments to fulfill the situation

1. The fulfilled commitments in the reporting period and under-fulfillment commitments by the end of the reporting period made by the company, shareholder, actual controller, acquirer, director, supervisor, senior management personnel and other related parties.

Applicable Not applicable

Non-existent

2. The existence of the company's assets or projects earnings forecasts and earnings reporting period is still in the forecast period, the company has assets or projects meet the original profit forecast made and the reasons explained

Applicable Not applicable

IV. Particulars about the non-operating occupation of funds by the controlling shareholder

Applicable Not applicable

Non-existent

V. Explanation of the Supervisory Committee and Independent Directors (If applicable) on the Qualified Auditor's Report Issued by the CPAs.

Applicable Not applicable

VI. Explain change of the accounting policy, accounting estimate and measurement methods as compared with the financial reporting of last year.

Applicable Not applicable

(1) Reason for Change

On June 15, 2018, the Ministry of Finance issued the "Notice on the Revision and Issuance of the Format of Financial Statements for General Enterprises in 2018" (No. 15-[2018] Accounting) (hereinafter referred to as the "Notice"). According to the requirement of the "Notice", the Company will prepare the 2018 financial statements in accordance with the general corporate financial statement format (applicable to enterprises that have not yet implemented the new financial standards and new revenue standards).

(2) Date of change: The above-mentioned enterprise accounting standard shall be implemented in accordance with the starting date stipulated in the above document.

(3) The Accounting Policy adopted before the change

Prior to this change, the Company implemented the "Enterprise Accounting Standards-Basic Standards" and various specific accounting standards, subsequently enacted and revised corporate accounting standards, application guidelines for business accounting standards, corporate accounting standards interpretation announcements and other related provisions promulgated by the Ministry of Finance.

(4) The Accounting Policy adopted after the change

After this change, the company will implement the provisions of the "Notice on the Revision and Issuance of

the Format of Financial Statements for General Enterprises in 2018" (No. 15-[2018] Accounting), and the other unchanged contents are implemented in accordance with the current documents of the Ministry of Finance.

II. The impact of this accounting policy change on the Company

(I) According to the requirements of the "Notice", the company adjusts the presentation of the following in the financial statements:

1. The original "notes receivable" and "accounts receivable" items are combined into the newly added "notes receivable and accounts receivable" item;
 2. The original "interest receivable", "dividends receivable" and "other receivables" items are combined into the "other receivables" item;
 3. The original "fixed assets disposal" and "fixed assets" items are combined into the "fixed assets" item;
 4. The original "engineering materials" item is merged into the "construction in progress" item;
 5. The original "notes payable" and "accounts payable" items are combined into the newly added "notes payable and accounts payable" item;
 6. The original "interest payable", "dividend payable" and "other payables" items are combined into the "other payables" item;
 7. The original "special payables" item is merged into the "long-term payables" item;
 8. The "R&D Expenses" item will be added. The R&D expenses originally included in the "Management Expenses" item will be separately listed as "R&D Expenses" item;
 9. The "Interest expense" and "interest income" details items are shown below the "Financial Expenses" item.
- (II) The impact on the presentation of the items and amounts of the previous financial statements is as follows:

No	Name of affected item in the statements	Affected amount of December 31, 2017 / 2017
		Increase + / decrease - (yuan)
1	Notes receivable	-17,800,808.72
	Account receivable	-280,383,810.21
	Notes receivable & account receivable	+298,184,618.93
2	Interest receivable	
	Dividend receivable	
	Other receivable	
3	Fixed assets	
	Liquidation of fixed assets	
4	Construction in progress	
	Engineering Material	
5	Notes payable	-411,410,000.00
	Account payable	-179,749,230.79
	Notes payable & account payable	+591,159,230.79
6	Interest payable	

	Dividend payable	
	Other account payable	
7	Special payable	
	Long-term payable	
8	Administrative expenses	-11,848,985.86
	R & D expenses	+11,848,985.86

Except for the above items' adjustments, this accounting policy change does not involve the retrospective adjustment for the Company's previous annual statements. Changes in the Company's accounting policy will not affect the Company's current profit and loss and will not have a significant impact on the Company's financial statements.

VII. Explain retrospective restatement due to correction of significant accounting errors in the reporting period

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

VIII. Explain change of the consolidation scope as compared with the financial reporting of last year.

Applicable Not applicable

Dispose branch company

(1) Loss of control upon a single disposal of investment in a subsidiary

Subsidiary	Disposition of equity - PRICES	Proportion of equity disposal (%)	Share disposal way	Loss of control Timing	Basis to determine time of losing control power	The difference between the price and the subsidiary's net assets at the consolidated statement level corresponding to the disposal investment
Shanghai Jianshe Motorcycle Co., Ltd.	61,200,000.00	51.00	Transfer by listing agreement	June 15, 2018	After signing the property right transaction contract, receiving the transfer money, the company has gone through the	59,095,066.65

procedures for the
transfer of equity
rights and lost
control of
financial
management
activities

Note: In January 2019, Shanghai Jianshe Motorcycle Co., Ltd. completed the equity change procedures and received the updated Business License for Enterprise Legal Person.

IX. Engagement/Disengagement of CPAs

CPAs currently engaged

Domestic CPA	Hebei Guanghuacai Guanghua Certified public Accountants LLP.
Reward for domestic CPA (RMB 10,000)	45
Successive years the domestic CPA has been providing service to the Company	2 years
Name of CPAs from the domestic CPA firm	Fan Rui, Wang Haoyu
Continuous life of auditing service for domestic accounting firm	2 years

Has the CPAs been changed in the current period

Yes No

Description of the CPAs, financial adviser or sponsor engaged for internal control auditing

Applicable Not applicable

1. The Company paid RMB 150,000 to Hebei Guanghuacai Guanghua Certified public Accountants LLP for its internal auditing service of one year.'

X. Situation of Facing Listing Suspension and Listing Termination after the Disclosure of the Yearly Report

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period.

XII. Significant lawsuits and arbitrations of the Company

Applicable Not applicable

General information	Involved amount (RMB 10,000)	Provision	Progress	Decisions and effects	Execution of decisions	Disclosure date	Index to disclosed information
Chongqing HYOSOW Parts Co., Ltd., Chongqing Bisu Yumbo Power Technology Co., Ltd. and Chongqing Kaite Engine Technology Co., Ltd. have failed to pay a total of 21.1063 million yuan for the air conditioning compressor and products of the wholly-owned subsidiary automobile air conditioning company. The automobile air conditioning company filed a lawsuit against the above three companies with the Chongqing Yubei District People's Court on November 2, 2018, and Chongqing Yubei District People's Court accepted the lawsuit and issued a Notice of Acceptance on November 13, 2018 [(2018) Y0112MC24010,	2,110.63	No	At present, the case has already started and has not yet been decided.	The company has fully accrued bad debts	Unknown	November 16, 2018	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn (Announcement No.:2018-065)

(2018) Y0112MC23992, (2018) Y0112MC24011]							
A wholly-owned subsidiary of the company, Automobile Air Conditioning Company, supplied automotive air conditioning compressors to Hafei Automobile Co., Ltd. and fulfilled its supply obligations. Hafei Auto has paid part of the purchase price and still owes 3,999,900 yuan. After mediation by the Pingfang District People's Court, Harbin City, Heilongjiang Province (<i>Paper of Civil Mediation</i> issued on October 24, 2018 [(2018) H0108MC1416]), Hafei Auto agreed to pay 3,999,900 yuan in arrears.	399.99	No	Automobile Co., Ltd. did not issue the payment on schedule. In December 2018, Chongqing Jianshe Automobile Air Conditioner Co., Ltd. applied to the court for compulsory enforcement. The case is currently under implementation.	The company has fully accrued bad debts	The case is currently under implementation.	November 16, 2018	See details in the company's announcement published on securities times, Hongkong Commercial daily and http://www.cninfo.com.cn (Announcement No.:2018-065)

XIII. Situation of Punishment and Rectification

Applicable Not applicable

Nil

XIV. Credit Condition of the Company and its Controlling Shareholders and Actual Controllers

Applicable Not applicable

XV. Implementation Situation of Stock Incentive Plan of the Company, Employee Stock Ownership Plan or Other Employee Incentive Measures

Applicable Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

XVI. Material related transactions

1. Related transactions in connection with daily operation

Applicable Not applicable

Related parties	Relationship	Type of trade	Subjects of the related transactions	Principle of pricing the related transactions	Price of trade	Amount of trade (RMB10,000)	Ratio in similar trades	Trading limit approved (RMB 10,000)	Whether over the approved or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure
Jianshe Mechanical and Electric	Controlling shareholder	Purchase of goods	Spare parts	Fair Market Price	1347	1,347	1.63%	1,000	Yes	Cash	1347	April 26, 2018	See details in the company's announcement published on securities times, Hongkong Commercial daily on April 26, 2019 and http://www.cni

													info.com.cn (Announcement No.:2018-011)
Import & export	Controlling Sub shareholder	Purchase of goods	Spare parts	Fair Market Price	1126	1,126	1.37%	1,800	No	Cash	1126	April 26,2018	The same as above
Jianshe Mechanical and Electric	Under same control	Purchase of goods	Lease production site	Fair Market Price	318.28	318.28	0.39%	250	Yes	Cash	318.28	April 26,2018	The same as above
South motorcycle	Under same control	Purchase of goods	housing lease	Fair Market Price	90	90	0.11%	100	No	Cash	90	April 26,2018	The same as above
China Changan Automobile Group Co., Ltd. And its affiliated Enterprises	Under same control	Sales of goods	Sale of finished parts and components	Fair Market Price	11517	11,517	11.85%	25,000	No	Cash	11517		The same as above
Jianshe Mechanical and Electric	Under same control	Sales of goods	Rental warehouse	Fair Market Price	567.69	567.69	0.58%	1,000	No	Cash	567.69		The same as above
Chongqing Jianya	Joint venture of controlling shareholder	Sales of goods	Spare parts sales	Fair Market Price	536	536	0.55%	0	Yes	Cash	536		The same as above
South Air International	Joint venture of	Sales of goods	Spare parts sales	Fair Market Price	14.4	14.4	0.01%	25	No	Cash	14.4		The same as above

	controlling shareholder												
Jianshe Industry	Under same control	Services	Test fee	Fair Market Price	86	86	46.22%	200	No	Cash	86		The same as above
Chongqing Jianya	Joint venture of controlling shareholder	Services	Test fee	Fair Market Price	0.2	0.2	0.64%	2	No	Cash	0.2		The same as above
China Changan Automobile Group Co., Ltd. And its affiliated Enterprises	Under same control	Services	Accept maintenance	Fair Market Price	176.81	176.81	23.90%	500	No	Cash	176.81		The same as above
Total					--	--	15,779.38	--	29,877	--	--	--	--
Details of any sales return of a large amount				Nil									
Give the actual situation in the report period where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period(if any)				The total amount of various types of routine connected transactions that occurred in the Company by categories did not exceed the scope of the examination and approval.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				Not applicable									

2. Related-party transactions arising from asset acquisition or sold

Applicable Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period.

3. Related-party transitions with joint investments

Applicable Not applicable

No main related transactions of joint investment outside for the Company in reporting period.

4.Contact of related credit and debt

Applicable Not applicable

Whether there is non operating related debt and debt

Yes No

Not-existent

5. Other significant related-party transactions

Applicable Not applicable

Nil

XVII.Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

Applicable Not applicable

No trusteeship, contract or leasing for the Company in reporting period.

(2) Contract

Applicable Not applicable

No any contract for the Company in the reporting period.

(3) Lease

Applicable Not applicable

Lease description

(1)The Company is the Lessor:

Name of Lessee	Type of leased asset	Lease income recognized in the current year	lease fee confirmed last year
Jianshe Mechanical and Electric Co., Ltd.	Fixed assets	5,676,901.74	9,287,626.08
Total		5,676,901.74	9,287,626.08

Note: The contents of the lease are houses.

②The Company is the Lessee:

Name of Lessor	Type of leased asset	Rental recognized in current year	the lease fee confirmed last year
Jianshe Mechanical and Electric Co., Ltd.	Fixed assets	3,182,824.37	2,262,810.82
Total		3,182,824.37	2,262,810.82

Note: The contents of the lease are houses and Equipment

Items which resulted in profit or loss achieving over 10% of the total profit for the Company

Applicable Not applicable

Not-existent

2. Guarantees

Applicable Not applicable

(1) Guarantees

In RMB 10,000

Guarantee of the Company for the controlling subsidiaries (Exclude controlled subsidiaries)								
Guarantee provided to	Amount of guarantee and date of disclosure	Amount of the guarantee	Actual date of occurring (signing date of agreements)	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related guarantee
Total of external guarantee approved in the report term (A1)				0	Total of external guarantee actually occurred in the report term (A2)		0	
Total of external guarantee approved as of end of report term (A3)				0	Total of external guarantee actually occurred as of end of report term (A4)		0	
Guarantee of the company for its subsidiaries								
Guarantee provided to	Amount of guarantee and date of disclosure	Amount of the guarantee	Actual date of occurring (signing date of agreements)	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related guarantee
Vehicle air conditioner	April 26,2018	1,000	January 3,2018	1,000	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 26,2018	2,450	January 11,2018	2,450	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 26,2018	1,000	January 16,2018	1,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 26,2018	3,500	January 22,2018	3,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 26,2018	3,500	January 18,2018	3,500	Joint liabilities	12 months	No	No
Vehicle air conditioner	April	2,000	February 9,2018	2,000	Joint	12 months	No	No

	26,2018				liabilities			
Vehicle air conditioner	April 26,2018	2,849	May 21,2018	2,849	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 26,2018	2,730	May 30,2018	2,730	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 26,2018	2,500	June 4,2018	2,500	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 26,2018	1,000	June 7,2018	1,000	Joint liabilities	6 months	Yes	No
Vehicle air conditioner	April 26,2018	1,750	July 3,2018	1,750	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	1,750	July 4,2018	1,750	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	1,771	July 9,2018	1,771	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	2,549	August 17,2018	2,549	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	5,000	August 13,2018	5,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 26,2018	3,000	September 10,2018	3,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 26,2018	3,000	September 21,2018	3,000	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 26,2018	700	Sptember 29,2018	700	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 26,2018	4,200	September 30,2018	4,200	Joint liabilities	12 months	No	No
Vehicle air conditioner	April 26,2018	1,998	October 10,2018	1,998	Joint liabilities	6 months	No	No
Vehicle air conditioner	2018年04月26日	1,400	October 11,2018	1,400	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	2,450	October 12,2018	2,450	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	2,500	November 15,2018	2,500	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	2,849	November 22,2018	2,849	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	2,500	November 30,2018	2,500	Joint liabilities	6 months	No	No

Vehicle air conditioner	April 26,2018	1,000	November 30,2018	1,000	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	2,450	December 11,2018	2,450	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	1,000	December 11,2018	1,000	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	1,750	December 24,2018	1,750	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	3,500	December 27,2018	3,500	Joint liabilities	6 months	No	No
Vehicle air conditioner	April 26,2018	5,000	December 6,2018	5,000	Joint liabilities	12 months	No	No
Total of guarantee to subsidiaries approved in the report term (B1)		126,000		Total of guarantee to subsidiaries actually occurred in the report term (B2)		74,645		
Total of guarantee to subsidiaries approved as of the report term (B3)		126,000		Total of balance of guarantee actually provided to the subsidiaries as of end of report term (B4)		55,097		
Guarantee of the subsidiaries for the controlling subsidiaries								
Guarantee provided to	Amount of guarantee and date of disclosure	Amount of the guarantee	Actual date of occurring (signing date of agreements)	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related guarantee
Total guarantee quota to the subsidiaries approved in the reporting period (C1)		0		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)		0		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)		0		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)		0		
The Company's total guarantee(i.e.total of the first three main items)								
Total guarantee quota approved in the reporting period (A1+B1+C1)		126,000		Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)		74,645		
Total guarantee quota already approved at the end of the reporting period (A3+B3+C3)		126,000		Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)		55,097		
The proportion of the total amount of actually guarantee in the net				187.85%				

assets of the Company (that is A4+B4+C4) %	
Including:	
Amount of guarantee for shareholders, actual controller and its associated parties (D)	0
The debts guarantee amount provided for the Guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E)	55,097
Proportion of total amount of guarantee in net assets of the company exceed 50% (F)	25,766.85
Total guarantee Amount of the abovementioned guarantees (D+E+F)	55,097
Explanations about joint and several liability for repayment in respect of undue guarantee(if any)	Nil
Explanation about external guarantee violating established procedure if any)	Nil

Description of the guarantee with complex method

(2) Illegal providing of external guarantees

Applicable Not applicable

No illegal providing of external guarantees in the report period.

3.Situation of Entrusting Others for Managing Spot Asset

(1)Situation of Entrusted Finance

Applicable Not applicable

Nil

(2)Situation of Entrusted Loans

Applicable Not applicable

Nil

4. Other significant contract

Applicable Not applicable

Not-existent

XVIII.Social responsibilities

1. Performance of social responsibility

(i) Protection of shareholders' equity

The company treats all investors in an equitable manner, effectively protects the legitimate rights and interests of shareholders, especially minority shareholders, in accordance with laws and regulations, and creates conditions to attract minority shareholders to participate in the Company's decision on major issues. During the reporting period, the Board of Directors convened three shareholders' meetings through the combination of voting on site and online voting. The proportion of shareholders participating in the voting accounted for 75.31 and 74.45% of the total number of shares with effective voting rights.

The Company strictly follows the principles of information disclosure and publishes regular reports and temporary announcements in a true, accurate, complete and timely manner. There is no selective information disclosure and private disclosure or disclosure of undisclosed material information. Also, the Company seriously replies or receives investors' calls and visits and maintains good management of investor relations.

(II) Protection of employee rights and interests

The company strictly abides by the relevant provisions of the Labor Law and the Labor Contract Law, and has established a complete human resources, occupational health and safety management system to effectively protect the rights and interests of employees. Firstly, the company values employee growth and talent development. The company provided 20 sessions of induction training for new employees throughout the whole year, and 89 sessions of training for the promotion of staff skills, a total of 2943 staff have been trained. Secondly, the company has pays attention to employees' occupational health. The company has strengthened the publicity and education of occupational health, improved the health allowance for the injured personnel, organized the workers to carry out occupational health inspection, the rate of which has been up to 97.6% (more than the 90% stipulated in relevant state laws and regulations), and effectively enhanced the ability of occupational disease protection. Thirdly, the company has strengthened the safety management of the employees. The company has carried out team leader safety certification certificate inspection and dangerous operation safety special inspection, strengthened night shift surprise inspection and daily safety inspection. No deaths, serious injuries, minor injuries and public security incidents occurred throughout the year.

(III) Protecting the rights and interests of suppliers, customers and consumers

Protection of suppliers' rights and interests: the company adheres to the principle of "fair, just and open" tendering and procurement, implements the supervision throughout the whole process of project establishment, bidding release, bid opening evaluation and contract signing, signs the integrity agreement with supplier, and implements it into the basic procurement contract to achieve self discipline and mutual supervision between the enterprise itself and its upstream and downstream customers.

Protection of the rights and interests of customers and consumers: firstly, Quality system certification is promoted. The revision review of IATF16949 system is successfully passed, and TCE sub-system in Chang'an QCA certification has passed on-site certification. Secondly, strengthened the internal quality monitoring and control, no major quality issued happened throughout the year.

(IV) Environmental protection and sustainable development

The company strictly adhered to national environmental laws and regulations, set up environmental protection management institutions, established enterprise environmental management system, adhered to the lawful discharge of pollutants and waste, the exhaust gas emission was carried out according to the secondary

standard of GB16297-1996, and the discharge of waste water was carried out according to the First B standard of GB8978-1996, the noise was carried out according to the secondary standard of GB12348-2008, relevant taxes and expenses were paid in accordance with the law, and the company won the honorary title of "Chongqing Ecological Civilization Model Enterprise" in 2018.

(V) Public relations and public welfare undertakings

In September 2018, the company's joint venture Pingshan Taikai organized 33 employees to participate in the voluntary blood donation activities organized by the Chongqing Banan District government, totaling 7600ml of blood donation.

In September 2018, the company organized volunteers to go to Huafu Jiayuan Community, Zhongliangshan Street, Jiulongpo District, for volunteer service activities and to visit the elderly person of no family.

In December 2018, the company's joint venture Pingshan Taikai actively responded to the initiative of the Chongqing Banan District government by donating 100,000 yuan of poverty relief funds to the poverty-stricken village of Xingfu Villiage, Ersheng Town, Banan District, Chongqing.

2. Precise poverty alleviation social responsibility

(1) Targeted poverty alleviation program

(2) Annual precision poverty alleviation

(3) Accuracy of poverty alleviation

Index	Measurement unit	Quantity / Status
I. General situation	—	—
II. Breakdown Input	—	—
1. Poverty alleviation by industrial development	—	—
2. Poverty alleviation by transfer employment	—	—
3. Poverty alleviation by relocation	—	—
4. Educational poverty alleviation	—	—
5. Health poverty alleviation	—	—
6. Ecological protection poverty alleviation	—	—
7. Guarantee of all the details	—	—
8. Social poverty alleviation	—	—
9. Other projects	—	—
III. Awards (Content and level)	—	—

(4) Subsequent targeted poverty alleviation program

3. Information on environmental protection

The Listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

No

The company and its subsidiaries are not included in the key pollutant discharge units announced by the environmental protection department. For related contents, refer to Working Performance of Social Responsibilities in this section.

XIX. Major issues of subsidiary

√ Applicable Not applicable

1. The company's original controlling shareholders held by unfreezing the company's shares

Due to contract disputes, the total of 7,185,000 shares (accounting for 6.02% of the total share capital of the Company) held by the former controlling shareholder of the Company, Jianshe Electromechanical from April 2017 to March 2018 was subject to judicial freezing by the Chongqing Banan District People's Court and the Chongqing Jiulongpo District People's Court respectively (For details, please refer to the Securities Times, Hong Kong Commercial Daily, the Announcement on the Freezing of Shareholders' Shares released on Cninf on September 15, 2017 and the "Notes on Other Major Matters" in 2017 Annual Report released on April 26 2018 respectively). As of October 8, 2018, the 7,185,000 shares of the company held by Jianshe Electromechanical have all been unfrozen. (See Announcement No. 2017-055 of October 9, 2017 for details)

2. Matters on public listing and transferring the equity of Shanghai Jianshe

On December 1, 2017, The company publicly listed its holding stake of 51% stake of Shanghai Jianshe for transfer on Shanghai United Property Exchange. This equity transfer had been reviewed and approved at the 5th meeting of the 8th Board of Directors and the 2nd Extraordinary General Meeting of 2017. On June 15, 2018, the "Shanghai Property Rights Transaction Contract" was signed, that Shanghai Hecang purchased the aforesaid 51% stake of Shanghai Jianshe at the price of RMB 61.2 million. On June 22, 2018, the company received the full payment for the transfer of 51% stake of Shanghai Jianshe. For details, please refer to the related announcements of the company disclosed on The Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn in the time of November 16, 2017, December 2, 2017 and June 21, 2018 and June 27, 2018.

On January 21, 2019, the three parties have completed the transfer of ownership and renewed their business licenses. (Unified social credit code: 913101207031764326) .

3. Matters on which the control right of the company has changed

On October 22, 2018, the former controlling shareholder of the company, Jianshe Mechanical and Electric, signed the Stock Rights Transfer Agreement of State-owned Listed Company with Military Equipment Group, that is, Jianshe Mechanical and Electric agreed to transfer 84,906,250 state-owned corporate shares held by the company to Military Equipment Group, which account for 71.13% of the total share capital of the company (for details, please refer to the Acquisition Report of Chongqing Jianshe Vehicle System Co., Ltd. on December 4, 2018). On December 20, 2018, the transfer registration procedures for the shares transferred under this agreement have been completed in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. Jianshe Electromechanical no longer holds the company's shares. Military Equipment Group became the company's controlling shareholder, holding 84,906,250 shares of the company, accounting for 71.13% of the total. The shares

are the initiator's national shares. The actual controller of the company has not changed and is still State-owned Assets Supervision and Administration Commission.

4. Cancel the Technology Center of the branch Chongqing Jianshe Motorcycle Co., Ltd.

Chongqing Jianshe Motorcycle Co., Ltd. Branch Technology Center's business scope is motorcycle research and development, which is no longer the company's main business development direction. In order to further improve the company's business structure and reduce the level of operation, the company convened the 13th meeting of the eighth Board of Directors on January 14, 2019, and deliberated and passed the *Proposal on Cancellation of Branch Technology Center* (for details, see the Announcement on Cancellation of Branch Technology Center disclosed on January 16, 2019). The cancellation will not change the scope of the company's consolidated financial statements, will not affect the company's business development and sustained profitability, and will not harm the interests of the company and all shareholders.

On March 29, 2019, Chongqing Municipal Market Supervision Administration issued the Notice of Cancellation of Foreign-invested Enterprises (ZY) YZXZ Zi [2019] No. 000137, confirming that the Technology Center of the company's branch had been canceled.

5. At the beginning of 2018, Jianshe HANON , the company's joint venture, was established with an initial shareholding of 25.36%. On March 31, 2019, the company held the 15th meeting of the eighth Board of Directors to consider and pass the Proposal on the Purchase of Equity and Related Party Transactions of Chongqing Jianshe HANON Automobile Thermal Management System Co.,Ltd. On April 8, 2019, the company signed the Stock Rights Transfer Agreement with Chongqing Jianshe Mechanical and Electric Co., Ltd. to purchase 24.64% equity of Jianshe Hanang held by Chongqing Jianshe Mechanical and Electric Co., Ltd. at 24.64% of the appraised value, i.e. 102.7433 million yuan. On April 11, 2019, it was approved and implemented by the company's first extraordinary shareholders' meeting in 2019. On April 18, 2019, the company has already paid 102.7433 million yuan for this share transfer. After the completion of this transaction, our company and HANON respectively hold 50% equity in Jianshe Hanang. According to Stock Rights Transfer Agreement, the period from the base date of this equity transfer evaluation (November 30, 2018) to the actual delivery date of the equity transfer is the transitional period of this equity transfer, during which the Company shall enjoy or bear the profits and losses arising from Jianshe HANON .

XX. Material issues of the subsidiaries

√Applicable □ Not applicable

In order to improve the efficiency of the use of funds, the company and other shareholders of the joint venture Pingshan Taikai reduced the registered capital of Pingshan Taikai by a total of USD 9 million, of which the company holds 50% equity in Pingshan Taikai and will recover the investment of USD 4.5 million. After the capital reduction is completed, the registered capital of Pingshan Taikai will be reduced from USD 19 million to USD 10 million US dollars. The capital reduction has been reviewed and approved by the 12th meeting of the eighth board of directors of the company on December 4, 2018, and by the 48th board meeting (temporary) of Pingshan Taikai on December 6, 2018. For details, please refer to the related announcements of the company disclosed on The Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn in the time of December 5,2018 and December 21, 2018(Announcement No.: 2018-071).

VI. Change of share capital and shareholding of Principal Shareholders

I. Changes in share capital

1. Changes in share capital

In Shares

	Before the change		Increase/decrease (+, -)					After the Change	
	Amount	Proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	Proportion
I. Unlisted shares	89,375,000	74.87%	0	0	0	0	0	89,375,000	74.87%
1. Founder's stock	89,375,000	74.87%	0	0	0	0	0	89,375,000	74.87%
Including: State-owned shares	84,906,250	71.13%	0	0	0	0	0	84,906,250	71.13%
Shares held by domestic legal persons	1,750,000	1.46%	0	0	0	0	0	1,750,000	1.46%
Share held by foreign investors	0	0.00%	0	0	0	0	0	0	0.00%
Other	2,718,750	2.28%	0	0	0	0	0	2,718,750	2.28%
2. Raising legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Internal staff shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Preferred stock or other	0	0.00%	0	0	0	0	0	0	0.00%
II Listed shares	30,000,000	25.13%	0	0	0	0	0	30,000,000	25.13%
1. Common shares in RMB	0	0.00%	0	0	0	0	0	0	0.00%
2. Foreign shares in domestic market	30,000,000	25.13%	0	0	0	0	0	30,000,000	25.13%
3. Foreign shares in overseas market	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total of capital shares	119,375,000	100.00%	0	0	0	0	0	119,375,000	100.00%

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Reasons for share changed

Applicable Not applicable

Approval of Change of Shares

Applicable Not applicable

Ownership transfer of share changes

Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable Not applicable

Other information necessary to disclose for the company or need to disclosed under requirement from security regulators

Applicable Not applicable

2. Self-defined Chapter

When the company was founded in 1995, North China Industrial Shenzhen Co., Ltd., one of the founders, held 17,875,000 shares of the company, accounting for 3.74% of the company's total share capital. According to the Civil Order of the Shenzhen Intermediate People's Court of Guangdong Province- [2006] Shenzhong Famin Two Bankruptcy Zi No. 21-4) on March 6th, 2007, it's ruled that the proprietary rights of the 3.74% stake (17,875,000 legal person shares) of the company held by North China Industrial Shenzhen Co., Ltd. belongs to the buyers Gu Zuocheng, Yangpu Xinyufeng Investment Co., Ltd. and Feng Yonghui. Thereinto, Gu Zuocheng held 8,875,000 shares; Yangpu Xinyufeng Investment Co., Ltd. held 7,000,000 shares; Feng Yonghui held 20,000 million shares.

On September 12, 2013, the company implemented a 4:1 share-shrunk. After the share-shrunk, Gu Zuocheng held 2,218,750 shares; Anhui Hengsheng Economic Development Group Co., Ltd. (The shares transferred by Yangpu Xinyufeng Investment Co., Ltd. on March 21, 2012) held 1,750,000 shares; Feng Yonghui held 500,000 shares.

Therefore, in the above "Changes in Shares" table, the number of shares that's filled in the "others" for the sponsors' shares is the total shares held by the natural persons Gu Zuocheng and Feng Yonghui, namely: 2,718,750 shares.

3. Change of shares with limited sales condition

Applicable Not applicable

II. Issuing and listing

1. Explanation of the Situation of the Security Issue(No Preferred Shares) in the Report Period

Applicable Not applicable

2. Change of asset and liability structure caused by change of total capital shares and structure

Applicable Not applicable

3.About the existing employees' shares

□Applicable Not applicable

III.Shareholders and actual controlling shareholder

1. Number of shareholders and shareholding

In Shares

Shareholders	Nature of shareholder	Proportion of shares held (%)	Number of shares held at period-end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
China Military Equipment Group Co., Ltd.	State-owned legal person	71.13%	84,906,250		84,906,250	0		
Gu Zuocheng	Domestic natural person	1.89%	2,261,000		2,218,750	42,250		
Hengsheng Sun Group Co., Ltd.	Domestic non-state-owned legal person	1.47%	1,750,000		1,750,000	0	Freeze	1,750,000
Liu Dan	Domestic natural person	0.86%	1,032,201		0	1,032,201		
Xu Yuanhui	Domestic natural person	0.56%	666,789	56000	0	666,789		
Yu Lingfeng	Overseas natural person	0.51%	612,921	-10700	0	612,921		
Chen Xinqiang	Domestic natural person	0.51%	612,400		0	612,400		
Zhang Meilan	Domestic natural person	0.43%	513,560		0	513,560		
Feng Yonghui	Domestic natural person	0.42%	500,000		500,000	0		

Li Jianping	Domestic natural person	0.38%	455,569	340869	0	455,569		
Explanation on associated relationship among the aforesaid shareholders		There isn't any associated relationship between the sponsoring shareholder and the other shareholders among the top-10 list. None of them are regarded as 'Acting in concert' in accordance with 'The rules of information disclosure on change of shareholding.' Foreign shareholders are unknown for their condition of 'Associated relationship' and 'Acting in concert'.						
Top 10 holders of unconditional shares								
Name of the shareholder	Amount of unconditional shares held at end of period	Category of shares						
		Category of shares	Amount					
Liu Dan	1,032,201	Foreign shares placed in domestic exchange	1,032,201					
Xu Yuanhui	666,789	Foreign shares placed in domestic exchange	666,789					
Yu Lingfeng	612,921	Foreign shares placed in domestic exchange	612,921					
Chen Xinqiang	612,400	Foreign shares placed in domestic exchange	612,400					
Zhang Meilan	513,560	Foreign shares placed in domestic exchange	513,560					
Li Jianping	455,569	Foreign shares placed in domestic exchange	455,569					
CORE PACIFIC-YAMAICHI INTERNATIONAL (H.K.) LIMITED	424,550	Foreign shares placed in domestic exchange	424,550					
Chen Houping	423,561	Foreign shares placed in domestic	423,561					

		exchange	
Liu Guosheng	345,575	Foreign shares placed in domestic exchange	345,575
Lin Fan	303,400	Foreign shares placed in domestic exchange	303,400
Action-in-concert among top 10 non-restricted current share holders, top 10 non-restricted current share holders and top 10 shareholders	There is no affiliated relationship between the top ten non-restricted tradable shareholders and the controlling shareholder China Military Equipment Group Co., Ltd. nor do they belong to the consistent actors stipulated in the Administrative Measures for the Acquisition of Listed Companies; it is unknown to the company whether there is an affiliated relationship between the top ten non-restricted tradable shareholders as well as between the top ten non-restricted tradable shareholders and the other top ten shareholders, or whether they are included in the consistent actors stipulated in the Administrative Measures for the Acquisition of Listed Companies.		

Whether top ten common shareholders or top ten common shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period.

Yes No

The top ten common shareholders or top ten common shareholders with un-restrict shares held of the Company have no buy –back agreement dealing in reporting period.

2. Controlling shareholder

Nature of Controlling Shareholders: Central state owned holding

Type of Controlling Shareholders: Legal person

Name of the Controlling shareholder	Legal representative/Leader	Date of incorporation	Organization code	Principal business activities
China Military Equipment Group Co., Ltd.	Xu Ping	June 29, 1999	91110000710924929L	Investment, operation and management of state-owned assets; research and development, production, guarantee and service of weapons and equipment; Research and development, manufacturing, sales and comprehensive services of vehicles, electrical equipment, photoelectric

				information and products and their equipment, mechanical equipment, engineering and construction machinery, chemical materials (except hazardous chemicals), fire fighting equipment, medical and environmental protection equipment, metal and nonmetal materials and their products.
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	Shares held and controlled by other domestic and overseas listed companies directly or indirectly: 1.43.12 by Chongqing Changan Automobile Co., Ltd.;2. 5.05% by Inner Mongolia Energy Engineering Co., Ltd.;3. 63.69% by Baoding Tianwei Baobian Electric Co., Ltd; 4. 22.34% by China Jialin Industry Co., Ltd. (Group);5. 31.43% by Hunan Tyen Machinery Co., Ltd.; 6. 51.42% by Harbin Dongan Auto Energy Co., Ltd.; 7.57.07% by Yunnan Xiyi Industrial Co., Ltd.;8.10.73% by Zhongyuan Special Steel Co., Ltd.;9. 25.44% by Chongqing Minsheng Logistic Co., Ltd.; 10.42.43% by Lida Optical and Electronic Co., Ltd.			

Change of holding shareholder

√ Applicable □ Not applicable

New Controlling Shareholder Name	China Military Equipment Group Co., Ltd.
Date of Change	December 20,2018
Query Reference on Designated Website	www.cninfo.com.cn (Announcement No.:2018-074)
Disclosure Date on Designated Website	December 22,2018

3. Information about the controlling shareholder of the Company

Actual controller nature: Central state owned Assets Management t

Actual controller type: Legal person

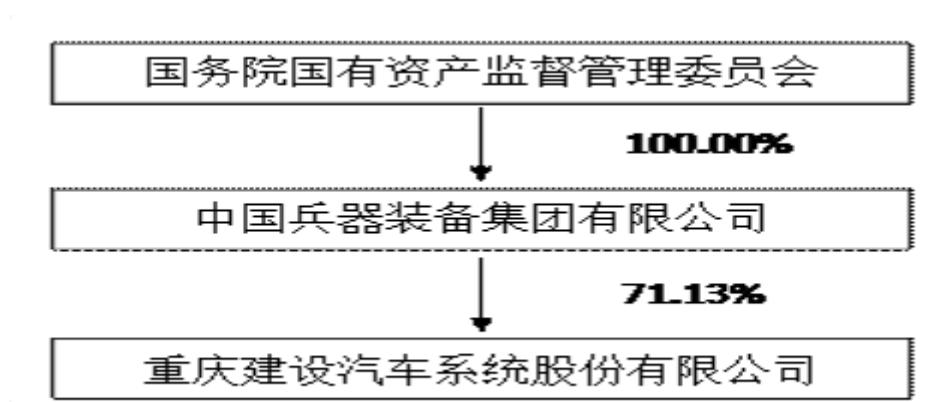
Name of the controlling shareholder	Legal representative/person in charge	Date of establishment	Organization code	Principal business activities
State-owned Assets Supervision and administration Commission of the State Council	Not applicable		Not applicable	Not applicable
Situation of domestic and abroad holding listed companies	Not applicable			

Changes of the actual controller in the reporting period

Applicable Not applicable

No Changes of the actual controller in the reporting period

Block Diagram of the ownership and control relations between the company and the actual controller



The actual controller controls the company by means of trust or managing the assets in other way

Applicable Not applicable

4.Particulars about other legal person shareholders with over 10% share held

Applicable Not applicable

5.Situation of Share Limitation Reduction of Controlling Shareholders, Actual Controllers, Restructuring Party and Other Commitment Subjects

Applicable Not applicable

VII. Situation of the Preferred Shares

Applicable Not applicable

The Company had no preferred shares in the reporting period.

VIII. Information about Directors, Supervisors and Senior Executives

I. Change in shares held by directors, supervisors and senior executives

Name	Positions	Office status	Sex	Age	Starting date of tenure	Expiry date of tenure	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Shares held at the year-end (share)
Lv Hongxian	Chairman	In office	Male	49	March 18, 2016	May 29, 2020	0	0	0	0	0
Yan Xuechuan	Director	In office	Male	56	October 11, 2018	May 29, 2020	0	0	0	0	0
Tan Mingxian	Director	In office	Male	46	October 11, 2018	May 29, 2020	0	0	0	0	0
Zhou Yongqian	Director	In office	Male	46	May 25, 2016	May 29, 2020	0	0	0	0	0
Ye Yuxin	Director	Dimission	Male	51	May 25, 2016	September 19, 2018	0	0	0	0	0
Yu Wenbiao	Director	Dimission	Male	52	May 25, 2016	September 19, 2018	0	0	0	0	0
Fan Aijun	Director , General Manager, CFO	In office	Male	47	May 25, 2016	May 29, 2020	0	0	0	0	0
Hao Lin	Director	In office	Male	56	April 29, 2008	May 29, 2020	0	0	0	0	0
Deng Gang	Employee Director	In office	Male	41	March 10, 2016	May 29, 2020	0	0	0	0	0
Li Dingqing	Independent Director	In office	Male	55	May 23, 2014	May 29, 2020	0	0	0	0	0
Wang Jun	Independent Director	In office	Male	56	May 25, 2016	May 29, 2020	0	0	0	0	0

Peng Jue	Independent Director	In office	Female	64	May 23,2014	May 29,2020	0	0	0	0	0
Liu Zhiqiang	Independent Director	In office	Male	38	May 23,2014	May 29,2020	0	0	0	0	0
Lv Cuiwei	Chairman of the supervisory committee	In office	Female	50	May 25,2016	May 29,2020	0	0	0	0	0
Tao Xuqian	Supervisor	In office	Male	53	May 25,2016	May 29,2020	0	0	0	0	0
Wu Haiwen	Supervisor	In office	Male	42	May 25,2016	May 29,2020	0	0	0	0	0
Xu Dongxia	Employee supervisor	In office	Female	45	March 10,2016	May 29,2020	0	0	0	0	0
Wu Yangmin	Employee supervisor	In office	Male	38	May 25,2017	May 29,2020	0	0	0	0	0
Zhang Xiangdong	Deputy General Manger	In office	Male	44	March 18,2016	May 29,2020	0	0	0	0	0
Xue Gangyi	Deputy GM, CFO, secretary of the Board	Dimission	Male	37	March 18,2016	February 12,2018	0	0	0	0	0
Zhang Guofeng	Deputy General Manager	Dimission	Male	53	March 18,2016	February 12,2018	0	0	0	0	0
Deng Xianming	Deputy General Manager	In office	Male	53	March 18,2016	May 29,2020	0	0	0	0	0
Cao Bing	Deputy General Manger	In office	Male	47	March 18,2016	May 29,2020	0	0	0	0	0

Hu Jiawang	Deputy General Manager	In office	Male	45	September 20, 2018	May 29, 2020	0	0	0	0	0
Zhang Hushan	Secretary of the Board	In office	Male	32	May 17, 2018	May 29, 2020	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

II. Change in shares held by directors, supervisors and senior executives

✓ Applicable □ Not applicable

Name	Positions	Types	Date	Reason
Xue Gangyi	Deputy General Manager, CFO, Secretary of the Board	Dismissal	February 12, 2018	Job changes
Zhang Guofeng	Deputy General Manager	Dismissal	February 12, 2018	Job changes
Fan Aijun	CFO		April 26, 2018	Board appointment
Zhang Hushan	Secretary of the Board		May 17, 2018	Board appointment
Hu Jiawang	Deputy General Manager		September 20, 2018	Board appointment
Ye Yuxin	Director	Dimission	September 19, 2018	Job changes
Yu Wenbiao	Director	Dimission	September 19, 2018	Job changes
Yan Xuechuan	Director		October 11, 2018	Shareholders' meeting election
Tan Mingxian	Director		October 11, 2018	Shareholders' meeting election

III. Status of service

Working experiences of current directors, supervisors, and executives

Situation by the end of 2018:

Lv Hongxian: Male, Born in 1969 April, MBA, senior engineer, senior economist. Once worked for Jianshe Industrial (Group) Co., Ltd. (Jianshe Group) as vice head of promotion dept., head of CCP office, head of HR division of CCP committee, assistant to the general manager, vice chief secretary of CCP committee, director, chief secretary of CCP committee, and chairman of the union; for the Company as chief secretary of the CCP committee, chairman of the Supervisory Committee, and director; for Jinan Qinqi as general manager and Chairman. At present he's the general manager, director, Secretary of the party committee and Chairman of Jianshe Mechanical and Electric, He served as Chairman of the Company.

Mr. Yan Xuechuan, male, was born in September 1963, MBA, senior economist. He had served as deputy chief economist and director of the business plan department of 5618 factory; served as deputy director and deputy secretary of the party committee, secretary of the disciplinary committee, secretary of the party committee of 5618 factory; he was the director and party secretary of Hunan Huanan Optoelectronics (Group) Co., Ltd.; served as Standing member of Dandong Municipal Committee of Liaoning Province, Deputy Mayor (Temporarily held) of Dandong; served as director, party committee secretary, worker union chairman in Jianmo B; he had served as Party Committee Secretary, Disciplinary Committee Secretary, and worker union Chairman in Construction Electromechanical. Currently, he serves as the director, general manager and deputy secretary of the party committee of the company; he is a director of the Company.

Mr. Tan Mingxian, male, was born in May 1973, bachelor degree in accounting, senior accountant, Chinese Certified Tax Agent, Certified Management Accountant (CMA). He had served as Supervisor, Deputy Minister and Minister of Finance Department of Chongqing Wangjiang Industrial Co., Ltd.; served as Chief Accountant of Sichuan Xiguang Industrial Group Co., Ltd; severed as Deputy Minister of Finance Department of Chongqing Chang'an Industrial Group Co., Ltd.; severed as Deputy Chief Accountant of Chongqing Wangjiang Industrial Co., Ltd; he was a supervisor of supervisory board of China Jialing, Jianmo B, Jinan Qingqi, and Luoyang North; he had served as Office Director of Southern Motorcycle Supervisory Affairs Office; severed as Chief Financial Officer of Chongqing Southern Motorcycle Technology R&D Co., Ltd. Currently, he is the chief accountant of Construction Electromechanical; he is a director of the Company.

Zhou Yongqiang, male, was born in December 1972, bachelor degree in engineering management, senior economist. He had served in China Jialing Group in posts of section chief of investment management section, section chief of Investment Planning Section, deputy director of investment management department, Assistant Minister of planning department and Assistant Minister of development department; he had served as Vice Minister (executive) of enterprise development department of China Jialing Group, deputy general manager of Chongqing Jiufang Foundry Co.,Ltd and general manager of Chongqing Jiufang Foundry Co.,Ltd; he had served as general manager assistant with concurrent post of minister of development planning, and deputy general manager of China Jialing Group, and minister of capital operation of Military Motorcycle. Currently, he serves as director of corporate development department of motorcycle division of Military Equipment Group, deputy chief economist and minister of development operation department of Military Motorcycle, director of Luoyang North Enterprise Group, director of Ji'nan Qingqi Co., Ltd, director of Jianshe Mechanical and Electric Company and director of the company.

Fan Ai'jun, male, was born in July 1971, postgraduate degree of business management, engineer. He had served as workshop technician, office secretary, deputy director of general administration, and deputy chief of staff of Construction Group; he had served as vice general manager of Pan India Construction Co., Ltd, section chief of overseas business section of Chongqing Jianya, deputy chief, and section chief of matching section, and section chief of matching section of automobile division of the company; he had served as vice general manager, and general manager of automotive air-conditioner compressor division, and he had served as vice general manager of the company; currently, he serves as deputy party secretary of Jianshe Mechanical and Electric Company, and he is the general manager and director of the company.

Hao Lin: Male, born in 1963, Master. At present he's Chairman of Chongqing Tongkang Technologies Co., Ltd., and Director of the Company. He served as Director of the Company.

Deng Gang, male, was born in September 1977, bachelor degree of mechanical design and manufacture, political engineer, economist, certified quality engineer, senior administrator of human resources management. He had served as deputy leader of technical team of the eighth workshop of Jianshe Group, and minister of technical

quality of Spring Company; he had served as minister of technical quality of the company's Components Manufacturing Company, director of committee cadre management office, and deputy minister of technical quality assurance department of Jianshe Group; he had served as minister of personnel administration of Automotive Conditioning, senior manager of Southern Motorcycle, and minister of comprehensive management department of Automotive Conditioning; currently, he is the minister of business planning department and employee director of the company.

Li Dingqing: Male, born in 1963 May, Master, Professor of Accounting once vice head of financial office of Chongqing Business School; vice chief of Accounting Dept. of Chongqing Business School; vice dean of Accounting Dept.; dean of Technical Dept. At present he's the dean of Accounting Dept. of Chongqing University of Business; independent director of the Company, Yushanxia A, and Kelin Environmental protection Company.

Wang Jun, male, was born in August 1962, bachelor degree. He had served as technical head of the fifth workshop, and deputy head of supply and marketing section of Chongqing TongJunGe Pharmaceutical Co.,Ltd; he had served as manager of Shanghai Wanguo Securities Co., Ltd Chongqing Sales Office, manager of Shenyin Wanguo Securities Co., Ltd Chongqing Sales Office, general manager of Chongqing investment banking of Investment Banking Division of Shenyin Wanguo Securities Co., Ltd and Shenyin Wanguo Securities Co., Ltd Chongqing Sales Office; he had served as independent director of the company, independent director of China Jialing, independent director of Chongqing Water, secretary general of Chongqing Securities Association, consultant of Chongqing capital operation and asset restructuring leading group, and expert advisor for Mayor of Chongqing Municipal People's Government. Currently, he serves as general manager of Chongqing Branch Shenwan Hongyuan Securities Co., Ltd, council member of Chongqing securities and Futures Industry Association, independent director of Chongqing Yuxin Group Co., Ltd, outside director of Chongqing Yu Fu Asset Management Group Co., Ltd, and independent director of the company.

Peng Jue: female, born in 1954, Doctor of Management, Professor of Accounting Once he was accountant of Supply & Sales Dept of Chengdu Coal Industry Administration; assistant professor of History School of Chongqing Normal University; lecturer of Southwestern University of Agriculture. At present he's the head of Business & Management School of Southwestern University; independent director of the Company, Tongjunge, and Southwestern Pharmacy. She served as independent Director of the Company.

Liu Zhiqiang: Male, born in 1981 September, JD, finance postdoctoral. Once he was the clerk of Shanghai Bureau of Finance and Chongqing International Trade Commission; assistant of the head of Chongqing Beibei Tiansheng Community Office. Currently he's associated professor of Southwestern University Politics and Law; partner of Taihetai Law Firm, and independent director of the Company and Taihe Health and the Company.

Lv Cuiwei: Female, born in 1968 July, Bachelor degree, senior economist. once secretary of Youth Party of Jianshe Group, office manager of CCP office, PR director of CCP party of Jianshe Industry, vice dean of party

school, director of PR office of CCP committee. At present she's the director of Auditing and Legal department, employees' supervisor of the Company. She served as secretary of Jianshe Mechanical and Electric Company, Chairman of the board of supervisors of the Company.

Tao Xuqian: Male, born in 1965 May, Bachelor degree, senior economist. Once worked for Jianshe Group as vice director of discipline office, vice head of supervisory division; for Jianshe Industry as vice director of discipline office, and vice head of supervisory division; for the Company as vice head of CCP public relationship division, head of supervisory division. At present he's the vice chief secretary of discipline division of Jianshe Mechanical and Electric Company, office manager of discipline division and head of supervisory division, supervisor of the Company.

Wu Haiwen, male, was born in September 1976, master degree of human resource development and management, political engineer, senior administrator of human resources management. He had served as director of party committee cadre management Office, deputy director of Components Factory, and deputy head of the fifth workshop of Firearms division of Construction Group; he had served as deputy section chief of material supply section, vice minister of material purchasing department, and minister of human resources of the company; he had served as minister of human resources of Jianshe Machinery. Currently, he serves as minister of business planning department of Jianshe Mechanical and Electric Company, and he is a supervisor of the company.

Ms. Xu Dongxia, female, was born in August 1973, Bachelor of information technology, engineer, political engineer title. She had served as technician of Sichuan Jindu Photoelectric Instrument Factory, section chief of office information management of Construction Group, served in Construction Industry Development Planning Department for responsible of statistics and operation management; she had served as practice section chief of warehouse center of Chongqing Jianya, deputy director of logistic center, deputy minister of marketing department of sales company, deputy minister of marketing department, and deputy minister of business planning department of the company, and she served as deputy minister of business planning department of Jianshe Mechanical and Electric Company. Currently, she serves as minister of party supervision department and employee-supervisor of the company.

Wu Yangmin, male, born in October, 1980, bachelor's degree in business administration, assistant economist. He used to be the salesman of the sales company of Jianshe Group, the manager of the direct-run store, and the secretary of the Communist Youth League branch, and the reporter and editor of the Jianshe Industry of the Propaganda Department; director of the general office of the office of the company; vice minister and office director of vehicle air conditioning integrated management department. Currently he is working as the director of the company's office, director of party office, employee supervisor.

Zhang Xiangdong, male, was born in May 1974, master degree of ideological education, with title of economist. He had served as technician of the 34th workshop, head of technical room of technical department of Foundry Factory, and chief of third section of processing line of casting department of Foundry Factory of Construction Group; he had served as officer of company union, salesman of sales company, head of company union office, and deputy minister of democratic management department of company union of the company; he had served as deputy leader of the preparatory group of Construction Industry Union, and served as the vice chairman of the union, and vice chairman (executive) of company union; he had served as party general branch secretary of Automotive Air-conditioning, and vice general manager of Automotive Air-conditioning; currently, he serves as secretary of the party committee, secretary of the Commission for Inspecting Discipline of the Company , and vice general manager of Automotive Air-conditioning .

Deng Xianming, male, was born in August 1965, bachelor of business management, engineer title. He had served as chief of the eighth factory room, assistant manager of automotive air-conditioning, technical chief of technical section, minister of manufacturing department, and deputy minister of production guarantee department in Construction Group; he had served as chief of the office of safety and environmental protection committee of the company, minister of environmental security department of the company, and vice general manager of automotive air-conditioning. Currently, he serves as the company's vice general manager, and vice general manager of Automotive Air-conditioning .

Mr.Hu Jiawang, male, was born in April 1974, bachelor's degree in foundry, on-the-job postgraduate, senior political engineer, engineer, and senior human resources manager. He had served as deputy secretary and deputy Division Chief of the company's foundry plant party branch, secretary and deputy director of the foundry plant party branch of the engine division, Division Chief of the comprehensive management department of the engine division, Division Chief of the comprehensive management department of the manufacturing department, secretary of the party branch, and deputy minister of the human resources department, vice chairman of the Association for Science and Technology, Minister of the Party and Mass Work Department, Vice Chairman of the Worker Union, Minister of Human Resources and Secretary of the Party Branch. Currently, he is the deputy general manager of the Company and the minister of the new energy division.

Mr. Zhang Hushan, male, was born in August 1987, bachelor degree, political engineer title. He had served as the operation administrator in the company's business planning department and secretary of the league branch of the business cooperation group (during the period of 2011.08~2013.02, worked in the capital operation department of

China South Industries Group Corporation); served as the general affairs officer of the company office, and he was the member of the Youth League Committee and the secretary of the league branch of the second group; he had served as deputy minister of the Business Planning Department and deputy minister of the Automotive Air Conditioning Business Planning Department. Currently, he is the deputy minister of the company's business planning department (the secretary-general office) and the deputy director of the secretary-general office; and he is the secretary of the Board of the Company.

Office taking in shareholder companies

Applicable Not applicable

Names of the persons in office	Names of the shareholders	Titles engaged in the shareholders	Sharing date of office term	Expiry date of office term	Does he /she receive remuneration or allowance from the shareholder
Lu Hongxian	Jianshe Mechanical and Electric(Controlling shareholder)	Secretary of the party committee Chairman	December 30,2015		Yes
Yan Xuechuan	Jianshe Mechanical and Electric (A wholly-owned subsidiary of a controlling shareholder)	Director, General Manager, Vice secretary of the party committee	August 14,2018		Yes
Tan Mingxian	Jianshe Mechanical and Electric (A wholly-owned subsidiary of a controlling shareholder)	Chief accountant	August 14,2018		Yes
Zhou Yongqiang	Southern Motorcycle (subsidiary of the holding shareholder)	Director of Enterprise Development Dept	July 1,2013		Yes

Offices taken in other organizations

Applicable Not applicable

Names	Name of the parties	Positions	Job started	Job ended	Take remunerations from the party
Hao Lin	Chongqing Tongke Technology Co., Ltd.	Chairman	July 1,1999		Yes
Li Dingqing	Chongqing Technology and Business University School of Accountancy	DEAN	December 31, 2012		Yes

Wang Jun	Shenwan Hongyuan Securities Co., Ltd. Chongqing Office	General manager	August 1,2015		Yes
Peng Jue	Southwest University School of Economics and Management	Department head	May 7,2014		Yes
Liu Zhiqiang	Tahota Law firm	Partner	May 31,2012		Yes

Punishments to the current and leaving board directors, supervisors and senior managers during the report period by securities regulators in the recent three years

Applicable Not applicable

IV. Remuneration to directors, supervisors and senior executives

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

The Company gives rewards to executives on annual basis which consist of basic annual rewards and performance rewards. Basic annual rewards are paid on monthly basis and performance rewards are distributed basing on the During the reporting period, there were 15 directors and supervisors who received remuneration from the company and paid a total of 3.1315 million yuan. As of the end of the period, the above salaries have been paid on schedule.

Remuneration of directors, supervisors, and executives in the report period

In RMB10,000

Name	Positions	Sex	Age	Office status	Total remuneration received from the shareholder	Remuneration actually receives at the end of the reporting period
Lv Hongxian	Board chairman	Male	49	In office		Yes
Yan Xuechuan	Director	Male	56	In office		Yes
TanMingxian	Director	Male	46	In office		Yes
Zhou Yongqiang	Director	Male	46	In office		Yes
Ye Yuxin	Director	Male	51	Dimission		Yes
Yu Wenbiao	Director	Male	52	Dimission		Yes
Fan Aijun	Director, General Manger CFO	Male	47	In office	45.66	No
Hao Lin	Director	Male	56	In office		Yes
Deng Gang	Employee Director	Male	41	In office	23.38	No
Li Dingqing	Independent Director	Male	55	In office	3	No
Wang Jun	Independent Director	Male	56	In office	3	No

Peng Jue	Independent Director	Female	64	In office	3	No
Liu Zhiqiang	Independent Director	Male	38	In office	3	No
Lv Cuiwei	Chairman of the supervisory committee	Female	50	In office		Yes
Tao Xuqian	Supervisor	Male	53	In office		Yes
Wu Haiwen	Supervisor	Male	42	In office		Yes
Xu Dongxia	Employee Supervisor	Female	45	In office	20.44	No
Wu Yangmin	Employee Supervisor	Male	38	In office	16.37	No
Zhang Xiangdong	Deputy General Manager	Male	44	In office	37.93	No
Xue Gangyi	Deputy General Manager, CFO, secretary of the Board	Male	37	Dimission	25.58	No
Zhang Guofeng	Deputy General Manager,	Male	53	Dimission	34.85	No
Deng Xianming	Deputy General Manager,	Male	53	In office	31.63	No
Cao Bing	Deputy General Manager,	Male	47	In office	33.58	No
Hu Jiawang	Deputy General Manager,	Male	45	In office	18.92	No
Zhang Hushan	Secretary of the Board	Male	32	In office	12.81	No
Total	--	--	--	--	313.15	--

Incentive equity to directors, supervisors or/and senior executives in the reporting period

Applicable Not applicable

V. Particulars about employees.

1. Staff jobs, education, job title number and proportion refer to the following pie chart:

Number of in-service staff of the parent company (person)	342
Number of in-service staff of the main subsidiaries (person)	809

Total number of the in-service staff (person)	1,151
Total number of staff receiving remuneration in the current period (person)	1,151
The number of the parent company and the main subsidiary's retired staffs who need to bear the cost (person)	132
Professional	
Classified according by Professions	Number of persons (person)
Production	773
Sales	34
Technical	200
Financial	38
Administrative	106
Total	1,151
Education	
Classified according by Professions	Number of persons (person)
Mid-school or below	706
Colleges or above	222
Universities or above	209
Postgraduate or above	14
Total	1,151

2. Remuneration policies

The mode of piecework wage for production personnel was carried out. Sales commissions are employed to sales personnel. Other employees will enjoy the basic broadband salary.

3. Training plan

In 2018, 43 items, 44 sessions were planned for the company's training program of the year, 43 items, 50 sessions on the company level were actually completed, 47 sessions of the department level, 54 external training was implemented and completed, a total of 2943 staff were trained, the total training hour reached 30381 hours, the average training hours for the staff of the company reached 33 hours, the company's annual training program

4. Outsourcing situation

Applicable Not applicable

IX. Administrative structure

I. Basic state of corporate governance

The company has established a decision-making, supervision and management system based on the general structure of the general meeting of shareholders, the board of directors, the board of supervisors, and the management layer in accordance with the laws and regulations of the Company Law, the Securities Law, and the Governance Standards for the Administration of Listed Companies. The company constantly improves its internal control system and promotes the corporate governance. The current situation of corporate governance is basically consistent with the relevant requirements of listed companies' governance rules.

I Shareholders and Shareholders' Meeting

The governance structure established by the company can protect all shareholders, especially small and medium shareholders, with equal status, shareholders enjoy equal rights according to their shares and undertake corresponding obligations. In accordance with the Rules of the General Meeting of the Shareholders of Listed Companies and the Rules of the Shareholders' Meeting, the company convenes the shareholders' meeting, and improves the participation of the shareholders by providing a combination of on-site voting and network voting.

II Controlling Shareholders and Listed Company

Our controlling shareholder is Military Equipment Group, and the actual controller is the State-owned Assets Supervision and Administration Commission. Neither the controlling shareholder nor the actual controller, beyond the shareholders' meeting, has directly or indirectly intervene in decisions or operation activities of company. Our company has independent and complete business with capacity of independent operation. Our business, employees, assets, organizations and finance are all independent from the controlling shareholder. Our board of directors, board of supervisors and internal organizations all enjoy their independent operations.

III Directors and Board of Directors

The board of Directors consists of 11 directors, including 1 directors, 4 independent directors and 1 staff director. The board consists of 4 special committees: strategy, audit, remuneration and assessment, and nomination.

The composition of the board of directors, the qualifications of directors and the procedures for selection and appointment are in conformity with the relevant laws, regulations and the provisions of the Articles of Association. The directors can work in accordance with the rules and regulations of the Articles of Association, the Rules of the Board of Directors, the System of Independent Directors, and the rules of the work of the committees, convene and attend the special committees, board of directors and shareholders' meetings, and faithfully and diligently perform their duties and obligations to safeguard the interests of the company and all shareholders.

IV Supervisors and Board of Supervisors

The company's board of supervisors consists of five supervisors, including one director of the board of supervisors and two staff supervisors. The composition of the board of supervisors, the qualifications of the supervisors and the procedures for selection and appointment are in conformity with the relevant laws, regulations

and the provisions of the Articles of Association. The supervisors can convene the board of supervisors, attend the board of directors and attend the general meeting of shareholders in accordance with the requirements of the regulations of the Articles of Association and the Rules of the Board of Supervisors, and supervise the performance of the company's finance, directors and executives effectively, and safeguard the interests of the company and the shareholders.

V Information Disclosure and Transparency

The secretary to the board of directors appointed by our company is responsible for the information disclosure, coordinating relations between company and investors and receiving shareholders and their consultations. The secretary should disclose real, accurate, complete and real-time information in strict accordance with some relevant laws and regulations and rules of Information Disclosure Management Method, and make sure that all shareholders are capable of acquiring information with equal chance. During the report period, information of financial data and production-sales-stock statement related to motorcycles and air condition compressors was sent to the Chongqing Economic and Information Commission, the Statistical Bureau of Banan District and the controlling shareholder. According to the Regulation System of External Information Submission and Utility and the Registration and Regulation System of Internal Information Insiders, external personnel in relevant external organizations will be registered as insiders for further reference by our company. Those external personnel will be reminded to undertake the responsibility of keeping secret. At the same time, our company tries to persist in the equal principle of information disclosure to ensure that all investors have equal access to the same information. Our company always appoints specific media to voluntarily disclose the information of production and sales of main products when we report relevant information monthly. In the report period, no case of undisclosed information leaked which caused the abnormal price and volume movement occurred.

Does there exist any difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC,

Yes No

There exist no difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC.

II. Independence and Completeness in business, personnel , assets, organization and finance

The Company is completely separate from the holding shareholder in aspects of business, asset, finance, and organization. It has its independent business operation.

1. Business: The Company has independent and complete development, purchase, production and marketing system. The Company is capable to perform business operation independently.
2. Personnel: The Company established independent functional department responsible for labor, personnel and wage management and formed labor, personnel and wage management system.
3. Asset: The Company's assets are independent and complete. The assets are registered, booked, accounted, and administrated independently.
4. Organization: The Company has established an organizational structure that is independent of its controlling shareholder. The organs of the Company are able to exercise their functions independently.
5. Finance: The Company has set up independent finance department, formed independent financial accounting system, established and perfected financial control system and internal control measures, opened independent bank accounts and paid taxes independently.

III. Competition situations of the industry

Applicable Not Applicable

IV. Annual General Meeting and Extraordinary Shareholders' Meetings in the Reporting Period

1. Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Disclosure date	Disclosure index
Annual General Meeting of 2017	Annual Shareholders' General Meeting	75.31%	May 17,2018	May 18,2018	For details please find the Resolutions of Shareholders' Meeting 2017, Announcement 2018-033 at http://www.cninfo.com.cn
The First Extraordinary shareholders' General meeting in 2018	Provisional shareholders' General meeting	74.45%	October 11,2018	October 12,2018	For details please find the Resolutions of the first Extraordinary Shareholders' Meeting of 2018, Announcement 2018-056 at http://www.cninfo.com.cn

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors in report period

1. The attending of independent directors to board meetings and shareholders' general meeting

The attending of independent directors							
Independent Directors	Number of Board meetings necessary to be attended in the	Number of spot attendances	Number of meetings attended by Communication	Number of attendances by representative	Number of absence	Failure to personally attend board meetings successively	Number of attendance at general meetings of shareholder

	reporting period					twice (Yes/No)	
Li Dingqing	7	4	3	0	0	No	2
Wang Jun	7	3	3	1	0	No	2
Peng Jue	7	4	3	0	0	No	2
Liu Zhiqiang	7	4	3	0	0	No	2

Notes to failure to personally attend Board Meetings Successively Twice

2. Objection of independent directors on some relevant issues

Objection of independent directors on some relevant issues

Yes No

Independent directors proposed no objection against the relevant matters in the reporting period.

3. Other notes to duty performance of independent directors

Has an independent director's advice to the Company been accepted

Yes No

Explanation on acceptance of or failure to accept an independent director's advice to the Company.

In 2018, Independent directors of the company through field visits, consult company data, listen to reports, understand the company's business operations, concerned about the company's cost control, the use of two gold, the investment risk of foreign joint venture establishment and the competition with the company's peers and other major aspects. Provide professional advice and management advice to the board of directors on major corporate decision-making matters in their respective fields of expertise, including: accelerating product transformation and upgrading, reducing financial expenses, and strengthening overseas business risk management and control. The company carefully listened to and adopted the recommendations of independent directors, constantly improved and improved the company's management level, and further promoted the healthy development of the company.

VI. Duty Performance of Special Committees under the Board of Directors in the Reporting Period

Fulfilling of duties of the committees from the date of previous annual report to the date before this report:

(I) The Auditing Committee held two meetings according to the Auditing Committee Working Criteria and Auditing Committee Annual Report Working Procedures. They were:

(1) Opinions about changes in the accounting policy

On June 15, 2018, the Ministry of Finance issued the "Notice on the Revision and Issuance of the Format of Financial Statements for General Enterprises in 2018" (No. 15-[2018] Accounting) (hereinafter referred to as the "Notice"), stipulated that enterprises that have not yet implemented the new financial standards and new revenue standards are applicable to this notice's provision for the preparation of the 2018 financial statements.

It complies with relevant regulations for the company implementing the above accounting policy, which can more objectively and fairly reflect the Company's financial status and operating results. It's recommended that the board of directors adjusts the company's current accounting policy in accordance with the above provision.

(2) Opinions on the 2018 annual financial statements prepared by the Company's finance department

The meeting reviewed the “Overall Audit Plan” prepared by the Company's annual auditing accountant and reviewed the 2018 annual financial statements provided by the Company's finance department. The meeting held that the formulation of the company's accounting statements meets the requirements of the Accounting Standards for Enterprises and other related regulations, the accounting policies and accounting estimates basically reflect the company's assets, operating conditions and cash flow, and agreed to submit to the accounting firm for preliminary review.

2. The audit committee of the company communicated and supervised the accounting firm during the audit of the annual report. On March 18, 2019, the accounting firm submitted preliminary review opinions to the company. On March 21, 2019, the Audit Committee convened its second meeting in 2019 and reviewed the company's 2018 annual accounting statements again, the review opinions are: the formulation of the company's 2018 accounting statements complies with the requirements of the Accounting Standards for Business Enterprises, and all expenditures are reasonable, the recognition of income, expenses, and profits is in compliance with laws, regulations, and relevant regulations, it truthfully and completely reflects the company's financial status, operating results and cash flow, and it is agreed to submit to the company's board of directors for review.

The meeting also summarized the annual auditing work of the accounting firm in 2018, which held that: Zhongxingcai Guanghua Certified Public Accountants LLP diligently and conscientiously performed the audit of the company's 2018 financial and internal control, complied with the requirements of the Chinese Certified Public Accountant Auditing Standards, abode by the professional ethics standards of the accounting firm, and expressed their opinions objectively and impartially on the company's accounting statements. It is recommended to continue to employ Zhongxingcai Guanghua Certified Public Accountants LLP for the company's 2019 annual financial statements and internal control audit work, and according to the changes in the scope of company consolidation and with reference to the professional accounting market of the accounting firm, it is recommended that the financial statement audit fee be RMB 450,000 and the internal control audit fee be RMB 150,000.

(II) According to the Working Rules of the Strategy Committee, the strategy committee of the board of directors held two meetings this year, specific details are as follows:

1. On January 3, 2019, the Strategy Committee held its first meeting in 2019, in which the matter of purchasing the Construction HANON equity was reviewed, with the opinion is as following:

It's considered that the Company's purchase of 24.64% stake of Construction HANHN held by Construction Electromechanical can further highlight the company's main business development and reduce the related transactions with Construction Electromechanical. It's agreed to submit the “Proposal on Purchasing the Equity of Chongqing Construction HANON Automobile Thermal Management System Co., Ltd” to the Board of Directors for deliberation.

2. The Company's strategy committee held its second meeting in 2019 on March 21, 2019, which analyzed the overall economic environment, industry development trends, its own advantages and problems, and discussed and proposed the development ideas of the next three years and the work priorities in 2019 for the Company's automotive air-conditioning compressor business.

(III) The Remuneration and Assessment Committee of the Board of Directors held the first meeting of 2019 on January 7, 2019 in accordance with the Working Rules of the Remuneration and Assessment Committee. The meeting formed the following opinions:

In accordance with the company's Advanced Management Evaluation and Awards and Incentive System, according to the company's production and operation conditions, combined with the work assessment of senior management personnel in charge, it is believed that the annual salary levels of the company's directors and senior

management personnel are in line with relevant company regulations and actual conditions.

(IV) The Nomination Committee of the company's board of directors has held three meetings in the year in accordance with the Detailed Rules for the Nomination Committee, details are as follows:

1. The company's nomination committee held its second meeting in 2017 on May 15, 2018. The meeting formed the following opinions:

Upon review, it's considered that Mr. Zhang Hushan serving as the secretary of the board of directors is in compliance with the requirements by the Shenzhen Stock Exchange Listing Rules and the Articles of Association of the Company. He has the ability to perform the duties in terms of qualifications, and is qualified to perform the duties required by the position employed. It's agreed to submit the "Proposal to Hire Zhang Hushan as Secretary of the Board of Directors" to the Board of Directors for deliberation.

2. The company's nomination committee held its Third meeting in 2018 on September 12, 2018. The meeting formed the following opinions:

It is agreed to recommend Yan Xuechan and Tan Mingxian as Director candidate, recommend Hu Jiawang as deputy general manager of the company, the above personnel have the ability to perform their duties in terms of qualification and are competent for the duties and responsibilities of the positions they are engaged in. Agreed to submit to the board of directors for review.

3. The company's nomination committee held its Frist meeting in 2019 on March 20, 2019. The meeting formed the following opinions:

It is agreed to recommend Dong Qihong and Zhang Di as Director candidate, recommend Yu Wenbiao, Fan Aijun and Tan Mingxian as deputy general manager of the company, recommend Tan Mingxian as CFO of the Company, the above personnel have the ability to perform their duties in terms of qualification and are competent for the duties and responsibilities of the positions they are engaged in. Agreed to submit to the board of directors for review.

VII. Work of the supervisory Committee

Did the supervisory Committee find any risk existing in performing the supervision activities in the reporting period

Yes No

The supervisory Committee has no objection agent any matters under supervision in the reporting period

VIII. Assessment and incentive Mechanism for Senior executives

The Company gives rewards to executives on annual basis which consist of basic annual rewards and performance rewards. Basic annual rewards are paid on monthly basis and performance rewards are distributed basing on the annual assessment on their performances and duties as well as democratic assessment.

IX. Internal control situations

1. Specific situations on major defects of internal control discovered during report period

□ Yes √ No

2. Self-evaluation report on internal control

Disclosure date of appraisal report on internal control	April 25, 2019	
Disclosure index of appraisal report on internal control	Juchao Website: (http://www.cninfo.com.cn), Announcement No.2019-035	
Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company	80.00%	
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of the company	96.00%	
Standards of Defects Evaluation		
Category	Financial Report	Non-financial Report
Qualitative standard	<p>General defects: ① Minor financial loss; ② Minor misstatement or omission of statement in terms of financial statement; ③ Minor damage of reputation caused by its negative influence in some regions. Serious defects: ① Bring some financial loss to company; ② Cause moderate misstatement or omission of statement in terms of financial statement; ③ Serious damage of reputation caused by its comparatively large-scale influence in some regions. Significant defects: ① Bring significant financial loss to company; ② Significant misstatement or omission of statement in terms of financial statement; ③ The significantly negative influence has attracted large-scale attention by the public and unrecoverable losses have been brought to company.</p>	<p>Indicator 1: General defects in company's daily operation. It's almost impossible that some specific business fails to operate normally. Other business activities and achievement of business goals will not be affected. Serious defects: It's reasonably possible that normal operations of some business may be influenced but it will not affect the sustainable operation of our company. Significant defects: it's reasonably possible that operation capacity of some business may be lost and it will endanger the company's sustainable operation. Indicator 2: Financial loss. General defects: It's almost impossible that minor financial losses may be led to company. Serious defects: It's reasonably possible that moderate financial losses may be led to company. Significant defects: It's</p>

		possible that significant financial losses may be led to company. Indicator 3: Reputation of company. General defects: It's almost impossible that the negative information popular in some regions will be caused, which may further affect company's reputation. Serious defects: It's reasonably possible that the negative information popular in some regions will be caused, which may lead moderate influence to company's reputation. Significant defects: It's reasonably possible that the negative information popular in some regions will be caused, which may lead significant influence to company's reputation.
Quantitative criteria	Indicator: The proportion of misstatement in the overall assets. General defects: It's almost impossible that the amount of misstatement accounting for 0.05% of the overall assets or less will occur. Serious defects: It's reasonably impossible that the amount of misstatement accounting 0.05% to 1% of the overall assets will occur. Significant defects: It's reasonably possible that the amount of misstatement accounting for 1% of the overall assets or more will occur.	Indicator: The proportion of financial losses in the overall assets. General defects: It's almost impossible that the amount of financial losses accounting for 0.05% of overall assets or less will occur. Serious defects: It's reasonably possible that the amount of financial losses accounting for 0.05% to 1% of the overall assets will occur. Significant defects: It's reasonably possible that the amount of financial losses accounting for 1% of the overall assets or more will occur.
Number of major defects in financial reporting (a)		0
Number of major defects in non financial reporting (a)		0
Number of important defects in financial reporting (a)		0
Number of important defects in non financial reporting (a)		0

X. Internal Control audit report

√ Applicable □ Not applicable

Review opinions in the internal control audit report	
We acknowledge that Chongqing Jianshe Vehicle System Co., Ltd. has been conducting effective internal control in all material aspects complying with “Fundamental Rules of Enterprise Internal Control” .	
Disclosure date of audit report of internal control (full-text)	Disclosure
Index of audit report of internal control (full-text)	April 25, 2019
Internal audit report’s opinion	Juchao Website: (http://www.cninfo.com.cn), Announcement No.2019-052
Type of audit report on internal control	Unqualified auditor’s report
Whether there is significant defect in non-financial report	No

Has the CPAs issued a qualified auditor’s report of internal control .

Yes No

Does the internal control audit report issued by the CPAs agree with the self-assessment report of the Board of Directors

Yes No

X. Corporation bonds

Whether or not the Company public offering corporation bonds in stock exchange, which undue or without payment in full at maturity on the approval date for annual report disclosed

No

Chongqing Jianshe Vehicle System Co.,Ltd.

(second-class)

Auditors' Report

Z.X.C.G.H.S.K.Zi [2019]No.302010

**Zhongxingcai Guanghua Certified Public Accountants
LLP
(Special General Partnership)**

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Auditors' Report

Z.X.C.G.H.S.K.Zi [2019]No.302010

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

I . Audit opinion

We have audited the accompanying financial statements of Chongqing Jianshe Vehicle System Co., Ltd. (hereinafter referred to as "Chongqing Jianshe"), which comprises the consolidated balance sheet and the company's balance sheet as on December 31, 2018, the consolidated Income Statement and the Company's Income Statement, the consolidated statement of cash flows and the Company's statement of cash flows, the consolidated statement of changes in owners' equity and the company's statement of changes in owners' equity for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements of Chongqing Jianshe present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2018, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. In accordance with professional ethics for certified public accountants, we are independent with Chongqing Jianshe and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are matters that we consider to be the most important in the audit of the current financial statements based on our professional judgement. These matters should be

addressed against the background of an audit of the financial statements as a whole and the formation of an audit opinion, and we do not express an opinion on these matters separately. We have identified the following as key audit matters that need to be communicated in the audit report.

(I) Key Audit Matters: Impairment of fixed Assets

1. Item Description

Please refer to Note 3.21 of Annotation 3、 Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 5.35、 5.11 of Annotation 5、 Operating Income and Operating Costs for related information disclosed.

On December 31, 2018, Chongqing Jianshe prepared 12,745,400 Yuan for impairment provision to machinery and equipment impairment. The management determined the recoverable amount of the fixed assets based on the higher amount between the present value of future cash flows and the net amount of fair value less the disposal expenses, and took impairment test by comparing recoverable amounts against book values. Since the estimation of recoverable amounts of fixed assets involves significant judgments and estimates made by the management, including the fair value of assets, disposal expenses, discount rates and the expected future cash flow of assets, and the amount of impairment losses calculated is significant, therefore we identify impairment of fixed assets as a key audit item.

2. Countermeasures of Audit

Our main audit procedures for the above key audit matters related to the impairment of fixed assets are as follows:

(1) We understood and evaluated the company's internal controls relating to the identification of signs of impairment of assets and the measurement of recoverable amounts;

(2) We investigated the related fixed assets on the spot、conducted interviews and carried out the supervision of counting program to find out whether the assets had some problems such as backward technology, long-term idle, as well as the load rate and so on.

(3) We obtained and reviewed the asset appraisal report of the external asset appraisal agency and evaluated the rationality of the important parameters of determining the recoverable amount of fixed assets and the discount rate used.

We checked the accounting Treatment to verify the correctness of the fixed assets impairment account processing and the accuracy of the amount of money.

(II) Key Audit Matters: Income Confirmation

1. Item Description

Please refer to Note 3.26 of Annotation 3、 Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 5.29 of Annotation 5、 Operating Income and Operating Costs for related information disclosed.

The operating income of Chongqing Jianche in 2018 was 972 million Yuan, which is an important component of the consolidated income statement. Among them, the sales revenue of Chongqing Jianshe Automobile A/C accounts for 93.81% of the operating income and is divided into three categories according to customer groups:

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

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

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

Operating income is one of the key performance indicators of Chongqing Jianshe. The revenue recognition type is various and complicated, and there is the inherent risk that management can manipulate income to achieve certain goals or expectations. Therefore, we identified the operating income to key audit matters for the company.

2. Countermeasures of Audit

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

(1) We understood and evaluated the revenue recognition policy by reviewing sales contracts and interviews with management.

(2) We conducted interviews with management and governance to assess the risk of integrity and fraud.

(3) We understudied and tested the internal controls associated with income, and determined it's reliable.

(4) Perform analytical procedures on revenue and cost, including: the analysis of monthly income, cost and fluctuation of gross profit in current period, comparison analysis of the main product's current income, cost and gross profit with previous period, to judge the rationality of sales revenue and gross profit rate changes.

(5) Execution of detail test, we have sampled the inventory receipt and sending records, sales contracts, sales orders, sales invoices, shipping documents, bills of current account and receipt document and other supporting documents, checked receipt records, done external confirmation for final accounts receivable, and confirmed the authenticity of sales revenue.

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

(III) Key Audit Matters : Income Confirmation

1. Item Description

Details of the disclosure of the relevant information can be found in the notes to the financial statements, "5, consolidated financial statement items" 5.36-income on investment and " and 6, changes in the scope of consolidation" 6.1-disposal of the subsidiary (1) loss of control of the subsidiary investment in a single disposal.

Chongqing Construction car is publicly listed through the Shanghai United property Exchange to transfer its 51% stake in Shanghai Jianshe Motorcycle Co., Ltd. (hereinafter

referred to as "Shanghai Jianshe"). This share transfer has been considered and approved at the fifth meeting of the eighth session of the Board of Directors of Chongqing Jianshe and the second interim general meeting of shareholders in 2017.

The transfer of Shanghai Construction shares by the shareholders of Shanghai Construction Motorcycle Co., Ltd. was listed on the Shanghai Stock Exchange on December 1, 2017. On May 25, 2018, Shanghai Hecang Industrial Co., Ltd. (hereinafter referred to as "Shanghai Hecang"), a transferee, agreed to grant 100% of Shanghai Construction shares to 120 million Yuan in accordance with the law (of which Chongqing Jianshe holds 51% shares). The three parties to the transaction signed the "Shanghai property right transaction contract" in Shanghai on June 15, 2018.

There is no relationship between Chongqing Jianche and Shanghai Hutang, and the transfer of equity does not constitute related transaction. The transfer of equity does not constitute a major asset restructuring or backdoor situation as stipulated in the measures for the Management of Major assets reorganization of listed companies.

In accordance with the agreement of the three parties to the transaction to sign the "Shanghai property right transaction contract", Shanghai Hecang agreed to grant 100% of Shanghai Jianshe for 120 million Yuan (of which the Company enjoys 51% and Shenjiang Technology 49%). Among them, the 51% share price of the Company is 61.2 million Yuan, which was paid to the designated account of Chongqing Jianshe on June 22, 2018 through the Shanghai Stock Exchange.

Chongqing Jianshe has received the full price corresponding to the transfer of 51% of Shanghai Jianshe shares on June 22, 2018, and has fulfilled the information disclosure. According to the agreement of "Shanghai property right transaction contract" signed by both parties, Shanghai Hecang Industrial Co., Ltd is responsible for the registration of the change of warrant of the subject matter of property right transaction. Shanghai Hecang has submitted the full information to the local industrial and commercial administration, and completed the formalities of transferring shares in January 2019, and has changed the Business license of Enterprise legal person.

The effect of this item on the total profit of the consolidated financial statements of Chongqing Construction car is 59,095,100 Yuan, and the total profit of individual statements of the company is 52,668,500 Yuan.

2. Countermeasures of Audit

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

(1) By checking the ownership structure of Chongqing Jianshe and Shanghai Hechang Industrial Co., Ltd to judge whether the transaction belongs to the related transaction or not;

(2) We obtained the board resolution, the shareholders' meeting resolution, the share transfer agreement related to the transaction, and reviewed the transaction pricing principle and basis. We obtained the "assessment report" issued by the external evaluation body with 31 May 2017 as the base date of the evaluation and reviewed the main assumptions, parameters, assessment methods, calculation processes, etc., contained in the evaluation report. And the competence, independence and objectivity of the evaluation expert are evaluated, and the fair pricing of the transaction is judged.

(3) We carried out audit procedures, such as inspection, inquiry, and so on, to examine the actual performance of the transaction and to determine the reasonableness of the management's determination of the date of disposal, and carry out the analysis procedure, recalculate and other audit procedures to review the accuracy of Chongqing Construction car to calculate the profit and loss on the sale of equity and the related accounting treatment;

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

IV. Other information

The Company's management of Chongqing Jianche (hereinafter referred to as "management") is responsible for the other information. The other information comprises all of the information included in the Company's 2018 Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to

be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

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

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the opinion.

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

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

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

Zhongxingcai Guanghua Certified Public Accountants LLP

(Special General Partnership)

CPA:

(Engagement Partner)

CPA:

Beijing China

April 23, 2019

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Balance Sheet and the Company's Balance Sheet

December 31, 2018 (Expressed in CNY unless otherwise stated)

Assets	Note	Balance as at December 31, 2018		Balance as at December 31, 2017	
		Consolidation	Parent	Consolidation	Parent
Current assets:					
Cash and cash equivalents	5.1	351,903,987.18	66,377,117.54	249,648,466.46	93,728,199.64
Financial assets measured at fair value through current profit and loss					
Derivative financial assets					
Notes and Accounts receivable	5.2	302,964,300.79	13,806,752.51	298,184,618.93	530,209.04
Advances to suppliers	5.3	15,797,660.14	7,910,371.97	13,371,261.26	4,852,929.09
Other receivables	5.4	2,414,406.24	567,726.24	7,736,032.47	5,867,166.58
Inventories	5.5	177,566,823.26	14,582,880.35	176,214,199.33	1,273,568.27
Available for sale assets					
Non-current assets maturing within one year					
Other current asset	5.6	4,292,742.61	4,292,742.61	3,257,224.78	2,218,853.36
Total current assets		854,939,920.22	107,537,591.22	748,411,803.23	108,470,925.98
Non-current assets:					
Available-for-sale financial assets	5.7				
Held-to-maturity investments					
Long-term receivables					
Long-term equity investments	5.8	187,208,081.45	347,208,081.45	84,591,794.06	252,751,794.06
Investment properties	5.9	45,698,993.28	45,698,993.28	110,646,354.41	110,646,354.41
Fixed assets	5.1	341,863,883.57	121,333,665.76	334,707,635.51	92,238,100.45
Construction in progress	5.11			4,800,176.35	
Productive biological assets					
Oil and gas assets					
Intangible assets	5.12	23,481,249.43	15,007,629.61	11,383,982.46	
Development expenses					
Goodwill					
Long-term deferred expenses	5.13	1,912,833.34	1,418,480.05	1,327,675.53	
Deferred income tax assets	5.14	4,850,090.39		1,831,732.07	
Other non-current assets	5.15	1,815,521.86		4,537,273.53	
Total non-current assets		606,830,653.32	530,666,850.15	553,826,623.92	455,636,248.92
Total assets		1,461,770,573.54	638,204,441.37	1,302,238,427.15	564,107,174.90

Legal Representative of Enterprise: Hongxian Lv

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Balance Sheet and the Company's Balance Sheet (Continued)

December 31, 2018 (Expressed in CNY unless otherwise stated)

Liabilities and Shareholder's Equity	Note	Balance as at December 31, 2018		Balance as at December 31, 2017	
		Consolidation	Parent	Consolidation	Parent
Current liabilities:					
Short-term borrowings	5.16	262,000,000.00		312,000,000.00	
Financial liabilities measured at fair value through current profit and loss					
Derivative financial liabilities					
Notes and Accounts payable	5.17	865,358,755.60	200,972,608.59	591,159,230.79	135,394,136.00
Advances from customers	5.18	1,982,012.20	180,083.38	2,317,670.14	180,083.38
Payroll Payable	5.19	3,155,693.31	185,652.20	3,684,784.25	458,709.22
Taxes payable	5.20	19,484,228.95	15,239,129.76	15,659,997.79	15,345,282.22
Other payable	5.21	14,988,432.94	223,902,707.22	44,403,126.16	214,153,117.35
Held for sale liabilities					
Non-current liabilities maturing within one year	5.22	1,500,000.00		47,090,000.00	
Other current liabilities					
Total current liabilities		1,168,469,123.00	440,480,181.15	1,016,314,809.13	365,531,328.17
Non-current liabilities:					
long term borrowings	5.23	-		1,500,000.00	
Bonds payable					
Including: preferred stock					
perpetual bond					
Long-term payables					
Long-term Payroll Payable					
Estimated Liabilities					
Deferred income					
Deferred income tax liabilities					
Other non-current liabilities					
Total non-current liabilities		-	-	1,500,000.00	-
Total liabilities		1,168,469,123.00	440,480,181.15	1,017,814,809.13	365,531,328.17
Owners' equity:					
Share capital	5.24	119,375,000.00	119,375,000.00	119,375,000.00	119,375,000.00
Other equity instruments					
Including: Preferred shares					
Perpetual bond					
Capital reserves	5.25	958,565,294.29	958,565,294.29	958,565,294.29	958,565,294.29
Less: treasury stock					
Other comprehensive income	5.26	9,800.00	9,800.00	9,800.00	9,800.00
Special reserves					
Surplus reserves	5.27	125,686,000.00	125,686,000.00	125,686,000.00	125,686,000.00
Retained Earnings	5.28	-910,334,643.75	-1,005,911,834.07	-920,877,890.80	-1,005,060,247.56
Total equity attributable to owners of the parent company		293,301,450.54	197,724,260.22	282,758,203.49	198,575,846.73
Minority equity				1,665,414.53	
Total owners' equity		293,301,450.54	197,724,260.22	284,423,618.02	198,575,846.73
Total liabilities and owners' equity		1,461,770,573.54	638,204,441.37	1,302,238,427.15	564,107,174.90

Legal Representative of Enterprise: Hongxian Lv

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Income Statement and the Company's Income statement

FY 2018 (Expressed in CNY unless otherwise stated)

Item	Note	Balance as at December 31, 2018		Balance as at December 31, 2017	
		Consolidation	Parent	Consolidation	Parent
I Total operating income	5.29	971,804,000.23	739,636,495.18	1,009,531,078.68	666,417,566.54
less: Total operating costs	5.29	824,256,204.84	715,789,029.14	837,633,444.28	608,004,295.67
Taxes and surcharges	5.30	8,230,871.86	3,324,585.47	8,928,247.20	3,356,340.72
Selling expenses	5.31	26,907,009.75	1,372,517.94	28,461,519.31	18,104.97
General and administrative expenses	5.32	80,279,460.82	43,595,259.67	61,770,635.46	20,895,119.61
R&D expense	5.33	13,728,589.43	606,332.84	11,848,985.86	-
Financial expenses	5.34	32,854,038.18	16,469,655.89	34,414,583.70	12,614,100.33
Including: Interest expense		13,188,395.86		16,285,785.27	
Interest income		1,601,397.09	42,706.72	2,670,609.99	224,604.54
Losses from asset impairment	5.35	34,695,144.97	12,696,707.18	14,443,707.63	14,031,527.04
add: Other income	5.38	1,596,050.00	1,050.00	454,100.00	56,900.00
Investment income ("-" for losses)	5.36	58,779,354.04	52,724,287.39	3,483,081.75	3,483,081.75
Including: income from investment in associates and joint ventures		-383,712.61	-383,712.61	3,483,081.75	3,483,081.75
Gain on changes in fair value ("-" for loss)					
Asset disposal income ("-" for losses)	5.37	784,500.48	996,464.53	31,763.59	31,763.59
II Operating profits ("-" for losses)		12,012,584.90	-495,791.03	15,998,900.58	11,069,823.54
Plus: Non-operating income	5.39	395,515.24	2,501.06	472,393.49	200,000.28
Minus: Non-operating expenses	5.40	460,352.30	358,296.54	449,879.93	
III. Total profits ("-" for total losses)		11,947,747.84	-851,586.51	16,021,414.14	11,269,823.82
Minus: income tax expenses	5.41	1,047,528.39		1,201,173.51	
IV. Net profit ("-" for net loss)		10,900,219.45	-851,586.51	14,820,240.63	11,269,823.82
1. Classification according to net profit of going concern		10,900,219.45	-851,586.51	14,820,240.63	11,269,823.82
(1) Continuous operating net profit ("-" for losses)		10,900,219.45	-851,586.51	14,820,240.63	11,269,823.82
(2) net profit of Termination ("-" for losses)					
2. Classification according to ownership		10,900,219.45		14,820,240.63	
(1) Net profit attributable to owners of the parent company		10,543,247.05		14,375,111.84	
(2) Net of profit attributable to owners of Minority shareholders' equity		356,972.40		445,128.79	
V. Net of tax of other comprehensive income		-	-	-	-
Net profit attributable to owners of the parent company		-	-	-	-
1. Other comprehensive income that cannot be reclassified into gains and losses subsequently		-	-	-	-
(1) Changes in net liabilities or net assets arising from re-measurement of defined benefit plan					
(2) Share in other comprehensive income of the investee cannot be reclassified into gains and losses under the equity method					
2. Other comprehensive income to be reclassified into gains and losses subsequently		-	-	-	-
(1) Share in other comprehensive income of the investee to be reclassified into gains and losses under the equity method					
(2) Gains and losses on changes in fair value of financial assets available for sale					
(3) Gains and losses arising from reclassification of held-to-maturity investments as financial assets available for sale					
(4) Effective portion of cash flow hedging gains and losses					
(5) Translation differences of financial statements denominated in foreign currency					
Net of tax of other comprehensive income attributable to non-controlling shareholders					
VI. Total comprehensive incomes		10,900,219.45	-851,586.51	14,820,240.63	11,269,823.82
Total comprehensive income attributable to owners of the parent company		10,543,247.05		14,375,111.84	
Total comprehensive income attributable to owners minority shareholders		356,972.40		445,128.79	
VII. Earnings per share:					
1. Basic earnings per share (RMB/Share)		0.088		0.120	
2. Diluted earnings per share (RMB/Share)		0.088		0.120	

Legal Representative of Enterprise: Hongxian Lv

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

Chongqing Jianshe Vehicle System Co., Ltd.
Consolidated Statement of Cash Flows and the Company's Statement of Cash Flows
FY 2018 (Expressed in CNY unless otherwise stated)

Item	Note	Balance as at December 31, 2018		Balance as at December 31, 2018	
		Consolidation	Parent	Consolidation	Parent
I. Cash flows from operating activities:					
Cash received from sale of goods and rendering of services		413,157,587.10	150,549,265.21	434,498,107.83	197,087,460.94
Refunds of taxes and surcharges		18,524,956.16		10,819,654.66	
Cash received from other operating activities	5.42 (1)	7,113,655.53	54,927.41	7,815,480.28	298,743.12
Sub-total of cash inflows from operating activities		438,796,198.79	150,604,192.62	453,133,242.77	197,386,204.06
Cash paid for goods purchased and services received		116,541,272.34	73,178,612.22	236,512,168.09	143,367,067.22
Cash paid to and on behalf of employees		116,982,225.28	50,240,201.69	61,560,096.17	26,384,791.72
Cash paid for taxes and surcharges		20,486,895.97	7,415,329.98	28,133,730.87	12,674,541.82
Cash paid for other operating activities	5.42 (2)	21,961,291.65	2,851,562.79	63,947,140.48	4,369,660.42
Sub-total of cash outflows from operating activities		275,971,685.24	133,685,706.68	390,153,135.61	186,796,061.18
Net cash flows from operating activities		162,824,513.55	16,918,485.94	62,980,107.16	10,590,142.88
II. Cash flows from investing activities:					
Cash received from disposal of investments					
Cash received from returns on investments		3,500,000.00	3,500,000.00	4,000,000.00	4,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		70,075.00			
Cash inflow from disposal of subsidiaries and other operating units		57,241,287.10			
Cash received from other investing activities					
Sub-total of cash inflows from investing activities		60,811,362.10	64,700,000.00	4,000,000.00	4,000,000.00
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		8,163,766.13	4,415,249.86	9,160,272.52	838,000.00
Cash paid for investments		106,500,000.00	106,500,000.00		
Net cash paid to acquire subsidiaries and other business units					
Cash paid for other investing activities					
Sub-total of cash outflows from investing activities		114,663,766.13	110,915,249.86	9,160,272.52	838,000.00
Net cash flows from investing activities		-53,852,404.03	-46,215,249.86	-5,160,272.52	3,162,000.00
III. Cash flows from financing activities					
Cash received from investors					
Including: Cash received by subsidiaries absorbing minority equity investments					
Cash received from borrowings		342,000,000.00		352,000,000.00	
Cash received from bonds issuance					
Cash received from other financing activities	5.42 (3)	773,155,280.42	900,486,311.58	980,258,966.51	884,284,076.41
Sub-total of cash inflows from financing activities		1,115,155,280.42	900,486,311.58	1,332,258,966.51	884,284,076.41
Cash paid for debt repayments		439,090,000.00		300,600,000.00	
Cash paid for distribution of dividends and profits or payment of interest		17,598,780.59		23,630,247.10	
Including: Dividends, profits paid by subsidiaries to minority shareholders					
Cash paid for other financing activities	5.42 (4)	821,112,945.47	898,540,629.76	1,213,391,846.05	1,051,890,598.80
Sub-total of cash outflows from financing activities		1,277,801,726.06	898,540,629.76	1,537,622,093.15	1,051,890,598.80
Net cash flows from financing activities		-162,646,445.64	1,945,681.82	-205,363,126.64	-167,606,522.39
IV. Effect of fluctuation in exchange rate on cash and cash equivalents					
V. Net increase in cash and cash equivalents		-53,674,336.12	-27,351,082.10	-147,543,292.00	-153,854,379.51
Plus: balance of cash and cash equivalents at the beginning of the period		126,225,466.46	93,728,199.64	273,768,758.46	247,582,579.15
VI. Balance of cash and cash equivalents at the end of the period		72,551,130.34	66,377,117.54	126,225,466.46	93,728,199.64

Legal Representative of Enterprise: Hongxian Lv

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

Chongqing Jianshe Vehicle System Co.,Ltd.
Consolidated Statement of Changes in Owners' Equity

December 31, 2018 (Expressed in CNY unless otherwise stated)

Item	Year 2018												Minority equity	Total owners' equity
	Equity attributable to owners of the parent company													
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Sub-total		
	Preferre d shares	Perpetual bond	Others											
I .Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-920,877,890.80		282,758,203.49	1,665,414.53	284,423,618.02
Plus: adjustments for changes in accounting policies												-		-
Adjustments for correction of accounting errors in prior year												-		-
Business combination involving entities under common control												-		-
Others												-		-
II . Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-920,877,890.80	-	282,758,203.49	1,665,414.53	284,423,618.02
III.Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-	-	10,543,247.05	-	10,543,247.05	-1,665,414.53	8,877,832.52
1.Total comprehensive incomes										10,543,247.05		10,543,247.05	356,972.40	10,900,219.45
2.Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-	-	-	-2,022,386.93	-2,022,386.93
(1)Common shares from shareholders												-		-
(2)Investment capital from the holders of other equity instruments												-		-
(3)Amount of the share-based payment included in the owners' equity												-		-
(4)Others												-	-2,022,386.93	-2,022,386.93
3.Distribution of profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1)Withdrawal of surplus reserves												-		-
(2)Distribution to owners or shareholders												-		-
(3)Others												-		-
4.Internal carry-forward of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1)Conversion of capital reserves into paid-in capital												-		-
(2)Conversion of surplus reserves into paid-in capital												-		-
(3)Surplus reserves offsetting losses												-		-
(4)Set benefit plan changes carry-over retained income												-		-
(5)Others												-		-
5.Special reserves												-	-	-
(1)Amount withdrawn in the current year												-		-
(2)Amount used in the current year												-		-
6.Others												-		-
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-910,334,643.75	-	293,301,450.54	-	293,301,450.54

Legal Representative of Enterprise: Hongxian Lv

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

Chongqing Jianshe Vehicle System Co.,Ltd.
Consolidated Statement of Changes in Owners' Equity

December 31, 2017 (Expressed in CNY unless otherwise stated)

Item	Year 2017													
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive	Special reserves	Surplus reserves	Undistributed profits	Others			Sub-total
	Preferred shares	Perpetual bond	Others			ive								
I. Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-935,253,002.64		268,383,091.65	1,220,285.74	269,603,377.39
Plus: adjustments for changes in accounting policies												-		-
Adjustments for correction of accounting errors in prior year												-		-
Business combination involving entities under common control												-		-
Others												-		-
II. Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-935,253,002.64		268,383,091.65	1,220,285.74	269,603,377.39
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-	-	14,375,111.84		14,375,111.84	445,128.79	14,820,240.63
1.Total comprehensive incomes										14,375,111.84		14,375,111.84	445,128.79	14,820,240.63
2.Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-		-	-	-
1)Common shares from shareholders												-		-
(2)Investment capital from the holders of other equity instruments												-		-
(3)Amount of the share-based payment included in the owners' equity												-		-
(4)Others												-		-
3.Distribution of profits	-	-	-	-	-	-	-	-	-	-		-	-	-
(1)Withdrawal of surplus reserves												-		-
(2)Distribution to owners or shareholders												-		-
(3)Others												-		-
4.Internal carry-forward of owners' equity	-	-	-	-	-	-	-	-	-	-		-	-	-
(1)Conversion of capital reserves into paid-in capital												-		-
(2)Conversion of surplus reserves into paid-in capital												-		-
(3)Surplus reserves offsetting losses												-		-
(4)Set benefit plan changes carry-over retained income												-		-
(5)Others												-		-
5.Special reserves												-	-	-
(1)Amount withdrawn in the current year												-		-
(2)Amount used in the current year												-		-
6.Others												-		-
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-920,877,890.80		282,758,203.49	1,665,414.53	284,423,618.02

Legal Representative of Enterprise: Hongxian Lv

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

Chongqing Jianshe Vehicle System Co.,Ltd.
Statement of Changes in Owners' Equity
December 31, 2018 (Expressed in CNY unless otherwise stated)

Item	Year 2018											
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equity
		Preferred shares	Perpetual bond	Others								
I. Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,005,060,247.56		198,575,846.73
Plus: adjustments for changes in accounting policies												-
Adjustments for correction of accounting errors in prior year												-
Others												-
II. Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,005,060,247.56	-	198,575,846.73
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-	-	-851,586.51	-	-851,586.51
1.Total comprehensive incomes										-851,586.51		-851,586.51
2.Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-	-	-
1)Common shares from shareholders												-
(2)Investment capital from the holders of other equity instruments												-
(3)Amount of the share-based payment included in the owners' equity												-
(4)Others												-
3.Distribution of profits	-	-	-	-	-	-	-	-	-	-	-	-
(1)Withdrawal of surplus reserves												-
(2)Distribution to owners or shareholders												-
(3)Others												-
4.Internal carry-forward of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
(1)Conversion of capital reserves into paid-in capital												-
(2)Conversion of surplus reserves into paid-in capital												-
(3)Surplus reserves offsetting losses												-
(4) Set benefit plan changes carry-over retained income												-
(5)Others												-
5.Special reserves								-				-
(1)Amount withdrawn in the current year												-
(2)Amount used in the current year												-
6.Others												-
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,005,911,834.07	-	197,724,260.22

Legal Representative of Enterprise: Hongxian Lv

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

Chongqing Jianshe Vehicle System Co.,Ltd.
Statement of Changes in Owners' Equity
December 31, 2017 (Expressed in CNY unless otherwise stated)

Item	Year 2017											
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equity
		Preferred shares	Perpetual bond	Others								
I. Balance as at December 31 of last year	119,375,000.00				958,565,294.29		9,800.00		125,686,000.00	-1,016,330,071.38		187,306,022.91
Plus: adjustments for changes in accounting policies												-
Adjustments for correction of accounting errors in prior year												-
Others												-
II. Balance as at January 1 of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,016,330,071.38	-	187,306,022.91
III. Increase/(decrease) for the current year ("-" for losses)	-	-	-	-	-	-	-	-	-	11,269,823.82	-	11,269,823.82
1. Total comprehensive incomes										11,269,823.82		11,269,823.82
2. Capital contributed or reduced by owners	-	-	-	-	-	-	-	-	-	-	-	-
1) Common shares from shareholders												-
(2) Investment capital from the holders of other equity instruments												-
(3) Amount of the share-based payment included in the owners' equity												-
(4) Others												-
3. Distribution of profits	-	-	-	-	-	-	-	-	-	-	-	-
(1) Withdrawal of surplus reserves												-
(2) Distribution to owners or shareholders												-
(3) Others												-
4. Internal carry-forward of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
(1) Conversion of capital reserves into paid-in capital												-
(2) Conversion of surplus reserves into paid-in capital												-
(3) Surplus reserves offsetting losses												-
(4) Set benefit plan changes carry-over retained income												-
(5) Others												-
5. Special reserves								-				-
(1) Amount withdrawn in the current year												-
(2) Amount used in the current year												-
6. Others												-
IV. Ending balance of the current year	119,375,000.00	-	-	-	958,565,294.29	-	9,800.00	-	125,686,000.00	-1,005,060,247.56	-	198,575,846.73

Legal Representative of Enterprise: Hongxian Lv

Accounting Principal: Mingxian Tan

Accounting Firm's Principal: Yanli Niu

Notes To Financial Statements

1、Corporate Information

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

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

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

On December 21, 2018 , The company received the " Confirmation of registration of securities transfer " issued by the Shenzhen Branch of China Securities Registration and Clearing Co., Ltd., and the registration procedures for the transfer of shares under this agreement have been completed in the Shenzhen branch of China Securities Registration and settlement Co., Ltd.

After the completion of this agreement transfer, Chongqing Jianshe mechanical and electrical co., LTD., would no longer hold shares of the company. GSGC became the controlling

shareholder of the company, the proportion of shareholding is 71.13%, and the nature of the shares is State-owned legal person shares.

The ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission (SASAC).

As at December 31, 2018, the Company issued 119,375,000 shares in total and had the registered capital of 119,375,000. The registration place: NO.1, JIANSHE ROAD HUAXI INDUSTRY PARK, BANAN DISTRICT, CHONGQING; the headquarters address: Banan District, Chongqing Municipality. Legal representative: Lv Hongxian. The main business activities: research and development, processing, manufacturing and related technical services of Motorcycles, auto parts, accessories, machinery products, design , manufacturing and related technical services of tooling (except for those subject to national special provisions) ; R & D, production and sales of motorcycle engines; research , development and processing of mechanical and electrical products, home appliances, bicycles, environmental protection product; imports, wholesale, retail, commission agency (except auction) of similar products of these products.

The disclosure of the financial report was approved by the Board of Directors on April 23, 2019.

As at December 31, 2018, one subsidiary was included in the scope of consolidated financial statements of the Company, See "Note 7 Equity in other entities" for details of scope consolidated financial statements. The scope consolidated financial statements of this year has reduced 1 subsidiary compared with the last year, See "Note 6 Changes in the scope of business combinations " for details.

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

2、Basis for the Preparation of financial statements

2.1 Basis for Preparation

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

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

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

2.2 Going Concern

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

3、Principal accounting policies and accounting estimates

3.1 Statements on Compliance with Accounting Standards for Business Enterprises

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

3.2 Accounting period

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

3.3 Operating cycle

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

3.4 Functional currency

The functional currency is CNY.

3.5 Accounting treatments of the combination of enterprises under common control and the combination of enterprises not under the common control

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

(1) Business combination under common control

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

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

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

(2) Combination of enterprises not under the common control

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

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

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

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

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

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

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

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

3.6 Preparation of consolidated financial statements

(1) Principle for determining the consolidation scope

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

subsidiary is an enterprise or entity controlled by the Group.

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

(2) Compiling method of consolidated accounting statements

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

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

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

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

current period shall be stated as “minority interest income” and listed under the net profit in the consolidated financial statement. Moreover, the minority equity is still offset even if the losses of the subsidiaries undertaken by the minority shareholders are beyond the portion of the shareholders’ equity shared by the minority shareholders of the company at the beginning of period.

When the control on the original subsidiaries lost due to the disposal of partial equity investment or other reasons, the remaining equity should be measured again according to the fair value on the control lost date. The difference of the consideration acquired by the disposal of equity and the fair value of the surplus equity less the net assets portion of the original subsidiaries calculated from the purchase date as per the original stock proportion shall be recorded into the current investment income after the control lost. Other comprehensive returns relevant to the original subsidiary shares investment shall be disposed through the accounting treatment on the same basis of the direct disposal of the relevant assets or liabilities by the acquiree when the control lost (Namely, all the rest are transferred into the current investment incomes, with the exception of the changes caused by the net liabilities or the net assets of the defined benefit plans re-measured by the original subsidiaries). Thereafter, the subsequent measurement shall be made for the rest equity according to the relevant provisions of “Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment” or “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. For the details, please see Notes 3.14 “Long-term Equity Investment” or Notes 3.10 “Financial Instruments”.

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

conducted the accounting treatment according to the applicable principles of “Partial Disposal of Long-term Equity Investment in Subsidiary without Control Lost” (please refer to (2) ④ in Note 3.14) and “The Control on Original Subsidiary Lost due to Disposal of Part of Equity Investment or Other Reasons” (details please see forepart). For the package deal from the transactions after the disposal of equity investment in the subsidiary till the control right lost, the transactions shall be as one transaction of the disposal of subsidiary and the control lost for the accounting treatment. Therefore, every balance between the net assets proportion of the subsidiary shared relative to the disposal price and the disposal investment before the control right lost, shall be recognized as other comprehensive incomes in the consolidated financial treatment and transferred into the current profits and losses when the control lost.

3.7 Joint venture arrangements classification and Co-operation accounting treatment

Joint enterprise arrangement is two or more parties jointly control the enterprise. The company enjoys rights and bears obligations based on joint enterprise arrangement. Joint enterprise arrangement is composed of joint operation and joint enterprises. Joint operation means the company has the right to arrange related assets and related liabilities. Joint enterprises means the company only has the right to arrange the net asset.

The company adopts equity method to calculate investment to joint enterprises by referring to accounting policies stated in "Long-term Stock Ownership for Equity Method Calculation" (please refer to (2) ④ in Note 3.14)

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

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

3.8 Recognition criteria of cash and cash equivalents

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

3.9 Foreign currency business and foreign currency translation

(1) Translation Method of Foreign Currency Transaction

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

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

On the balance sheet date, the monetary items of foreign currency are translated as per the spot exchange rate on the balance sheet date, and the foreign exchange conversion gap arising from which shall be recorded into the profits and losses of the current period, except for ① the balance of exchange arising from special foreign currency borrowings for the purchase and construction of qualified assets subject to the principle of borrowing costs. ② the exchange balance generated from other book balances in the foreign currency monetary items available for sale with the exception of the post-amortization costs shall be recorded into other comprehensive incomes.

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

The non-monetary items of foreign currency measured at the historical cost shall still be measured by the amount of functional currency translated at the spot exchange rate on the transaction date. The non-monetary items of foreign currency measured at the fair value shall

be translated at the spot exchange rate on the fair value recognized date, and the gap of the translated amount of functional currency and the original the amount of functional currency shall be as the fair value variation (change in exchange rate included) to make treatment and recorded into the current profits and losses or recognized as other comprehensive incomes.

(3) Translation Method of Foreign Currency Financial Statement

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

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

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

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

If the control on the overseas business operation lost due to the disposal of partial equity investment or other reasons when disposing all the owners' equity of the overseas business operation of the company, the translation reserves of foreign currency statement belong to the owners' equity of the parent company related to the overseas business operation which listed in the shareholders' equity items in the balance sheet, are all recorded into the current disposal profits and losses.

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

3.10 Financial instruments

One financial asset or financial liability shall be recognized when the company becomes the party in the financial instrument contract. The financial assets and the financial liabilities are measured at the fair value in the initial recognition. For the financial assets and liabilities that measured at the fair values and the variation included in the current profits and losses, the relative transaction expenses shall be directly recorded into the profits and losses. For the financial assets and liabilities of other categories, the expenses related to transactions are recognized as initial amount.

(1) Determination Method for the Fair Value of Financial Assets and Liabilities

The fair value refers to the price that receivable for the sale of one asset or paid for the transfer of one liability in the orderly transactions occurring on the measurement date for the market participants. If there exists the active market for the financial instrument, the company shall recognize the fair value according to the quotation in the active market which refers to the price that easy to periodically acquire from Exchanges, Commission Brokers, Guilds and Pricing Services, and stands for the price of the market transactions actually occurred in the fair dealing. For there isn't the active market for the financial instrument, the company shall

recognize the fair value with adopting the valuation technique which includes the price used in the market transactions recently conducted by the parties with voluntary trade and under the consideration and acquainting of the situation, the current fair value in reference to other same financial instruments, the discount cash flow method and the option pricing model.

(2) Classification、 recognition and measurement of financial instruments

The accounting recognition and de-recognition shall be conducted at the transaction date in the conventional way for the financial assets dealing. The financial assets are divided into the financial assets, the held-to-maturity investment, the loans, the receivables and the sellable financial assets which are measured at their fair values and of which the variation are recorded into the current profits and losses when recognized initially.

① Financial assets (financial liabilities) measured at fair value through current profit and loss

Including the tradable financial assets and the financial assets designated at their fair values and of which the variation is recorded into the current profits and losses.

The tradable financial assets refer to the financial assets meeting any of the following requirements: A. the purpose to acquire the financial assets is for selling in the short-term. B. forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the company may manage the combination by way of short-term profit making in the near future. C. being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments belong to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which shall be settled by the delivery of the equity instruments.

The financial assets meeting any of the following requirements can be designated when they are initially recognized as financial assets measured at their fair values and of which the variation is recorded into the current profits and losses: A. the designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets. B. the official written documents on risk management or investment strategies of the company have recorded that the combination of the financial assets, or the combination of the financial assets and liabilities will be managed and evaluated on the basis of the fair value and reported to the key management personnel.

The financial assets measured at their fair values and of which the variation is recorded into the current profits and losses shall be made the subsequent measurement as per the fair value, and the gains or losses formed from the variation of the fair value as well as the dividend and interest incomes related to the financial assets shall be recorded into the current profits and losses.

②Held-to-maturity investments

The held-to-maturity investment refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and the company holds for a definite purpose or is able to hold until its maturity.

The held-to-maturity investments shall be made the subsequent measurement on the basis of the actual interest rate and the post-amortization costs, and the gains or losses arising from de-recognition, impairment or amortization shall be recorded into the current profits and losses.

The actual interest rate method is the way to calculate the post-amortization costs and the interest incomes or expenditure at each period as per the actual interest rate of the financial assets or liabilities (a group of financial assets or liabilities included). The actual interest rate means that the future cash flow of the financial assets or liabilities within the predicted term of existence or within a shorter applicable term shall be discounted as the rate used for the current book value of the financial assets or liabilities.

When calculating the actual interest rate, the company should consider all the contract terms of the financial assets or liabilities to estimate the future cash flow (without regard to the future credit loss), and take account of all the charges, transaction expenses and discounts or premium belong to the actual interest rate and paid or received between all the parties of the financial assets or liabilities contracts.

③ Loans and Accounts receivable

The loans and the receivables refer to a non-derivative financial asset without the quotation, a fixed or determinable amount of repo price in the active market. The financial assets divided into loans and receivables of the company shall include the bill receivable, the accounts receivable, the interest receivable, the dividends receivable and other receivables.

The loans and the receivables shall be made the subsequent measurement on the basis of the actual interest rate and the post-amortization costs, and the gains or losses arising from de-recognition, impairment or amortization shall be recorded into the current profits and

losses.

④ Available-for-sale financial assets

The sellable financial assets refer to the non-derivative financial assets which are designated as sellable when they are initially recognized as well as the financial assets other than the financial assets, the loans, the receivables and the held-to-maturity investments measured at the fair value and of which the variation recorded into the current profits and losses.

The costs of the sellable liability instrument investments at the end of period shall be recognized as per the post-amortization cost method, which is the amount that the accumulated amortization amount, formed after the amortization for the initially recognized amount with the compensated capital deducted add or less the difference between the initially recognized amount and the amount at the maturity date with use of the actual interest rate method, with deduction of the impairment losses occurred. The costs of the sellable equity instrument investments at the end of period are the initially acquired costs.

The sellable financial assets shall be conducted the subsequent measurement at the fair value, the gains or losses arising from the change in the fair value, except that the impairment losses and the exchange balance related to the monetary financial assets of foreign currency and the post-amortization costs are recorded into the current profits and losses, shall be recognized as other comprehensive incomes, transferred out and recorded into the current profits and losses when the de-recognition of the financial assets. However, The equity instrument investment which has no quotation in the active market and whose fair value cannot be reliably measured, and the derivative financial assets which are connected with the equity instrument and required to settle by the delivery of the equity instrument shall be conducted the subsequent measurement by costs.

The interests acquired from the sellable financial assets during the holding period and the cash dividends declared to deliver by the investee shall be recognized as the investment returns.

(3) Impairment of financial assets

The Company assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

The Group carries out a separate impairment test for every financial asset which is individually significant. As for a financial asset which is individually insignificant, an impairment test is carried out separately or in the financial asset group with similar credit risk.

Where the financial asset (individually significant or insignificant) is found not impaired after the separate impairment test, it is included in the financial asset group with similar credit risk and tested again on the group basis. Where the impairment loss is recognized for an individual financial asset, it is not included in the financial asset group with similar credit risk for an impairment test.

① Impairment of held-to-maturity investments, loans and accounts receivable

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

The decline for the fair value of the sellable equity instrument investments can be judged as serious or non-transient depreciation by the relevant comprehensive factors, which shows that the sellable equity instrument investments have the impairment. Of which, the “serious depreciation” refers to the decline range of the fair value accumulatively over 20%, and the “non-transient depreciation” is the decline period of the fair value continuously beyond 12 months.

When the sellable financial assets impair, the accumulated losses formed due to the depreciation of the fair value for other comprehensive incomes originally recorded shall be transferred out and recognized as the current profits and losses, and the transferred accumulative losses are the balances of the costs of the assets initially acquired with deduction of the withdrawn capitals, the amortized amount, the current fair value and the impairment losses initially recorded into profits and losses.

After the impairment losses recognized and if there are objective evidences proving that the financial assets values have resumed after the period and have objectively involved in the matters occurred after the losses recognized, the impairment losses originally recognized shall be switched back, the reverse of the impairment losses for the sellable equity instrument investments shall be recognized as other comprehensive incomes and the reverse of the impairment losses for the sellable liability instrument shall be recorded into the current profits

and losses.

The equity instrument investment which has no quotation in the active market and whose fair value cannot be reliably measured, or the impairment losses of the derivative financial assets which are connected with the equity instrument and required to settle by the delivery of the equity instrument shall not be reversed.

(4) Recognition and measurement for transfer of financial assets

For financial asset that satisfies the following criteria, it shall stop recognizing the financial asset: 1) the contract rights to collect the cash flow of the financial asset has been terminated; 2) the financial asset has been transferred with nearly all of the risks and rewards related to the ownership of the financial asset transferred to transferee; 3) the financial asset has been transferred with the control to such financial asset waived, though this enterprise has not transferred or retained nearly all the risks and rewards related to the ownership of the financial asset.

If this enterprise has neither transferred nor retained almost all the risks and rewards on the asset ownership, it shall, within the extent of its continuous involvement in the transferred financial asset and recognize the relevant liability. The term "continuous involvement in the transferred financial asset" shall refer to the risk level that this enterprise faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the book value of the transferred financial asset and the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities of other comprehensive income, shall be recorded in the profits and losses of the current period.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period: 1) sum of consideration the portion whose recognition has been stopped and the accumulative amount changes in fair value originally recorded owner's equities which is corresponding to stop, the book value of the portion whose recognition has been stopped; 2) the book value of the portion whose recognition has been stopped.

For the financial asset sold with recourse attached, it is to transfer the financial asset held by endorsement, prior to confirmation that nearly all of the risks and rewards related to the ownership of the financial asset has been transferred to transferee. Where this enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset. Where this enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to principles stipulated above.

(5) Classification and measurement of financial liabilities

Financial liabilities shall be classified into the two categories when they are initially recognized: the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; other financial liabilities. The initial recognition of financial liabilities shall be measured at fair value. For the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, the related transaction cost shall be included directly in the current profits and losses; for other financial liabilities, the related transaction cost included in the initially recognized amount.

① Financial liabilities measured at fair value through current profit and loss

Such financial liabilities are divided into transactional financial liabilities and financial liabilities designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition under the same conditions where such financial assets are divided into transactional financial assets and financial assets designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition.

Financial liabilities measured at fair values and whose changes are recorded in current gains and losses are subsequently measured at their fair values. Gains or losses arising from the fair value changes, as well as the dividend and interest expenses in relation to the said financial liabilities, are recorded in the profits and losses for the current period.

② Other Financial liabilities

And are not quoted in an active market, for which there is no quoted price in the active market and whose fair value cannot be reliably measured, this enterprise shall make subsequent

measurement according to its cost. For other financial liabilities, this enterprise shall make subsequent measurement on the basis of the post-amortization costs by adopting the actual interest rate method, with profits or losses resulting from stopping recognition or amortization recorded into the profits and losses of the current period.

③ Financial guarantee contract and loan commitment

For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, or the loan commitment which is not designated as a financial liability measured at its fair value and the variation thereof is recorded into the gains and losses that will be loaned lower than the market interest rate, which shall be initially recognized by fair value, and the subsequent measurement shall be made after they are initially recognized according to the higher one of the following: a. the amount as determined according to the Accounting Standards for Enterprises No. 13 – Contingencies; b. the remaining balance after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues is subtracted from the initially recognized amount.

(6) Conditions for derecognition of financial liabilities

Financial liabilities shall be entirely or partially derecognized if the present obligations derived from them are entirely or partially discharged. Where the Company enters into an agreement with a creditor so as to substitute the current financial liabilities with new ones, and the contract clauses of which are substantially different from those of the current ones, it shall recognize the new financial liabilities in place of the current ones.

Upon entire or partial derecognition of financial liabilities, differences between the carrying amounts of the derecognized financial liabilities and the consideration paid (including non-monetary assets surrendered or new financial liabilities assumed) are charged to profit or loss for the current period.

(7) Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss,

and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

(8) Offset of Financial Asset and Financial Liability

Where this enterprise has the legal right to offset its recognized financial asset and financial liability, and it is able to perform this legal right, and if it plans to settle with the net amount of and cash the financial asset and liquidate the financial liability, it shall itemize and show in the balance sheet the amounts after the financial asset and the financial liability offset each other. For any other circumstances, the financial asset and financial liability shall not offset each other, and shall be itemized and shown separately in the balance sheet.

(9) Equity Instruments

The "equity instruments" refers to the contracts which can prove that this enterprise holds the surplus equities of the assets after the deduction of all the debts. This enterprise deal the equity instruments issued (including refinancing), repurchased, sold or cancelled as changes of equity. It shall not recognize the changes of fair value of equity instruments. The transaction expenses associated with equity transactions shall be deducted from the equity. This enterprise shall deduct the shareholders' equity for various kinds of distributions (not including stock dividends) to the holders of equity instruments. It shall not recognize the amount of changes in the fair value of equity instruments.

3.11 Accounts receivable

Receivables include account receivables、 notes receivables and other accounts receivables. The accounts receivable resulting from the sale of goods or services provided by the company shall be initially recognized as the fair value of the contract or agreement price obtain from the purchaser. Receivables are based on the effective interest rate method, and shall be deducted from the amortized cost less the provision for doubtful debts.

(1) Significant accounts receivable with individual provision for bad debt:

Assessment basis or standard of individually significant amount	Accounts receivable have an individual amount of more than RMB5 million, and other receivables have an individual amount of RMB3 million.
Individual provision for bad debt of significant accounts receivable	The separate impairment tests are carried out for the accounts receivable. Provision for bad debts shall be made at the difference of present values of estimated future cash flows in short of their book values and included in current profit and loss, if any objective evidence indicates the impairment.

(2) Accounts receivable with provision for bad debts accrued by credit risk features portfolio:

Receivables that not individually significant and individually significant but without impairment by independent impairment test, are grouped on the basis of similarity and relevance of credit risk. This credit risk usually reflects the debtor's ability to repay all the due accounts in accordance with contract for such assets, which also are related with the measurement on future cash flow of the examined assets.

A. Recognition basic of different groups::

Item	Basic
Aging group	Account age of receivables

B. Methods of making provisions for bad debt in different groups:

Item	Method
Aging group	Aging analysis method

a. Bad-debt provision made under the aging analysis method in the portfolio:

Aging	Proportion of provision for accounts receivable (%)	Provision for bad debt of other receivables (%)
1-6 months (including 6 months)	0	0
6-12 months	5	5
1-2 years (including 1 year)	10	10
2-3 years (including 2 years)	30	30
3-4 years (including 3 years)	50	50
4-5 years (including 4 years)	80	80

Aging	Proportion of provision for accounts receivable (%)	Provision for bad debt of other receivables (%)
Over 5 years (including 5 years)	100	100

(3) Insignificant accounts receivable with individual provision for bad debt

Reasons for individual provision for bad debts	If there is any clear evidence indicating that the receivables cannot or are unlikely to be recovered, for example, the bankruptcy, insolvency, insufficient cash flow of the debtor, or the insolvency in a short time due to the production halt resulting from the severe natural disaster, or the accounts receivable may be exposed to risk as indicated by other evidence, the individual provision for bad debt will be made.
Method of provision for bad debt	The provision for bad debt is individually recognized at the difference between the book value and the present value of estimated future cash flow

Note: No provision is made for the bad debts of the current account of transactions with related parties.

(4) Reversal of provision for bad debts

If there is any objective evidence proving that the value of the said receivables has been restored, and it is objectively related to the events occurred after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. However, the reversed carrying amount shall not be any more than the post-amortization costs of the said accounts receivable on the day of reverse under the assumption that no provision is made for the impairment.

(5) If the company transfers the receivables to financial institutions by way of no recourse, the difference in transaction amounts after deducting the book value of accounts receivable and related taxes and charges shall be recorded into the profits and losses of the current period.

(6) For notes receivable, prepayments, interest receivable, Dividend receivable, long-term accounts receivable and other receivables due within a year, if there are signs of impairment, provision shall be made for bad debts. Provision for bad debts is made on the basis of the difference between the present value of its future cash flow and its book value.

3.12 Inventories

(1) Classification of inventories

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

(2) Obtaining and Measurement of Inventories

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

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

If the cost of inventories is higher than the net realizable value at the end of each period, this enterprise shall make the provision for the loss on decline in value of inventories. This enterprise makes provision for the loss on decline in value of inventories on the ground of each item of inventories. If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made.

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

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

3.13 Held-for-sale assets

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

after acquiring approval from relevant authorities or supervision departments according to relevant provision requirement , has acquired its approval).

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

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

If any increment occurs in the net amount after the held-for-sale non-current assets on the subsequent balance sheet date deducts selling expense, the amount deducted previously will be recovered and will be transferred back within the amount of asset impairment losses confirmed after being divided into held-for-sale category, and the amount transferred back will be counted into the current profits and losses. There will be no restitution for asset impairment losses confirmed before being divided into held-for-sale category. The amount deducted previously of held-for-sale disposal group shall be recovered, and when after being divided into held-for-sale category, it will be transferred back within the amount of impairment confirmed by non-current assets by the means of the measure stipulations of Accounting Standards for Business Enterprises NO.42- Held-for-sale Non-current Assets, Disposal Groups and Operation Termination, and the amount transferred back will be counted into the current profits and losses. There will be no restitution for the book value of goodwill which has been deducted and for asset impairment losses confirmed before being divided into held-for-sale category which can be adopted by the measure stipulation of this principle.

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

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

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

3.14 Long-term equity investment

The long-term equity investment in this section refers to the long-term equity investment of this enterprise that is able to control to or does joint control with or significant influences over the invested enterprise. For the long-term equity investment of this enterprise that is not able to control to or does not do joint control with or have significant influences over the invested enterprise, this enterprise shall record it as available-for-sale financial asset or the financial asset measured by its fair value with its changes in fair value recorded into the profits or losses of current period as the changes. For details of its accounting policy, please refer to Note 3.10 "Financing Instruments".

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

(1) Determination of investment cost

For the merger of enterprises under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the

long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, no-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. For the merger of enterprises under the same control through gaining the shares of the combined enterprise by multiple steps of deals, it shall deal with it in the following two ways depending on that if it belongs to "a package deal": if it belongs to "a package deal", it shall deal with all the deals as one obtaining the control power; if it does not belong to "a package deal", it shall, on the date of merger, regard the share of book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equity investment held by this enterprise before the date of merger shall be accounted for by equity method, or shall be recorded as the other comprehensive income recognized as available-for-sale financial asset and not accounted for.

For the merger of enterprises not under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The merger costs include the assets paid, liabilities occurred or borne and sum of the fair value of the equity securities issued by the purchaser. For the merger of enterprises not under the same control through gaining the shares of the combined enterprise by multiple steps of deals, it shall deal with it in the following two ways depending on that if it belongs to "a package deal": if it belongs to "a package deal", it shall deal with all the deals as one obtaining the control power; if it does not belong to "a package deal", it shall, on the date of merger, regard the sum of book value of the owner's original equity of the merged enterprise and the newly increased investment cost as the initial cost of the long-term equity investment. For the shares originally held by this enterprise accounted for by weighted

equity method, the relevant other comprehensive income shall not be accounted for temporarily. For the equity investment accounted for as available-for-sale financial asset, the difference of its fair value and its face value and the accumulated changes in its fair value originally recorded as other comprehensive income shall be switched to the profits or losses of the current period.

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

Other equity investments except the long-term equity investment formed by merger of enterprises shall be initially ascertained by their costs which, depending on the different ways in acquiring the long-term equity investments, shall be recognized separately as cash purchasing prices actually paid by this enterprise, fair value of the equity securities issued by this enterprise, agreed value of the investment contracts or agreements, fair value or original book value of the assets obtained by exchange of non-monetary assets, the fair value of the long-term equity investment itself, etc. The relevant expenses, tax payments as well as other necessary expenses directly associated with obtaining the long-term equity investment shall be recorded into the investment costs as well. If this enterprise is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional investment, the long-term equity investment cost shall be the sum of the fair value of the equity investment ascertained in accordance with the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instrument and the cost of the increased investment.

(2) Subsequent measurement and recognition of profit or loss

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

① Long-term equity investment calculated under the cost method

The price of a long-term equity investment measured by employing the cost method shall be included at its initial investment cost. If there are additional investments, the cost of the long-term equity investment shall be adjusted. Except the prices actually paid when obtaining

the investment or cash dividends or profits being approved in the consideration but not yet issued, the investment income of the current period shall be recognized in accordance with the cash dividends or profits being approved by the invested entity.

② Long-term equity investment calculated under the equity method

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

When employing the equity method, this enterprise shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. This enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and included in the capital reserves. This enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested entity are different from those adopted by this enterprise, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of this enterprise and recognize the investment profits or losses and other comprehensive incomes. For the transactions between this enterprise and its joint ventures and associated entities, where the assets invested or sold do not constitute a business, the unrealized internal transaction profits or losses shall be calculated in accordance with proportion shared, with the proportion shared by this enterprise offset and recognize the investment profits or losses based thereof. However, if losses occurred in the internal transaction between the invested entities is the impairment loss of transferred assets, they shall not be offset. When the assets invested by this enterprise to its

joint ventures or associated entities constitute a business, and the investing party obtains long-term equity but without control power, the fair value of the invested business shall be recognized as the initial investment cost of the additional long-term equity investment. The total difference between the original investment cost and the book face of the invested business shall be recorded into the profits or losses of the current period. If the assets purchased from the joint ventures or associated entities constitute a business, this enterprise shall account for the business in accordance with this enterprise Accounting Standard No. 20 - Business Combinations, with the total profits or losses associated with the transaction recognized.

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

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

③ Purchase of minority interest

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

④ Disposal of long-term equity investment

In consolidated financial statements, the Company records in shareholders' equity the difference between partial disposals of its long-term equity investments in its subsidiaries and its share of the subsidiaries' net assets if it does not lose control of the subsidiaries; and if such partial disposals result in loss of its control of the subsidiaries, the difference shall be

treated in accordance with the accounting policies related and specified in “Compiling Principles for Consolidated Financial Statements”. (Please refer to (2) in Note 3.6)

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

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

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

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

other equity changes than net profit and loss, other comprehensive gains and profit distribution carried over pro rata to current profit and loss. For the remaining equity calculated by equity method, other comprehensive gains and other ownership interests will be carried over pro rata while for those treated in accordance with the recognition and measurement principles for financial instruments, other comprehensive gains and other ownership interests will be carried over entirely.

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

If the Company gradually loses control of a subsidiary through multiple transactions, which is a package deal as a whole, then all these transactions will be treated as control losing equity disposal, and before loss of control, the difference between each transaction consideration and the book value of the corresponding long-term equity investment is recognized as other comprehensive gains and in the end, carried over to current profit and loss upon loss of control.

3.15 Investment property

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

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

profit and loss.

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

3.16 Fixed assets and accumulated depreciation

(1) Criteria for recognition of fixed assets

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

(2) Classification and depreciation policy of fixed assets

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

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

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

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

(3) Recognition basis, pricing and depreciation method of fixed assets by finance lease
Fixed assets leased by the Company are recognized as financing leased fixed assets when they meet one or more of the following criteria:

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

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

(4) Charge for Major repair

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

3.17 Projects under construction

The costs of construction in progress include all necessary project expenditures, the borrowing expenses that should be capitalized before the works reaches the expected usable

status and other relevant expenses.

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

3.18 Borrowing expenses

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

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

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

The qualifying assets to be capitalized are fixed assets, investment properties and inventories which need to be acquired, constructed or produced through a long period of time, in order to become ready for its intended use or sale.

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

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

If general borrowings are used to purchase, construct or produce the capitalization eligible

assets, the borrowing cost to capitalize is the weighted average of the accumulated assets expenditures in excess of the special borrowings times the capitalization rate of the used general borrowings, which is determined by the weighted average interest rate of the general borrowings.

3.19 Intangible assets

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

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

For the intangible assets that are estimated to produce no more economic benefits in the future, the Company records the book value of such assets all in current profit and loss.

3.20 Research and development expenses

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

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

The development expenditures shall be capitalized when they satisfy the following conditions simultaneously: It is feasible technically to finish intangible assets for use or sale; Having the intention to complete the intangible asset and use or sell it; The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself for the intangible assets will be used internally; It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and

other resources; Expenditures attributable to the development phase of the intangible assets can be measured reliably. Development expenditures that do not meet the above conditions are included in the profits and losses of the current period.

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

3.20 Long-term amortizable expenses

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

3.21 Impairment of the long-term assets

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

If the impairment test result shows the retrievable amount lower than the book value, impairment provisions will be set aside and recorded in impairment loss. The retrievable amount is the fair value of the assets less the disposal expenses or the present value of the estimated future cash flows of the assets, whichever is higher. The fair value of the assets is determined in terms of the price specified in the selling agreement that is fair trade; if no selling agreement but there is an active assets market existing, it is determined in terms of the buyer's offer; and if no selling agreement and active assets market, the fair value can be estimated based on the best available information. Disposal expenses include all related legal charges, taxes, delivery fees or the direct expenses incurred to have the assets reach the usable or sellable status. To determine the present value of the estimated future cash flows from the assets, the Company chooses an appropriate discount rate in the light of the continual usage of the assets and the estimated future cash flows occurring upon final disposal. Impairment provisions of the assets are calculated and recognized on the basis of individual assets. If

unable to estimate the retrievable amount of individual assets, the Company determines the amount by reference to the asset group that includes the individual assets. Asset groups are the minimum assets combination that independently produces cash inflows.

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

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

3.22 Employee compensation

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

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

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

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

employees' payrolls.

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

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

3.23 Estimated liabilities

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

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

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

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

3.24 Share-based Payment

(1) Types of Share-based Payment

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

(2) Recognition of Equity Instruments' Fair Value

For the granted equity instruments that there is an active market for, e.g. options, the

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

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

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

3.25 General principles for recognition of revenues

(1) Merchandise sales

After transferring the significant risks and compensation of the merchandise ownership to the buyer, the company no longer holds the rights to manage and have control over the merchandise, and recognizes the revenue if the economic benefits arising from the related transactions can flow into the Company and all the costs and revenues related to such product sales can be measured reliably.

(2) The concrete principle of Major income

The sales revenue of Chongqing Jianshe Automobile A/C is divided into three categories according to customer groups:

① Big customer. The mode of cooperation is mainly according to the customer's production needs; the company will ship the goods to the designated or cooperative tripartite logistics company, which is responsible for the warehousing and distribution services. Each month, the customer would issue a hang account notice according to the actual consumption of the production plan, sales clerk issued a letter of notice for invoices according to the customer's bill hang notice combined with customer consumption, contract unit price and hang account notice, etc., The finance department shall issue invoices to confirm the sales income.

② Customers - Delivery after payment. Sales personnel confirm upon receipt of payment by the customer, in accordance with customer requirements and related information of bill, the contract of sale price and customer demand quantity shipment, and issue a letter of notice, then the finance department completes the transaction.

③ Customers - After-sales market. Sales personnel deliver the goods to the customer

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

3.26 Governmental subsidy

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

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

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

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

and losses.

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

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

3.27 Deferred income tax assets/Deferred income tax liability

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

Taxable temporary differences related to the initial recognition of goodwill, as well as the initial recognition of an asset or liability in a transaction that neither belongs to a business consolidation, nor affects the accounting profit and taxable income (or deductible loss) when it happens, the relevant deferred income tax liabilities shall not be recognized. In addition, as for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if the Company could control the reverse time of such differences and such differences cannot be reversed in the foreseeable future, the relevant deferred income tax liabilities also shall not be recognized. Apart from the above-mentioned exceptional cases, the Company recognizes all other deferred income tax liabilities caused by taxable temporary differences.

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

Company recognizes other deferred income tax assets caused by deductible temporary differences within the limit of likely obtained taxable income that can be used to deduct the deductible temporary differences of the taxable income.

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

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

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

3.28 Income tax expenses

Income tax expenses include current income tax and deferred income tax. Except that the adjusted goodwill arising from the merger of enterprises, or the deferred income tax related to the transaction or event directly included in the owner's equity is included in the owner's equity, it is included in the profit and loss of the current period as an income tax expense.

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

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

All taxable temporary differences recognize the relevant deferred income tax liabilities unless the taxable temporary differences arise in the following transactions: A、The initial recognition of goodwill, or the initial recognition of assets or liabilities arising from a transaction with the following characteristics: the transaction is not a merger of enterprises, and the transaction does not affect neither accounting profits nor taxable income at the time of

the transaction; B、 For taxable temporary differences related to investments in subsidiaries, joint ventures and associated enterprises, the timing of the return of the temporary differences can be controlled and the temporary difference is likely not to be reversed for the foreseeable future.

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

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

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

3.29 Operational leasing

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

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

be accounted for as unrecognized finance charge.

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

3.30 Other Main Accounting Policies and Estimates

(1) Discontinued Operation

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

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

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

3.31 Changes in Main Accounting Policies and Estimates

(1) Changes of accounting policies

- ① Changes in accounting policies resulting from the implementation of the new accounting standards for enterprises

In accordance with the Notes on Revising and Printing the Format of 2018 General Enterprises Financial Statement (CK [2018] No. 15) issued by the Ministry of Finance 15 June 2018, the Company revised the format of Financial Statements as follows:

The items of 2017 financial statements after retroactive adjustment are as follows:

		Unit:RMB
Serial number	Items	Impact on amounts as at 31 December 2017 / 2017
<hr/>		

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
For The Year Ended December 31, 2018

		Increase + / decrease-
	Notes receivable	-17,800,808.72
1	Accounts receivable	-280,383,810.21
	Notes and accounts receivable	+298,184,618.93
	Interest receivable	
2	Dividend receivable	
	Other accounts receivable	
	Fixed assets	
3	Disposal of fixed assets	
	Projects under construction	
4	Engineering material	
	Notes payable	-411,410,000.00
5	Accounts payable	-179,749,230.79
	Notes and accounts payable	+591,159,230.79
	Interest payable	
6	Dividend payable	
	Other accounts payable	
	Special accounts payable	
7	Long-term accounts payable	
	Administrative expenses	-11,848,985.86
8	R&D expense	+11,848,985.86

② Change of accounting estimations

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

4、Taxation

4.1 Major tax types and tax rates applicable to the Company

Taxes	Basis of tax assessment	Tax rate %
Value-added tax (VAT)	The output tax is calculated based on the revenue from sales of goods and the provision of taxable labor services according to tax law, and value added tax payable should be the balance of the Output tax for the period after deducting the deductible input tax for the period.	17、 16、 11、 10、 6
Consumption tax	Levied based on the taxable sales revenues	3
Education surcharges	Levied based on the actual payment of business tax, VAT and consumption tax	3
Local education surcharges	Levied based on the actual payment of business tax, VAT and consumption tax	2
Urban maintenance and construction tax	Levied based on the actual payment of business tax, VAT and consumption tax	7
Enterprise income tax	Levied based on the taxable income	15

Note:

(1) The original tax rate applied by the Company on VAT taxable sales or imported goods was 17%/11%. According to the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment of VAT Tax Rate (CS [2018] No. 32), the applicable tax rate is adjusted to 16%/10%, being effective from 1 May 2018.

(2) The tax rebate for export of a company shall be exempted from deductions and the tax rebate rate shall be 17%.

4.2 Preferential tax treatment

The company is subject to the enterprise income tax rate of 15% in 2016, as a result of the preferential enterprise income tax policies to promote the large-scale development of the western region in accordance with the Announcement on Issues of Enterprise Income Tax concerning In-depth Implementation of Western Region Large-scale Development Strategy (Announcement of the State Administration of Taxation [2012] No.12).

Chongqing Jianshe Automobile A/C Co., Ltd. by high and new technology enterprise qualification on December 5, 2016, acquire the qualification of new high-tech enterprises, Certificate No. GR201651100400, valid for three years. The company calculates and pay enterprise income tax shall be levied at the reduced tax rate 15% from 2017 to 2019.

5、 Notes to the items of consolidated financial statements

5.1 Cash and cash equivalents

Item	2018.12.31	2017.12.31
Cash on hand		29,270.09

Chongqing Jianshe Vehicle System Co.,Ltd.
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Bank deposits	72,551,130.34	126,196,196.37
Other cash and cash equivalents	279,352,856.84	123,423,000.00
Total	351,903,987.18	249,648,466.46

Remark: If the amounts of other currency funds in beginning balance and ending balance are bank acceptance deposit, it shall be classified as restricted funds.

5.2 Notes and accounts receivable

Item	2018.12.31	2017.12.31
Notes receivable	28,022,405.38	17,800,808.72
Accounts receivable	274,941,895.41	280,383,810.21
Total	302,964,300.79	298,184,618.93

(1) Notes receivable

① Classification notes receivable

Item	2018.12.31	2017.12.31
Bank acceptance bill	24,252,405.38	16,272,808.72
Commercial acceptance bill	3,770,000.00	1,528,000.00
Total	28,022,405.38	17,800,808.72

② Bad debt reserves

N/A

③ Notes receivable pledged by the company at the end of the term

N/A

④ Notes receivable endorsed or discounted by the Company as at December 31, 2018 and not yet due on the balance sheet date

Items	Amount derecognized as at December 31, 2018	Amount not derecognized as at December 31, 2017
Bank acceptance bill	1,032,871,029.69	
Commercial acceptance bill		1,606,000.00
Total	1,032,871,029.69	1,606,000.00

⑤ Notes to be transferred to an account receivable due to Breach of contract of the drawer at the end of the term.

N/A

(2) Accounts receivable

① Classification accounts receivable

Category	2018.12.31				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis	18,121,820.20	5.90	18,121,820.20	100.00	
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	283,108,717.23	92.24	8,166,821.82	2.88	274,941,895.41
Including : Aging analysis combination	283,108,717.23	92.24	8,166,821.82	2.88	274,941,895.41
Accounts receivables with insignificant single amount and provision for bad debt made on an individual basis	5,700,851.58	1.86	5,700,851.58	100.00	
Total	306,931,389.01	100.00	31,989,493.60		274,941,895.41

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Category	December 31, 2017				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis					
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	295,640,872.01	99.98	15,297,536.80	5.17	280,343,335.21
Including : Aging analysis combination	295,640,872.01	99.98	15,297,536.80	5.17	280,343,335.21
Accounts receivables with insignificant single amount and provision for bad debt made on an individual basis	46,628.00	0.02	6,153.00	13.20	40,475.00
Total	295,687,500.01	100.00	15,303,689.80		280,383,810.21

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A、Accounts receivable with significant single amount and provision for bad debt made on an individual basis

Accounts receivable (classified by units)	Balance as at December 31, 2018			
	Accounts receivable	Bad debt reserves	Proportion of provision(%)	Withdrawal Reason
Chongqing Huansu Auto Parts Co.,Ltd.	12,725,044.85	12,725,044.85	100.00	Individually determined and unable to recover
Chongqing Bisu Yunbo Power Technology Co.,Ltd.	5,396,775.35	5,396,775.35	100.00	Individually determined and unable to recover
Total	18,121,820.20	18,121,820.20		

B、Accounts receivable with provision for bad debts made using the aging analysis method among those portfolios:

Aging	2018.12.31				2017.12.31			
	Amount	Proportion (%)	Provision for bad debts	Proportion of provision (%)	Amount	Proportion (%)	Provision for bad debts	Proportion of provision (%)
1-6 months (including 6 months)	268,192,607.40	94.73		0.00	267,904,713.63	90.63		0.00
6-12 months	3,595,665.03	1.27	179,783.25	5.00	3,203,855.82	1.08	160,192.79	5.00
1-2 years (including 1 year)	1,149,916.66	0.41	114,991.67	10.00	3,438,153.53	1.16	343,815.35	10.00
2-3 years (including 2 years)	3,118,318.85	1.10	935,495.65	30.00	8,466,818.63	2.86	2,540,045.59	30.00
3-4 years (including 3 years)	231,316.09	0.08	115,658.05	50.00	729,984.48	0.25	364,992.24	50.00

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4 - 5 years (including 4 years)					44,275.44	0.01	35,420.35	80.00
Over 5 years (including 5 years)	6,820,893.20	2.41	6,820,893.20	100.00	11,853,070.48	4.01	11,853,070.48	100.00
Total	283,108,717.23	100.00	8,166,821.82		295,640,872.01	100.00	15,297,536.80	

C、Accounts receivables with insignificant single amount and provision for bad debt made on an individual basis

Accounts receivable (classified by units)	Balance as at December 31, 2018			
	Accounts receivable	Bad debt reserves	Proportion of provision(%)	Withdrawal Reason
Hafei Auto Co.,Ltd.	3,999,944.43	3,999,944.43	100.00	Individually determined and unable to recover
Chongqing Kaite Power Technology Co.,Ltd.	1,481,654.59	1,481,654.59	100.00	Individually determined and unable to recover
Beiqi Yinxiang Auto Co.,Ltd.	20,700.00	20,700.00	100.00	Individually determined and unable to recover
Guangqi Jiao Auto Co.,Ltd.	67,998.51	67,998.51	100.00	Individually determined and unable to recover
Road and Bridge filiale of Guangqi Jiao Auto Co.,Ltd.	75,821.20	75,821.20	100.00	Individually determined and unable to recover
Dongying Jiao Auto Co.,Ltd.	48,579.85	48,579.85	100.00	Individually determined and unable to recover
Northern vehicles co., Ltd.	6,153.00	6,153.00	100.00	Individually determined and unable to recover
Total	5,700,851.58	5,700,851.58		

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
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② Bad debt reserves

Item	2018.01.01	Increase in current period	Decrease in current period		2018.12.31
			switch back	write-off	
Bad-debt for account receivables	15,303,689.80	18,493,918.04		1,809,344.84	31,988,263.00

③ The top five accounts receivable by the debit balance as at December 31, 2017

Company Name	Amount of ending balance	Aging	Proportion of total accounts receivable %	Amount of ending balance for bad debts
PSA group	116,395,315.65	Within 6 month	37.92	
Great Wall Motor Co.,Ltd. – Tianjin Haval filiale	47,449,749.21	Within 6 month	15.46	
Zhejiang Yuanjing Auto Parts Co.,Ltd.	27,007,056.80	Within 6 month	8.80	
Chongqing Changan Auto Co.,Ltd.	14,944,021.43	Within 6 month	4.87	
Great Wall Motor Co.,Ltd. – Xushui filiale	13,394,528.87	Within 6 month	4.36	
Total	219,190,671.96		71.41	

5.3 Prepayments

(1) Presentation of Prepayments by aging

Aging	2018.12.31		2017.12.31	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	14,020,455.63	88.75	13,138,485.04	98.26
1-2 years	1,669,010.12	10.56	164,291.92	1.23
2-3 years	44,159.59	0.28	2,590.50	0.02
Over 3 years	64,034.80	0.41	65,893.80	0.49
Total	15,797,660.14	100.00	13,371,261.26	100.00

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(2) The top five Prepayments by the debit balance as at December 31, 2017

Company Name	Relations with the Company	Amount	Proportion % of total prepaid accounts	Aging	Reason for non-settle accounts
Huayang (Shanghai) trade Co.,Ltd.	Non-related party	2,995,333.35	18.96	Within 1 year	non-arrival settlement period
Huayang (Shanghai) trade Co.,Ltd.	Non-related party	565,204.77	3.58	1-2year	
Suzhou Ruichang Electromechanical Engineering Co.,Ltd.	Non-related party	2,745,740.00	17.38	Within 1 year	non-arrival settlement period
Chongqing Bangzhou Import and Export Trade Co., Ltd.	Non-related party	1,434,100.20	9.08	Within 1year	non-arrival settlement period
Chongqing Bangzhou Import and Export Trade Co., Ltd.	Non-related party	269,899.80	1.71	1-2year	
Shenzhen Shenshuangbao Electric Appliance Co., Ltd.	Non-related party	1,122,342.68	7.10	Within 1 year	non-arrival settlement period
Chongqing Dongke Mould Manufacturing Co.,Ltd.	Non-related party	972,136.20	6.15	Within 1 year	non-arrival settlement period
Total		10,104,757.00	63.96		

Chongqing Jianshe Vehicle System Co.,Ltd.
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5.4 Other accounts receivable

Item	2018.12.31	2017.12.31
Interest receivable		
Dividends receivable		
Other receivables	2,414,406.24	7,736,032.47
Total	2,414,406.24	7,736,032.47

(1) Disclosure of other receivables by category

① Classification of other receivables by risk

Classification	2018.12.31				Book value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivable with significant single amount and provision for bad debt made on an individual basis					
Other receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	6,731,831.82	88.80	4,317,425.58	64.13	2,414,406.24
Including: Aging analysis combination	6,731,831.82	88.80	4,317,425.58	64.13	2,414,406.24
Other receivables with insignificant single amount and provision for bad debt made on an individual basis	849,125.35	11.20	849,125.35	100.00	
Total	7,580,957.17	100.00	5,166,550.93		2,414,406.24

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Classification	2017.12.31				Book value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivable with significant single amount and provision for bad debt made on an individual basis					
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	12,007,500.49	97.08	4,271,468.02	35.57	7,736,032.47

Chongqing Jianshe Vehicle System Co.,Ltd.

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Classification	2017.12.31				Book value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Including: Aging analysis combination	12,007,500.49	97.08	4,271,468.02	35.57	7,736,032.47
Other receivables with insignificant single amount and provision for bad debt made on an individual basis	361,125.35	2.92	361,125.35	100.00	
Total	12,368,625.84	100.00	4,632,593.37		7,736,032.47

Chongqing Jianshe Vehicle System Co.,Ltd.
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A、Presentation of Other receivables by aging

Aging	2018.12.31				2017.12.31			
	Amount	Proportion (%)	Provision for bad debts	Proportion of provision (%)	Amount	Proportion (%)	Provision for bad debts	Proportion of provision (%)
1-6 months (including 6 months)	1,404,259.58	20.86			7,498,582.08	62.45		
6-12 months	962,754.00	14.30	48,137.70	5.00	24,414.34	0.20	1,220.72	5.00
1-2 years (including 1 year)	75,563.85	1.12	7,556.39	10.00	195,249.68	1.63	19,524.97	10.00
2-3 years (including 2 years)					55,045.80	0.46	16,513.74	30.00
3-4 years (including 3 years)	55,045.80	0.82	27,522.90	50.00				
4 - 5 years (including 4 years)								
Over 5 years (including 5 years)	4,234,208.59	62.90	4,234,208.59	100.00	4,234,208.59	35.26	4,234,208.59	100.00
Total	6,731,831.82	100.00	4,317,425.58		12,007,500.49	100.00	4,271,468.02	

Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
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B、 Other receivables with insignificant single amount and provision for bad debt made on an individual basis

Other receivables (classified by units)	2018.12.31			
	Other receivables	Provision for bad debts	Proportion of provision (%)	Withdrawal Reason
Jiulongpo District Urban and Rural Construction Committee	488,000.00	488,000.00	100.00	Individually determined and unable to recover
Chongqing Customs	78,825.35	78,825.35	100.00	Individually determined and unable to recover
Chongqing Huicai Steel Structure Co., Ltd.	209,000.00	209,000.00	100.00	Individually determined and unable to recover
Yangzhou Qionghua Coating Protection engineering equipment Co., Ltd.	56,500.00	56,500.00	100.00	Individually determined and unable to recover
Chongqing Golden Elephant lifting equipment Manufacturing Co., Ltd.	16,800.00	16,800.00	100.00	Individually determined and unable to recover
Total	849,125.35	849,125.35		

② Bad-debt provision

Item	January 1,2018	Increase in current period	Decrease in current period		December 31, 2017
			switch back	write-off	
Bad-debt for other receivables	4,632,593.37	533,957.56			5,166,550.93

(3) Other Account Receivables Classified by Account Nature

Nature	2018.12.31	2017.12.31
Standby, sporadic loans and margin interest, etc.	2,497,623.23	8,079,371.45
Bad debts have been fully charged for long-term transactions	5,083,333.94	4,289,254.39
Total	7,580,957.17	12,368,625.84

(4) The top five other receivables by the debit balance as at December 31, 2018

Company Name	Whether it is related party	Business nature	Ending balance	Aging	Proportion % of total other receivables	Ending balance for bad-debt provision
Shenzhen Jianshe motorcycle Co.,Ltd.	No	Other	3,013,664.00	Over 5 years	37.35	3,013,664.00

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Company Name	Whether it is related party	Business nature	Ending balance	Aging	Proportion % of total other receivables	Ending balance for bad-debt provision
Agency of Ningbo Jianshe	No	Other	692,035.31	Over 5years	8.58	692,035.31
Jiulongpo District Urban and Rural Construction Committee	No	Other	488,000.00	Over 5 years	6.05	488,000.00
Ningbo Jianshe Motorcycle Co.,Ltd.	No	Other	329,628.73	Over 5 years	4.09	329,628.73
Chongqing Huicai Steel Structure Co.,Ltd.	No	Other	209,000.00	Within 3 years	2.59	209,000.00
Total			4,732,328.04		59.63	4,732,328.04

5.5 Inventories

(1) Category of Inventory

Item	2018.12.31		
	Book balance	Provision for inventory impairment	Book value
Raw materials	41,509,342.09		41,509,342.09
Goods in progress	6,267,556.55		6,267,556.55
Finished goods	131,331,226.89	1,541,302.27	129,789,924.62
Others			
Revolving Materials			
Total	179,108,125.53	1,541,302.27	177,566,823.26

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Item	2017.12.31		
	Book balance	Provision for inventory impairment	Book value
Raw materials	43,232,398.57	4,618,914.59	38,613,483.98
Goods in progress	880,661.36		880,661.36
Finished goods	135,543,697.36	174,210.57	135,369,486.79
Others	1,350,567.20		1,350,567.20
Revolving Materials			
Total	181,007,324.49	4,793,125.16	176,214,199.33

(2) Provision for Inventory

Item	2018.01.01	Increase in current period	Decrease in current period	2018.12.31
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Chongqing Jianshe Vehicle System Co.,Ltd.
Notes To Financial Statements
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		Withdrawal	Other	switch back or write-off	Other	
Raw materials	4,618,914.59			4,618,914.59		
Finished goods	174,210.57	1,541,302.27		174,210.57		1,541,302.27
Total	4,793,125.16	1,541,302.27		4,793,125.16		1,541,302.27

5.6 Other current assets

Item	2018.12.31	2017.12.31
Overpaid VAT	4,292,742.61	2,881,005.35
Prepaid enterprise income tax.		376,219.43
Total	4,292,742.61	3,257,224.78

5.7 Available-for-sale financial assets

Item	2018.12.31			2017.12.31		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Available-for-sale debt instruments						
Available-for-sale equity instruments	1,140,915.04	1,140,915.04		1,140,915.04	1,140,915.04	
Including: measured at fair value						
Measured at cost	1,140,915.04	1,140,915.04		1,140,915.04	1,140,915.04	
Others						
Total	1,140,915.04	1,140,915.04		1,140,915.04	1,140,915.04	

5.8 Long-term equity investments

Investee	Balance as at January 1, 2018	Increase/decrease in 2018 (+/-)				
		additional investment	Decrease in investment	Profits and losses on investments Recognized under the equity method	Other comprehensive income	Changes in other equity
Joint ventures						
Chongqing Pingshan TK Carburettor Co., Ltd.	84,591,794.06			2,831,666.51		
Associate company						

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Chongqing Jianshe Hanon Co., Ltd.		106,500,000.00		-3,215,379.12	
Total	84,591,794.06	106,500,000.00		-383,712.61	

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Investee	Increase/decrease in 2017 (+/-)			Balance as at December 31, 2017	Balance as at December 31, 2016 of provision for impairment
	Declaration of cash dividends or profits	Preparing for impairment provision	Others		
Joint ventures					
Chongqing Pingshan TK Carburettor Co., Ltd.	3,500,000.00			83,923,460.57	
Associate company					
Chongqing Jianshe Hanon Co., Ltd.				103,284,620.88	
Total	3,500,000.00			187,208,081.45	

5.9 Investment properties

Investment properties with cost measurement method

Item	House、Building	Land use rights	Total
I. Original price			
1. Balance at period-beginning	131,695,310.84	20,902,264.96	152,597,575.80
2. Increase in the current period			
(1) Purchase			
(2) Transferred from construction in progress			
(3) Increased of Enterprise Combination			
3. Decreased amount of the period	65,531,586.67	20,902,264.96	86,433,851.63
(1) Disposal			
(2) Other transfer	65,531,586.67	20,902,264.96	86,433,851.63
4. Balance at period-end	66,163,724.17		66,163,724.17
II. Accumulated depreciation and accumulated amortization			
1. Balance at period-beginning	36,474,631.36	5,476,590.03	41,951,221.39
2. Increase in the current period	2,139,876.09		2,139,876.09

Chongqing Jianshe Vehicle System Co.,Ltd.
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Item	House、 Building	Land use rights	Total
(1) Provision or amortization	2,139,876.09		2,139,876.09
3、 Decreased amount of the period	18,149,776.56	5,476,590.03	23,626,366.59
(1) Disposal			
(2) Other transfer	18,149,776.56	5,476,590.03	23,626,366.59
4、 Balance at period-end	20,464,730.89		20,464,730.89
III. Provisions for impairment			
1、 Balance at period-beginning			
2、 Increase in the current period			
(1) Provision			
3、 Increase in the current period			
(1) Disposal			
(2) Other transfer			
4、 Balance at period-end			
IV. Book value			
1、 Book value of the period-end	45,698,993.28		45,698,993.28
2、 Book value of the period-begin	95,220,679.48	15,425,674.93	110,646,354.41

Note: In this period of investment properties, the original value of 65,921,330.27 Yuan of housing buildings and 20,902,264.96 Yuan of land use rights are no longer leased, from investment properties to fixed assets accounting. At the same time, the corresponding accumulated depreciation (amortization) of 18,149,776.56 Yuan and 5,476,590.03 Yuan were transferred to accumulated depreciation of fixed assets and accumulated amortization of intangible assets.

5.10 Fixed assets

Item	2018.12.31	2017.12.31
Fixed assets	341,863,883.57	334,707,635.51
Fixed assets to be disposed of		
Total	341,863,883.57	334,707,635.51

(1) Fixed assets and accumulated depreciation

① Fixed assets situation

Item	House, Building	Machinery equipment	Transportations	Other equipment	Total
I 、 Original price					

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Item	House, Building	Machinery equipment	Transportations	Other equipment	Total
1、 Balance at period-beginning	89,165,656.22	683,814,001.83	8,899,841.25	15,771,914.40	797,651,413.70
2、 Increase in the current period	72,990,282.17	5,121,952.33	0.00	275,371.29	78,387,605.79
(1) Purchase		5,121,952.33		275,371.29	5,397,323.62
(2) Transferred from construction in progress	7,068,951.90				7,068,951.90
(3) Increased of Enterprise Combination					
(4) others	65,921,330.27				65,921,330.27
3、 Decreased amount of the period	10,552,682.32	49,512,686.78	1,135,453.16	676,572.93	61,877,395.19
(1) Disposal		48,406,650.92	538,817.16	188,942.37	49,134,410.45
(2) Decreased of Enterprise Combination	10,552,682.32	1,106,035.86	596,636.00	487,630.56	12,742,984.74
4、 Balance at period-end	151,603,256.07	639,423,267.38	7,764,388.09	15,370,712.76	814,161,624.30
II、 Accumulated depreciation					
1、 Balance at period-beginning	28,672,186.30	400,393,778.17	7,865,240.65	11,899,432.01	448,830,637.13
2、 Increase in the current period	22,720,029.81	28,557,397.09	328,848.62	1,235,903.25	52,842,178.77
(1) Provision	4,570,253.25	28,557,397.09	328,848.62	1,235,903.25	34,692,402.21
(2) Increased of Enterprise Combination					
(3) Others	18,149,776.56				18,149,776.56
3、 Decrease in the current period	6,652,564.50	47,857,686.90	1,081,666.96	641,723.25	56,233,641.61
(1) Disposal		46,834,912.23	517,094.03	178,474.26	47,530,480.52
(2) Decreased of Enterprise Combination	6,652,564.50	1,022,774.67	564,572.93	463,248.99	8,703,161.09
4、 Balance at period-end	44,739,651.61	381,093,488.36	7,112,422.31	12,493,612.01	445,439,174.29
III、 Provisions for impairment					
1、 Balance at period-beginning		14,113,141.06			14,113,141.06
2、 Increase in the current period		12,745,425.38			12,745,425.38
(1) Provision		12,745,425.38			12,745,425.38
(2) Increased of Enterprise Combination					
3、 Decrease in the current period					
(1) Disposal					

Item	House, Building	Machinery equipment	Transportations	Other equipment	Total
(2) Decrease of Enterprise Combination					
4、 Balance at period-end		26,858,566.44			26,858,566.44
IV、 Book Value					
1、 Book Value of period-end	106,863,604.46	231,471,212.58	651,965.78	2,877,100.75	341,863,883.57
2、 Book Value of period-begin	60,493,469.92	269,307,082.60	1,034,600.60	3,872,482.39	334,707,635.51

As at December 31, 2018, The company didn't have the situation of fixed assets leased through financial leasing and leased through operating leases

Notes: In this period of investment properties, the original value of 65,921,330.27 Yuan of housing buildings are no longer rented, from investment real estate to fixed assets accounting.

At the same time transferred to the corresponding accumulated depreciation of 18149776.56 Yuan.

② Idle fixed assets

Item	Book Balance	Accumulated depreciation	Provisions for impairment	Book value	Note
Machinery equipment	115,344,290.19	85,227,584.23	26,858,566.44	3,258,139.52	
transportation	267,500.00	259,475.25		8,024.75	
Total	115,611,790.19	85,487,059.48	26,858,566.44	3,266,164.27	

③ Information on the fixed assets without certificate of title

Item	Book value	Reasons for absence of certificate of title
Buildings and constructions	46,607,348.76	Waiting for final acceptance

5.11 Construction in progress

Item	2018.12.31	2017.12.31
Construction in progress		4,800,176.35
Material holds for construction of fixed assets		
Total		4,800,176.35

5.12 Intangible assets

Item	Land use right	Total
I、 Original book value		
1、 Balance at period-begin	15,768,620.49	15,768,620.49

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Item	Land use right	Total
2、 Increase in the current period	20,902,264.96	20,902,264.96
(1) Purchase		
(2) Internal R & D		
(3) Increased of Enterprise Combination		
(4) Others	20,902,264.96	20,902,264.96
3、 Decrease in the current period	3,737,274.00	3,737,274.00
(1) Disposal	3,737,274.00	3,737,274.00
(2) Decrease of Enterprise Combination		
4、 Balance at period-end	32,933,611.45	32,933,611.45
II、 Accumulated amortization		
1、 Balance at period-begin	4,384,638.03	4,384,638.03
2、 Increase in the current period	6,134,454.75	6,134,454.75
(1) amortization	657,864.72	657,864.72
(2) Increase of enterprise combination		
(2) Others	5,476,590.03	5,476,590.03
3、 Decrease in the current period	1,066,730.76	1,066,730.76
(1) Disposal	1,066,730.76	1,066,730.76
(2) Decrease of enterprise combination		
4、 Balance at period-end	9,452,362.02	9,452,362.02
III、 Provisions for Impairment		
1、 Balance at period-begin		
2、 Increase in the current period		
(1) Provision		
3、 Decrease in the current period		
(1) Disposal		
4、 Balance at period-end		
IV、 Book Value		
1、 Book Value of period-end	23,481,249.43	23,481,249.43
2、 Book Value of period-begin	11,383,982.46	11,383,982.46

Note: the original value of the investment properties in this period is 20,902,264.96 Yuan land use right is no longer leased, from investment real estate to intangible assets accounting. At the same time transferred to the corresponding accumulated amortization of 5,476,590.03 Yuan.

5.13、 Long-term amortization expenses

Item	2018.01.01	Increase in the current period	Amortization in the current period	Other Decrease in the current period	2018.12.31	Reason for other decrease
initial fee for Technique of 83 aluminum machine	889,267.38	1,621,739.15	965,488.06		1,545,518.47	
transfer fee for Technique of 96 aluminum machine	438,408.15		71,093.28		367,314.87	
Total	1,327,675.53	1,621,739.15	1,036,581.34		1,912,833.34	

5.14 Deferred income tax assets and deferred income tax liability

(1) Deferred income tax assets

Item	2018.12.31		2017.12.31	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provisions for impairment	4,850,090.39	32,333,935.93	1,831,732.07	12,211,547.13
Total	4,850,090.39	32,333,935.93	1,831,732.07	12,211,547.13

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

Item	2018.12.31	2017.12.31
Deductible temporary differences	34,362,892.35	27,771,917.24
Tax deductible losses	108,084,389.85	132,566,451.99
Total	142,447,282.20	160,338,369.23

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

Year	2018.12.31	2017.12.31	Notes
2018		25,332,418.05	
2019	98,496,222.54	98,496,222.54	

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2020	7,561,009.01	7,561,009.01	
2021	1,176,802.39	1,176,802.39	
2022			
2023	850,355.91		
Total	108,084,389.85	132,566,451.99	

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

5.15 Other non-current assets

Item	2018.12.31	2017.12.31
Prepayment of long - term assets	1,815,521.86	4,537,273.53
Total	1,815,521.86	4,537,273.53

5.16 Short-term borrowings

Item	2018.12.31	2017.12.31
Credit borrowings	60,000,000.00	110,000,000.00
Guaranteed borrowings	202,000,000.00	202,000,000.00
Mortgaged borrowings		
Pledge loan		
Total	262,000,000.00	312,000,000.00

Notes:

lending institution	Starting date	Termination date	Annual interest rate	Guarantor	Ending balance
Jiulongpo branch of Bank of Communications	2018/8/30	2019/8/30	4.79%		30,000,000.00
Chongqing branch of China Everbright Bank	2018/1/15	2019/1/15	4.35%		20,000,000.00
Finance company of China South Industries Group	2018/12/4	2019/3/4	5.22%		20,000,000.00
Business department of Chongqing rural commercial bank	2018/12/6	2019/12/5	4.57%	Chongqing Jianshe mechanical and electrical Co.,Ltd.	50,000,000.00
Business department of Chongqing rural commercial bank	2018/9/29	2019/9/28	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	42,000,000.00
Business department of	2018/9/6	2019/9/5	4.57%	Chongqing Jianshe	30,000,000.00

Chongqing rural commercial bank				Vehicle System Co.,Ltd.	
Business department of Chongqing rural commercial bank	2018/9/21	2019/9/20	4.57%	Chongqing Jianshe Vehicle System Co.,Ltd.	30,000,000.00
Jiulongpo branch of Bank of Communications	2018/8/13	2019/8/12	4.35%	Chongqing Jianshe Vehicle System Co.,Ltd.	50,000,000.00

5.17 Notes and accounts payable

Item	2018.12.31	2017.12.31
Notes payable	627,563,000.00	411,410,000.00
Accounts payable	237,795,755.60	179,749,230.79
Total	865,358,755.60	591,159,230.79

(1) Notes payable

Item	2018.12.31	2017.12.31
Bank acceptance bill	627,563,000.00	411,410,000.00
Commercial acceptance bill		
Total	627,563,000.00	411,410,000.00

(2) Accounts payable

① Presentation of Accounts payable

Aging	2018.12.31	2017.12.31
Within 1 year	233,423,453.69	165,957,509.82
1-2 years	2,226,270.35	7,609,524.71
2-3 years	615,256.93	119,199.22
Over 3 years	1,530,774.63	6,062,997.04
Total	237,795,755.60	179,749,230.79

② significant accounts payable for over 1 year.

Item	Ending balance	Reason for unreimbursed or transferred
Tianhan air treatment equipment Co. LTD.	508,000.00	non-arrival settlement period
Sima Measurement and Control Technology Co., Ltd.	447,324.89	non-arrival settlement period
Prince International Trading (Shanghai) Co. Ltd.	468,695.86	non-arrival settlement period
Shenzhen Jiuzheng Mould Co., Ltd.	354,276.00	non-arrival settlement period

Total	1,778,296.75
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5.18 Advances from customers

Item	2018.12.31	2017.12.31
Within 1 year	1,097,390.90	1,902,693.88
Over 1 year	884,621.30	414,976.26
Total	1,982,012.20	2,317,670.14

5.19 Payroll Payable

(1) Presentation of Payroll Payable

Item	beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term remuneration	2,351,973.62	95,823,796.60	96,112,315.01	2,063,455.21
Post-employment benefits - defined contribution plans	1,332,810.63	16,878,817.50	17,119,390.03	1,092,238.10
Dismissal welfare		1,797,990.05	1,797,990.05	
Others				
Total	3,684,784.25	114,500,604.15	115,029,695.09	3,155,693.31

(2) Presentation of short-term compensation

Item	beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1、Salary, bonus, allowance and subsidy	1,357,502.95	64,347,897.82	64,196,096.25	1,509,304.52
2、Employee benefits		6,569,774.70	6,569,774.70	
3、Social insurance expenses	282,299.73	12,209,652.86	12,320,683.18	171,269.41
Including: medical insurance premium	209,522.71	11,414,645.56	11,452,898.86	171,269.41
Work-related injury insurance premium		663,433.93	663,433.93	
Maternity insurance premium	72,777.02	131,573.37	204,350.39	
Others				
4、Housing fund	474,990.00	10,846,022.00	10,981,310.00	339,702.00
5、Labor union expenditures and employee education expenses	237,180.94	1,850,449.22	2,044,450.88	43,179.28
6、Other short-term compensation				
Total	2,351,973.62	95,823,796.60	96,112,315.01	2,063,455.21

(3) Presentation of defined contribution plans

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Item	beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance premium	1,171,764.55	16,299,644.73	16,531,188.63	940,220.65
Unemployment insurance premium	161,046.08	579,172.77	588,201.40	152,017.45
Enterprise Annuity				
Total	1,332,810.63	16,878,817.50	17,119,390.03	1,092,238.10

5.20 Taxes and surcharges payable

Tax and surcharge items	2018.12.31	2017.12.31
Value-added tax (VAT)	1,241,326.23	59,383.97
Business Tax	393,030.84	393,030.84
Corporate income tax	2,927,901.22	146,100.87
Urban maintenance and construction tax	3,098,951.14	3,116,095.28
property tax	3,727,900.64	3,727,900.64
Land royalties	1,808,215.20	1,808,215.20
Individual income tax	566,964.67	1,172,046.48
Educational surtax	1,186,521.12	1,988,736.03
Other taxes and surcharges	4,533,417.89	3,248,488.48
Total	19,484,228.95	15,659,997.79

5.21 Other payables

Item	2018.12.31	2017.12.31
Interest payable		
Dividend payable		
Other payable	14,988,432.94	44,403,126.16
Total	14,988,432.94	44,403,126.16

(1) Other payable

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

Item	2018.12.31	2017.12.31
Cash deposit	1,010,000.00	2,308,448.00
Reimbursement for occupational injury	279,432.94	287,008.98
Payment for goods	10,254,641.72	27,917,955.28
Project payment	500,000.00	9,476,933.77
Organization costs		1,000,000.00

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Testing cost		369,440.00
Design cost and Others	2,944,358.28	3,043,340.13
Total	14,988,432.94	44,403,126.16

② Significant other payables for over 1 year

Item	Ending balance	Reason for unreimbursed or transferred
Guangzhou Yuye Trading Co., Ltd.	30,000.00	non-arrival settlement period
Chongqing Bangbao Auto parts Co., Ltd.	30,000.00	non-arrival settlement period
Chongqing Green Dot Catering Co., Ltd.	20,000.00	non-arrival settlement period
Chongqing Huangdao Automobile Transportation Co., Ltd.	200,000.00	non-arrival settlement period
Department of Transportation, Ruihe loading and unloading Co., Ltd.	260,000.00	non-arrival settlement period
Chongqing Star Speed Logistics Co., Ltd.	400,000.00	non-arrival settlement period
Chongqing Chengbei Logistics Co., Ltd.	50,000.00	non-arrival settlement period
Chongqing Anren Human Resources Management Co., Ltd.	20,000.00	non-arrival settlement period
Chongqing Branch of Northern Engineering Design and Research Institute Co., Ltd.	25,000.00	non-arrival settlement period
Total	1,035,000.00	

5.22 Non-current liabilities maturing within one year

Item	2018.12.31	2017.12.31
Long-term borrowings maturing within one year (Note 5.25)	1,500,000.00	47,090,000.00
Total	1,500,000.00	47,090,000.00

5.23 Long-term borrowings

Item	2018.12.31	2017.12.31
Credit borrowings	1,500,000.00	48,590,000.00
Guaranteed borrowings		
Mortgaged borrowings		
Pledge loan		
less: Long-term borrowings maturing within one year (Note 5.24)	1,500,000.00	47,090,000.00
Total		1,500,000.00

5.24、Share capital

Item	2018.01.01	Increase in the current period	Decrease in the current period	2018.12.31
Total shares	119,375,000.00			119,375,000.00
Total	119,375,000.00			119,375,000.00

5.25 Capital reserve

Item	2018.01.01	Increase in the current period	Decrease in the current period	2018.12.31
Capital (or equity) premium	702,032,741.07			702,032,741.07
Other capital reserves	256,532,553.22			256,532,553.22
Total	958,565,294.29			958,565,294.29

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5.26 Other comprehensive income

Item	2018.01.01	Reporting Period					2018.12.31
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
I. Items that will not be reclassified to profit or loss	9,800.00						9,800.00
Of which: Re-measurement of changes in net liabilities or net assets of a defined benefit plan							
Share of other combined income of invested units that cannot be reclassified into profit or loss under the equity method	9,800.00						9,800.00
II. Items that may subsequently be reclassified to profit or loss							
Of which: Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method							
Gain/Loss on changes in fair value of available -for- sale financial assets							
Investments held to maturity reclassified as gains or losses on marketable financial assets							
Effective portion of cash flow hedging gains and losses							
Translation difference in foreign currency financial statements							

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Item	2018.01.01	Reporting Period					2018.12.31
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
Total of other comprehensive income	9,800.00						9,800.00

5.27 Surplus reserves

Item	2018.01.01	Increase in the current period	Decrease in the current period	2018.12.31
Statutory Surplusreserve	56,724,000.00			56,724,000.00
Discretionary Surplus reserves	68,962,000.00			68,962,000.00
reserve fund				
enterprise development fund				
Total	125,686,000.00			125,686,000.00

5.28 Retained Earnings

Item	Amount	To extract or distribute the proportion.
Adjustments to Retained Earnings as at December 31, 2017	-920,877,890.80	
Adjustments to total Retained Earnings as at January 1, 2018 ("+" for increases; "-" for decreases)		
Adjusted Retained Earnings as at January 1, 2017	-920,877,890.80	
Add: net profit attributable to owners of parent company in 2018	10,544,477.65	
Less: Extraction of statutory Surplus reserve		
Extraction of discretionary Surplus reserve		
Extraction of General risk reserve		
Dividends payable to ordinary shares		
Ordinary dividend dividends transferred to capital stock		
Retained Earnings as at December 31, 2018	-910,333,413.15	

5.29 Operating income and operating costs

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

Item	Year 2018		Year 2017	
	Operating income	Operating cost	Operating income	Operating cost
Primary businesses	918,358,218.69	780,332,555.78	986,059,639.48	819,403,427.06
Other businesses	53,445,781.54	43,923,649.06	23,471,439.20	18,230,017.22

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Total	971,804,000.23	824,256,204.84	1,009,531,078.68	837,633,444.28
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(2) Primary businesses (by product):

Name of product	Year 2018		Year 2017	
	Operating income	Operating cost	Operating income	Operating cost
Automobile air-conditioner	911,621,983.96	772,623,019.05	981,936,878.97	815,076,917.08
Motorcycle and parts	6,736,234.73	7,709,536.73	4,122,760.51	4,326,509.98
Total	918,358,218.69	780,332,555.78	986,059,639.48	819,403,427.06

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

Area name	Year 2018		Year 2017	
	Operating income	Operating cost	Operating income	Operating cost
Anhui Province	17,247,930.48	14,013,943.52	38,244,354.32	30,625,263.96
Beijing	25,405.16	20,923.69	15,162,457.25	11,330,889.08
Fujian Province	26,482.78	21,212.71	70,410.29	59,144.66
Guangdong Province	5,188,961.00	4,231,078.80	65,761,290.24	52,599,383.23
Guangxi Province	285,920.05	234,568.81	32,222.02	27,066.50
Abroad	266,185,056.36	248,016,255.64	197,474,573.18	167,650,852.40
Hebei Province	68,994,967.05	56,065,110.22	76,636,941.82	63,440,508.81
Henan Province	80,083,588.55	65,147,999.29	987,025.62	809,361.02
Heilongjiang Province			7,403,352.72	6,514,950.39
Hebei Province	41,654,437.56	33,831,734.19	55,986,920.72	44,529,762.06
Jilin Province	18,186.72	15,094.98	210,844.63	185,543.27
Jiangsu Province	19,122,536.29	15,621,199.90	40,635,432.90	33,223,010.38
Jiangxi Province	14,112,042.60	11,461,801.00	18,236,438.80	13,993,273.50
Liaoning Province	325,280.80	275,187.56		
Shandong Province	824,779.79	686,216.79	764,988.61	663,096.22
Shaanxi Province	148,787.58	120,830.39	512,841.88	447,052.43
Shanghai Province	2,325,658.30	1,890,760.20	13,586,239.91	12,627,382.10
Sichuan Province	57,482.37	46,675.68	34,017.10	28,574.36
Tianjin	137,528,560.39	111,755,908.17	161,691,876.52	130,584,511.23
Yunnan Province	352,886.82	289,720.08	1,466,820.49	1,290,802.03
Zhejiang Province	118,977,279.27	97,418,596.27	22,491,535.16	17,559,693.55

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Chongqing	144,754,805.40	119,072,428.41	268,669,055.30	231,213,305.88
Ningxia Province	15,862.07	12,848.28		
Shanxi Province	14,327.60	11,648.34		
Hunan Province	86,993.70	70,812.87		
Total	918,358,218.69	780,332,555.78	986,059,639.48	819,403,427.06

5.30 Taxes and surcharges

Item	Year 2018	Year 2017
Business tax	2,118,999.65	2,883,383.47
Urban maintenance and construction tax	1,513,571.21	2,074,157.04
Educational surtax	2,058,190.85	1,652,776.54
Property tax	1,633,833.20	1,633,833.20
Land royalties	5,064.00	4,820.00
vehicle ship royalties	890,892.78	679,276.95
Stamp duty	10,320.17	
Total	8,230,871.86	8,928,247.20

5.31 Selling expenses

Item	Year 2018	Year 2017
Repair cost	7,471,918.81	8,429,633.36
Transportation cost	6,510,166.77	7,184,765.84
Payroll Payable	6,430,113.15	6,558,209.20
Storage and storage fee	1,715,321.21	2,373,093.83
Travel expenses	1,444,042.35	1,460,789.86
Sales service charge	771,626.51	1,502,102.78
Advertising expenses	362,773.93	100,164.87
Exhibition fees	231,256.90	308,049.43
Office expenses	133,691.02	184,441.42
Operating expenses	87,355.08	7,397.70
Depreciation costs	60,807.87	64,297.26
Others	1,687,936.15	288,573.76
Total	26,907,009.75	28,461,519.31

5.32 General and administrative expenses

Item	Year 2018	Year 2017
Payroll Payable	44,849,548.73	38,066,976.14
Depreciation costs	12,552,407.98	6,954,646.08
Repair charges	7,256,301.39	2,449,955.72
Consulting fee	1,385,350.52	297,767.37
Office expenses	1,229,346.24	895,418.21
Agency fee	1,003,950.99	916,075.41
Travel expenses	907,986.02	890,373.47
Amortization of intangible assets	688,074.47	730,368.12
Conference fees	586,796.16	563,545.36
Business entertainment	571,737.98	480,146.92
Sewage charge	558,620.41	495,271.52
Legal fare	437,927.35	383,611.59
Technological transfer fees		2,298,928.02
Others	8,251,412.58	6,347,551.53
Total	80,279,460.82	61,770,635.46

5.33 R&D Expense

Item	Year 2018	Year 2017
Salary	6,312,801.67	6,867,954.81
Office expenses	972.77	3,601.31
Material cost	1,085,873.61	1,093,963.85
Travel expenses	397,228.09	440,207.57
Tooling fee	1,750,693.81	1,042,390.93
Conference-servicing expenses	3,584.91	3,369.82
Fees for evaluation, identification and authentication	22,535.85	943.40
Software fee	78,515.93	59,648.00
Trademark, property right, patent fee	132,507.81	102,732.73
Test inspection fee	169,964.42	34,270.79

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Repair cost	18,474.35	183,618.81
Sample fee	94,208.11	260,616.44
Business entertainment	22,086.00	8,028.16
Traffic expense	809.75	5,487.27
Depreciation expense	1,967,027.82	1,686,856.44
Consulting fee	3,066.04	
Training fee	19,926.96	
Others	1,648,311.53	55,295.53
Total	13,728,589.43	11,848,985.86

5.34 Financial expenses

Item	Year 2018	Year 2017
Interest expenses	13,188,395.86	16,285,785.27
Less: Interest income	1,601,397.09	2,669,821.35
discount rate of bill	21,313,714.26	19,686,099.74
Exchange gains and losses	-171,081.48	306,493.10
Commission Charge and others	124,406.63	806,026.94
Total	32,854,038.18	34,414,583.70

5.35 Losses from asset impairment

Item	Year 2018	Year 2017
Losses on bad debt	20,408,417.32	330,566.57
Losses for falling price of inventory	1,541,302.27	
Impairment loss of Sales for financial asset		
Impairment loss of held-for-sale asset		
Impairment loss of long-term equity investments		
Impairment loss of investment Property		
Impairment loss of fixed Asset	12,745,425.38	14,113,141.06
Impairment loss of construction in progress		
Losses on intangible asset impairment		

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Total	34,695,144.97	14,443,707.63
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5.36 Investment income

item	Year 2018	Year 2017
Long-term equity investment income calculated by cost method		
Long-term equity investment income calculated by equity method	-383,712.61	3,483,081.75
Disposal of a long-term equity investment of investment returns	59,095,066.65	
Investment income from financial assets measured at fair value through current profit and loss during the		
Investment income from disposal of financial assets measured at fair value through current profit and loss		
Investment income from holding of held-to-maturity investments		
Investment income from holding of available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		
Total	68,000.00	
	58,779,354.04	3,483,081.75

5.37 Asset disposal income

Item	Year 2018	Year 2017	The amount included in the current non-recurring profit and loss.
Total profits of non-current assets disposal			
Including: Profits of disposal of fixed assets	837,095.88	31,763.59	837,095.88
Profits of disposal of intangible assets			
Profits of non-monetary assets exchange	-52,595.40		-52,595.40
Total	784,500.48	31,763.59	784,500.48

5.38 Other income

Item	Year 2018	Year 2017
Expenditure of intellectual property transformation project by Jiulongpo bureau of finance in 2016		30,000.00

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Subsidies for Research and development by government		360,000.00
Communication allowance by Jiulongpo bureau of finance		7,200.00
Trademark reward by Industry and Commerce Administration of Chongqing		50,000.00
Fund for science and technology commission of Chongqing		6,900.00
Obtain the grant of patent license of Jiulongpo District Science and Technology Committee	16,400.00	
Subvention from Jiulongpo Finance Bureau (Technical Project Grant for Aluminum Rotary Blades)	10,000.00	
Obtained the import and export subsidy of Jiulongpo District Finance Bureau in 2017	156,000.00	
To receive a subsidy for R & D input from Jiulongpo Finance Bureau in 2017	810,000.00	
Access to the second batch of special funds for industrial informatization in 2018 by the Jiulongpo District Finance Bureau	120,000.00	
To obtain patent support from Chongqing intellectual property Office in 2017	2,000.00	
To receive an export insurance premium subsidy from the Jiulongpo District Finance Bureau of Chongqing Municipality	5,000.00	
Access to international market development funds for small and medium-sized enterprises in Jiulongpo Finance Bureau	13,000.00	
To receive subsidies for automatic monitoring of pollution sources by the Environmental Protection Bureau of Jiulongpo District in 2018	7,200.00	
Obtained funds for compressor project of Jiulongpo District Finance Bureau	100,000.00	
Awarded to Jiulongpo Finance Bureau Municipal intellectual property right advantage Enterprises	50,000.00	
Grant for patent authorization of Kowloon po finance bureau	42,900.00	
Access to import and export support funds for foreign trade enterprises of Jiulongpo Finance Bureau	238,000.00	
Won the Jiulongpo Finance Bureau's high-tech product recognition subsidy in 2017.	6,000.00	
To receive a high-level review grant from Jiulongpo Finance Bureau in 2016 / 2017	20,000.00	
Total	1,596,050.00	454,100.00

5.39 Non-operating income

Item	Year 2018	Year 2017	Amounts included in the non-recurrent profit and loss for the current year
Gain on debt restructuring		101,902.23	
Gains on exchange of non-monetary assets			
Donation received			
Government subsidies	364,700.00	259,100.00	364,700.00
Others	30,815.24	111,391.26	30,815.24
Total	395,515.24	472,393.49	395,515.24

Government subsidies included in current profit and loss

Subsidy item		Year 2018	Year 2017
Related to assets			
Revenue related	Focus on supporting subsidy funds for science and technology enterprises	100,000.00	
	Incentives for contributions to economic development	50,000.00	
	Top ten high-tech enterprise awards	100,000.00	
	Industry support fund	114,700.00	59,100.00
	Innovation fund by Jiulongpo Treasury payment center		200,000.00
Total			364,700.00

259,100.00

5.40 Non-operating expenses

Item	Year 2018	Year 2017	Amounts included in the non-recurrent profit and loss for the current year
Loss of non-current assets damaged and scrapped			
Including: Loss of non-current assets damaged and scrapped			
Loss on disposal of intangible assets			
Loss on debt restructuring		443,102.26	
Loss on exchange of non-monetary assets			
Donation outlay	20,000.00		20,000.00
Compensation, liquidated damages and kinds of penalties			
Other	440,352.30	6,777.67	440,352.30

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Total	460,352.30	449,879.93	460,352.30
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5.41 Income tax expenses

(1) Lists of income tax expense

Items	Year 2018	Year 2017
Income tax at current period	4,065,886.71	1,186,317.13
Deferred income tax	-3,018,358.32	14,856.38
Total	1,047,528.39	1,201,173.51

(2) Accounting profit and income tax expense adjustment process

Item	Amount of current period
Total profit	11,947,747.84
Income tax expense at statutory / applicable tax rates	1,792,162.18
Effect of different tax rates applicable to subsidiaries	
Income tax adjustments on prior periods	
Effect of non-taxable income	-963,991.40
The impact of non-deductible costs, expenses and losses	219,357.61
Affect the use of deferred tax assets early unconfirmed deductible losses	
The current period does not affect the deferred tax assets recognized deductible temporary differences or deductible loss	
The adjustment of tax rate leads to the change of the beginning-balance of deferred income tax assets/liabilities	
Total	1,047,528.39

5.42 Items of the statement of cash flows

(1) Cash received from other operating activities

Item	Year 2018	Year 2017
Interest income	117,579.34	2,669,821.35
Government subsidies	1,960,750.00	713,200.00
Collection of accounts current	1,881,696.35	3,970,001.00
Other sporadic receipts	3,153,629.84	462,457.93
Total	7,113,655.53	7,815,480.28

(2) Cash paid for other operating activities

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Item	Year 2018	Year 2017
Accounts current	1,252,938.62	7,726,801.77
Expenses incurred during the period	20,708,353.03	56,220,338.71
Total	21,961,291.65	63,947,140.48

(3) Cash received from other financing activities

Item	Year 2018	Year 2017
Interest	1,479,991.21	4,005,794.97
Proceeds from discounting of financing notes received	728,192,999.89	552,727,695.07
Collection of financing	43,482,289.32	423,525,476.47
Total	773,155,280.42	980,258,966.51

(4) cash paid for other financing activities

Item	Year 2018	Year 2017
Payments for matured financing notes	357,141,662.47	1,093,957,715.98
cash deposit for financing such as bills and loans	463,971,283.00	119,434,130.07
Total	821,112,945.47	1,213,391,846.05

5.43 Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Supplementary information	Year 2018	Year 2017
1、 Net profit adjusted to cash flows from operating activities		
Net profits	10,900,219.45	14,820,240.63
Add: provision for assets impairment	34,695,144.97	14,443,707.63
Add: provision for assets impairment、 Depletion of oil and gas assets、 Provision for capitalized Biological assets	36,832,278.30	37,658,091.57
Amortization of intangible assets	657,864.72	312,322.80
Amortization of long-term deferred expenses	1,036,581.34	1,143,913.12
Losses on disposal of fixed assets, intangible assets and other long-term assets ("- for gains)	-784,500.48	-31,763.59
Losses on discarding of fixed assets ("- for gains)		

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Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	34,502,110.12	34,414,583.70
Investments losses ("-" for gains)	-58,779,354.04	-3,483,081.75
Decreases in the deferred income tax assets ("-" for increases)	-3,018,358.32	-14,856.38
Increases in the deferred income tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)	-1,352,623.93	24,992,831.21
Decreases in operating receivables ("-" for increases)	-1,884,454.51	-29,324,759.29
Increases in operating receivables ("-" for decreases)	110,019,605.93	-31,951,122.49
Others		
Net cash flows from operating activities	162,824,513.55	62,980,107.16
2、 Significant investment and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3、 Net change in cash and cash equivalents:		
Balance as at December 31, 2016 of cash	72,551,130.34	126,225,466.46
Less: balance as at January 1, 2016 of cash	126,225,466.46	273,768,758.46
Add: balance as at December 31, 2016 of cash equivalents		
Add: balance as at December 31, 2016 of cash equivalents		
Net increase in cash and cash equivalents	-53,674,336.12	-147,543,292.00

(2) Net cash received from disposal subsidiaries for the current period

Item	Amount
Cash or cash equivalents received by the disposal subsidiary in the current year	61,200,000.00
Among them: Shanghai Jianshe Motorcycle Co., Ltd.	61,200,000.00
Less: cash and cash equivalents held by the company at the date of loss of control	3,258,712.90
Among them: Shanghai Jianshe Motorcycle Co., Ltd.	3,258,712.90
Less: disposal costs	700,000.00
Among them: Shanghai Jianshe Motorcycle Co., Ltd.	700,000.00
Plus: disposal of cash or cash equivalents received by a subsidiary in the current period during the prior period	

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Item	Amount
Among them: Shanghai Jianshe Motorcycle Co., Ltd.	
Net cash received by disposal subsidiaries	57,241,287.10

(2) Component of cash and cash equivalents

Item	Year 2018	Year 2017
1. Cash	72,551,130.34	126,225,466.46
Including: cash on hand		29,270.09
Unrestricted bank deposit	72,551,130.34	126,196,196.37
Other unrestricted Cash and cash equivalentss	72,551,130.34	126,225,466.46
2. Cash equivalents		
Including: bond investments maturing within three months		
3. Balance of cash and cash equivalents as at December 31, 2017	72,551,130.34	126,225,466.46

5.44 Assets with restrictions on their ownership or use right

Item	Book value as at December 31, 2018	Reason for restriction
Cash and cash equivalents	279,352,856.84	Cash deposit for notes
Total	279,352,856.84	

5.45 Government subsidies

(1) Government subsidies confirmed in current period

Subsidy item	Amount	Asset-related		Revenue related				Whether actually received
		deferred income	Write-down of book value	deferred income	Other income	Non-operating income	Write-down of cost	
Focus on supporting subsidy funds for science and technology enterprises	100,000.00					100,000.00		Yes
Incentives for contributions to economic development	50,000.00					50,000.00		Yes
Top ten high-tech enterprise awards	100,000.00					100,000.00		Yes

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Subsidy item	Amount	Asset-related		Revenue related			Whether actually received
		deferred income	Write-down of book value	deferred income	Other income	Non-operating income	
Industrial support fund	114,700.00					114,700.00	Yes
Obtain the grant of patent license of Jiulongpo District Science and Technology Committee	16,400.00				16,400.00		Yes
Subvention from Jiulongpo Finance Bureau (Technical Project Grant for Aluminum Rotary Blades)	10,000.00				10,000.00		Yes
Obtained the import and export subsidy of Jiulongpo District Finance Bureau in 2017	156,000.00				156,000.00		Yes
To receive a subsidy for R & D input from Jiulongpo Finance Bureau in 2017	810,000.00				810,000.00		Yes
Access to the second batch of special funds for industrial informatization in 2018 by the Jiulongpo District Finance Bureau	120,000.00				120,000.00		Yes
To obtain patent support from Chongqing intellectual property Office in 2017	2,000.00				2,000.00		Yes
To receive an export insurance premium subsidy from the Jiulongpo District Finance Bureau of Chongqing Municipality	5,000.00				5,000.00		Yes
Access to international market development funds for small and medium-sized enterprises in Jiulongpo Finance Bureau	13,000.00				13,000.00		Yes

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Subsidy item	Amount	Asset-related		Revenue related			Whether actually received
		deferred income	Write-down of book value	deferred income	Other income	Non-operating income	
To receive subsidies for automatic monitoring of pollution sources by the Environmental Protection Bureau of Jiulongpo District in 2018	7,200.00				7,200.00		Yes
Obtained funds for compressor project of Jiulongpo District Finance Bureau	100,000.00				100,000.00		Yes
Awarded to Jiulongpo Finance Bureau Municipal intellectual property right advantage Enterprises	50,000.00				50,000.00		Yes
Grant for patent authorization of Kowloon po finance bureau	42,450.00				42,450.00		Yes
Obtain import and export support funds for foreign trade enterprises of Jiulongpo Finance Bureau	238,000.00				238,000.00		Yes
Won the Jiulongpo Finance Bureau's high-tech product recognition subsidy in 2017	6,000.00				6,000.00		Yes
To receive a high-level review grant from Jiulongpo Finance Bureau in 2016 / 2017	20,000.00				20,000.00		Yes
Total	1,960,750.00				1,596,050.00	364,700.00	

(2) Government subsidies included in current profit and loss

Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
Focus on supporting subsidy funds for science and technology enterprises			100,000.00	
Incentives for contributions to economic development			50,000.00	

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Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
Top ten high-tech enterprise awards			100,000.00	
Industrial support fund			114,700.00	
Obtain the grant of patent license of Jiulongpo District Science and Technology Committee		16,400.00		
Subsidy from Jiulongpo Finance Bureau (Technical Project Grant for Aluminum Rotary Blades)		10,000.00		
Obtained the import and export subsidy of Jiulongpo District Finance Bureau in 2017		156,000.00		
To receive a subsidy for R & D input from Jiulongpo Finance Bureau in 2017		810,000.00		
Access to the second batch of special funds for industrial informatization in 2018 by the Jiulongpo District Finance Bureau		120,000.00		
To obtain patent support from Chongqing intellectual property Office in 2017		2,000.00		
To receive an export insurance premium subsidy from the Jiulongpo District Finance Bureau of Chongqing Municipality		5,000.00		
Access to international market development funds for small and medium-sized enterprises in Jiulongpo Finance Bureau		13,000.00		
To receive subsidies for automatic monitoring of pollution sources by the Environmental Protection Bureau of Jiulongpo District in 2018		7,200.00		
Obtained funds for compressor project of Jiulongpo District Finance Bureau		100,000.00		
Awarded to Jiulongpo Finance Bureau Municipal intellectual property right		50,000.00		

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Subsidy item	Asset-related / revenue-related	Included in the Other income	Included in the Non-operating income	Write-down of cost
advantage Enterprises				
Grant for patent authorization of Kowloon po finance bureau		42,450.00		
Obtain import and export support funds for foreign trade enterprises of Jiulongpo Finance Bureau		238,000.00		
Won the Jiulongpo Finance Bureau's high-tech product recognition subsidy in 2017.		6,000.00		
To receive a high-level review grant from Jiulongpo Finance Bureau in 2016 / 2017		20,000.00		
Total		1,596,050.00	364,700.00	

6、Change in the scope of business combinations

6.1 Disposal of subsidiaries

Name of subsidiary	Share disposal price	Share disposal ratio (%)	Equity disposal mode	Point of loss of control	The basis for determining the Point of loss of Control	Difference in the share of the net assets of the subsidiary at the consolidated statement level corresponding to the disposal price and the disposal investment
Shanghai Jianshe Motorcycle Co., Ltd.	61,200,000.00	51.00	Assignment of listing agreement	2018.06.15	Enter into a property right transaction contract and receive the transfer money	59,095,066.65

Note: In January 2019, Shanghai Construction Motorcycle Co., Ltd completed the formalities of stock right change and obtained the updated Business license of Enterprise legal person.

7、Equity in other entities

7.1 Equity in subsidiaries

Composition of enterprise groups

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

7.2 Equity in joint ventures and associates

(1) Major joint ventures

Name of joint venture or associate	Main business areas	Registered place	Business nature	Shareholding ratio (%)		Accounting treatment methods for the investments in joint ventures or associates
				Directly	Indirectly	
Chongqing Pingshan TK Carburettor Co., Ltd.	Chongqing	Chongqing	Motorcycle spare parts production and sales	50.00		Equity method

(2) Major financial information of significant joint ventures

Item	Ending balance / Current amount	Beginning balance / Amount of the previous period
	Chongqing Pingshan TK Carburettor Co., Ltd.	Chongqing Pingshan TK Carburettor Co., Ltd.
Current assets	165,620,395.56	176,479,123.63
Including: cash and cash equivalents	122,943,263.39	114,266,879.41
Non-current assets	21,766,267.49	21,668,469.48
Total assets	187,386,663.05	198,147,593.11
Current liabilities	19,988,750.73	29,618,869.20
Non-current liabilities	416,577.81	
Total liabilities	20,405,328.54	29,618,869.20
Minority equity		
Equity attributable to the shareholders of parent company	166,981,334.51	168,528,723.91

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Item	Ending balance / Current amount	Beginning balance / Amount of the previous period
	Chongqing Pingshan TK Carburettor Co., Ltd.	Chongqing Pingshan TK Carburettor Co., Ltd.
Shares in net assets calculated according to the shareholding ratios	83,490,667.26	84,264,361.96
Adjustment events		
- Goodwill		
- Unrealized profits of internal transactions		
- Others		
The book values of equity investments in joint ventures	83,923,460.57	84,591,794.06
The fair values of equity investments in joint ventures with a public offer		
Operating income	118,411,396.55	125,669,908.68
Financial expenses	-4,570,876.05	-1,237,914.03
Income tax expenses	1,172,001.05	2,332,848.05
Net profit	5,663,333.03	6,966,163.50
Net profit from termination		
Other comprehensive income		
Total comprehensive income	5,663,333.03	6,966,163.50
Dividends received from joint ventures for the current year	3,500,000.00	4,000,000.00

(3) Major Associates

Name of joint venture or associate	Main business areas	Registered place	Business nature	Shareholding ratio (%)		Accounting treatment methods for the investments in joint ventures or associates
				Directly	Indirectly	
Chongqing Jianshe Hanon Heat Management system Co., Ltd.	Chongqing	Chongqing	Production of Total Assembly and Core parts of variable displacement Compressor	25.36		Equity method

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(4) Major financial information of significant Associates

Item	Ending balance / Current amount	Beginning balance / Amount of the previous period
	Chongqing Jianshe Hanon Heat Management system Co., Ltd.	Chongqing Jianshe Hanon Heat Management system Co., Ltd.
Current assets	91,787,618.86	
Including: cash and cash equivalents	4,503,394.39	
Non-current assets	374,826,493.67	
Total assets	466,614,112.53	
Current liabilities	59,259,508.61	
Non-current liabilities	32,758.66	
Total liabilities	59,292,267.27	
Minority equity		
Equity attributable to the shareholders of parent company	407,321,845.26	
Shares in net assets calculated according to the shareholding ratios	103,284,620.88	
Adjustment events		
- Goodwill		
- Unrealized profits of internal transactions		
- Others		
The book values of equity investments in joint ventures	103,284,620.88	
The fair values of equity investments in joint ventures with a public offer		
Operating income	51,616,268.39	
Financial expenses	-492,500.38	
Income tax expenses		
Net profit	-12,678,939.74	
Net profit from termination		
Other comprehensive income		
Total comprehensive income	-12,678,939.74	

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Item	Ending balance / Current amount	Beginning balance / Amount of the previous period
	Chongqing Jianshe Hanon Heat Management system Co., Ltd.	Chongqing Jianshe Hanon Heat Management system Co., Ltd.
Dividends received from joint ventures for the current year		

8. Related parties and related party transactions

8.1 The parent company of the Company

Name of the parent company	Registered place	Business nature	Registered capital	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
China South Industries Group Corporation	Beijing	State-owned assets investment	RMB 1,746,968 billion	71.13	71.13

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

8.2 Subsidiaries of the Company

Please refer to Note 7.1 “Equity in subsidiaries” for the details of subsidiaries of the Company.

8.3 The joint ventures and associates of the Company

Please refer to Note 7.3 “Equity in joint ventures and associates” for the details of major joint ventures or associates of the Company.

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

Name of joint venture or associate	Relationship with the company
Chongqing Pingshan TK Carburettor Co., Ltd. ("Pingshan TK")	Joint venture
Chongqing Jianshe Hanon Heat Management system Co., Ltd.	Associate company

8.4 Other related parties of the Company

Name of other related parties	Relationship with the Company
Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe industry ")	Under the common control of the

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	same party
South Finance Co., Ltd. ("Finance Company ")	Under the common control of the same party
Chongqing Jianxing Machinery Co., Ltd. ("Jianxing Machinery")	An Joint venture a subsidiary of a controlling shareholder
Chongqing Changan Motor Joint Stock Limited Company("Changan Motor ")	Under the common control of the same party
Chongqing Changan Automobile Co., Ltd. Beijing Changan Automobile Company ("Beijing Changan")	Under the common control of the same party
Chongqing Changan Suzuki Motor Co., Ltd. ("Changan Suzuki ")	An Joint venture a subsidiary of a controlling shareholder
Hebei Changan Motor Co., Ltd. ("Hebei Changan ")	Under the common control of the same party
Nanjing Changan Motor Co., Ltd. ("Nanjing Changan ")	Under the common control of the same party
Baoding Changan Bus Manufacturing Co., Ltd ("Baoding Changan")	Under the common control of the same party
Hefei Changan Motor Co.Ltd ("Hefei Changan")	Under the common control of the same party
Chongqing South Motorcycle Co.Ltd ("South Motorcycle ")	Under the common control of the same party
Chongqing Changan Motor Customer Service Co., Ltd. ("Changan Motor Customer Service ")	Under the common control of the same party
Chongqing Changan Automobile International Sales & Service Co., Ltd ("Changan Automobile sales ")	Under the common control of the same party
Chongqing North Construction import and export trade co.ltd ("import and export company")	Under the common control of the same party
Chongqing jianshe sales co. Ltd("the sales company")	Under the common control of the same party
Hafei Motor share company("Hafei motor")	Under the common control of the same party
Changan Ford Motor Co.Ltd Harbin branch ("Changan Ford Harbin branch")	An Joint venture a subsidiary of a controlling shareholder
Harbin dongan Motor Power shares Co. Ltd("Harbin dongan power")	Under the common control of the same party
Sichuan Huaqing Machinery co. Ltd	Under the common control of the same party
South Air International Co. Ltd ("South Air ")	Under the common control of the same party
Hongxian Lv	Board Chairman
Di Zhang	Board director
Yongqing Zhou	Board director
Lin Hao	Board director
Xuechuan Yan	Board director、 General manager
Jiang Yu	secretary of the discipline inspection commission and

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	chairman of the trade union
Dingqing Li	Independent director
Jun Wang	Independent director
Yu Peng	Independent director
Zhiqiang Liu	Independent director
Lungang Zhang	supervisory board chairman
Chaojie Jiang	Supervisor
Guoan Qiao	Supervisor
Yongjiang Li	Employee Supervisor
Song Rao	Employee Supervisor
Hushan Zhang	Secretary of the board
Wenbiao Yu	Vice-general manager
Aijun Fan	Vice-general manager
Mingxian Tan	Vice-general manager、 Financial Officer-in-charge

8.5 Related party transactions

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

① Table of purchase of goods

Related party	Content of related party transactions	Amount	
		Year 2018	Year 2016
Sichuan Huaqing Machinery co. Ltd	Components and parts of Motorcycle	31,035.72	370,567.24
Total		31,035.72	370,567.24

② Table of sales of goods

Related party	Content of related party transactions	Amount	
		Year 2018	Year 2017
Chongqing Changan Automobile Co., Ltd.	Auto Parts	14,944,021.43	74,105,274.92
Chongqing Changan Suzuki Automobile Co., Ltd.	Auto Parts	794,660.30	52,396,556.14
Hefei Changan Automobile Co., Ltd.	Auto Parts	3,755,156.83	34,556,580.37
Nanjing Changan Automobile Co., Ltd.	Auto Parts	840,595.04	29,952,927.03
Baoding Changan Automobile Co., Ltd.	Auto Parts	3,148,083.81	8,757,195.53
Changan Ford Harbin branch	Auto Parts	132,355.38	8,639,197.68

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Hebei Changan Automobile Co., Ltd.	Auto Parts	139,610.43	1,586,096.86
Beijing Changan Automobile Co., Ltd.	Auto Parts	4,690.49	16,575.00
Harbin Dongan Automobile Power Co., Ltd.	Auto Parts	3,508.41	210,600.00
Chongqing Changan Automobile customer Service Co., Ltd.	Auto Parts	8,135.40	822,025.70
Total		23,770,817.52	211,043,029.23

(2) The situation of related-party lease

① The Company as a lessor:

The name of lessor	The kind of leased assets	Leasing asset of 2018	Leasing asset of 2017
Chongqing Jianshe mechanical and electrical co., LTD.	Plant	5,676,901.74	9,287,626.08
Total		5,676,901.74	9,287,626.08

② The Company as a lessee:

The name of lessor	The kind of leased assets	Leasing asset of 2018	Leasing asset of 2017
Chongqing Jianshe mechanical and electrical co., LTD.	Plant	3,182,824.37	2,262,810.82
Total		3,182,824.37	2,262,810.82

(3) Key executive compensation

Item	Year 2018	Year 2017
Key executive compensation	2,768,000.00	2,517,000.00

(4) Related Guarantee

The Company act as guarantor

Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Whether the guarantee has been fulfilled
Chongqing Jianshe Automobile A/C Co., Ltd.	17,500,000.00	2018/7/4	2019/1/4	No
Chongqing Jianshe Automobile A/C Co.,	17,710,000.00	2018/7/9	2019/1/9	No

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Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Whether the guarantee has been fulfilled
Ltd.				
Chongqing Jianshe Automobile A/C Co., Ltd.	19,999,000.00	2018/2/9	2019/2/9	No
Chongqing Jianshe Automobile A/C Co., Ltd.	25,494,000.00	2018/8/17	2019/2/17	No
Chongqing Jianshe Automobile A/C Co., Ltd.	19,980,000.00	2018/10/10	2019/4/10	No
Chongqing Jianshe Automobile A/C Co., Ltd.	14,000,000.00	2018/10/11	2019/4/11	No
Chongqing Jianshe Automobile A/C Co., Ltd.	24,500,000.00	2018/10/12	2019/4/12	No
Chongqing Jianshe Automobile A/C Co., Ltd.	24,997,000.00	2018/11/15	2019/5/14	No
Chongqing Jianshe Automobile A/C Co., Ltd.	28,490,000.00	2018/11/22	2019/5/22	No
Chongqing Jianshe Automobile A/C Co., Ltd.	27,300,000.00	2018/5/30	2019/5/29	No
Chongqing Jianshe Automobile A/C Co., Ltd.	24,997,000.00	2018/11/30	2019/5/30	No
Chongqing Jianshe Automobile A/C Co., Ltd.	9,999,500.00	2018/11/30	2019/5/30	No
Chongqing Jianshe Automobile A/C Co., Ltd.	24,500,000.00	2018/12/11	2019/6/11	No
Chongqing Jianshe Automobile A/C Co., Ltd.	9,999,500.00	2018/12/11	2019/6/11	No
Chongqing Jianshe Automobile A/C Co., Ltd.	17,500,000.00	2018/12/24	2019/6/24	No
Chongqing Jianshe Automobile A/C Co., Ltd.	35,000,000.00	2018/12/27	2019/6/27	No
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2018/8/13	2019/8/12	No
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2018/9/10	2019/9/5	No

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Guarantee	Guaranteed amount	Starting date of guaranty	Maturity date of guaranty	Whether the guarantee has been fulfilled
Ltd.				
Chongqing Jianshe Automobile A/C Co., Ltd.	30,000,000.00	2018/9/21	2019/9/20	No
Chongqing Jianshe Automobile A/C Co., Ltd.	42,000,000.00	2018/9/30	2019/9/28	No
Chongqing Jianshe Automobile A/C Co., Ltd.	7,000,000.00	2018/9/29	2019/9/29	No
Chongqing Jianshe Automobile A/C Co., Ltd.	50,000,000.00	2018/12/6	2019/12/5	No

8.6 Related party receivables/payables

(1) The item of receivables

Item	Related parties	2018.12.31		2017.12.31	
		book balance	bad-debt provision	book balance	bad-debt provision
Accounts receivable	Chongqing Changan Automobile Co., Ltd.	14,944,021.43		8,253,584.40	
Accounts receivable	Chongqing Changan Suzuki Automobile Co., Ltd.	794,660.30		3,270,508.10	
Accounts receivable	Hebei Changan Automobile Co., Ltd.	139,610.43		73,400.01	
Accounts receivable	Nanjing Changan Automobile Co., Ltd.	840,595.04		2,225,724.84	
Accounts receivable	Hefei Changan Automobile Co., Ltd.	3,755,156.83		7,532,040.43	
Accounts receivable	Haerbing Changan Automobile Co., Ltd.	139,321.45	6,966.07	602,767.89	
Accounts receivable	Baoding Changan Automobile Co., Ltd.	3,148,083.81		2,508,589.11	
Accounts receivable	Hafei motor co., Ltd.	3,999,944.43	3,999,944.43	3,999,944.43	1,981,099.08
Accounts receivable	Chongqing Changan Automobile customer Service Co., Ltd.	8,135.40			
Accounts receivable	Chongqing Changan automobile co., Ltd. Beijing Changan automobile co., Ltd	4,690.49			
Accounts receivable	Harbin Dongan Automobile Power Co., Ltd.	3,508.41			
Accounts receivable	Chongqing Yamaha Motorcycle Co., Ltd.	921,721.51		350,383.40	

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Notes receivable	Baoding Changan bus Manufacturing Co., Ltd.	150,000.00			
Notes receivable	Chongqing Changan Automobile Co., Ltd.	1,630,000.00		2,600,000.00	
Notes receivable	Changan Ford motor co., Ltd Harbin branch	1,200,000.00			
Prepayment	Chongqing North Construction Import and Export Trading Co., Ltd.			6,648,166.17	

(2) The item of payables

Item	Related parties	2018.12.31	2017.12.31
		book balance	book balance
Accounts payables	Chongqing Yamaha Motorcycle Co., Ltd.	23,210.00	23,210.00
Other payables	Chongqing Construction Industry (Group) Co., Ltd.	679,146.63	679,146.63
Other payables	Chongqing Beifang Jianshe Import&Export Trade Co., Ltd.		2,879,204.23
Other payables	Chongqing Jianshe Mechanical and electrical Co., Ltd.		24,332,416.32

9、 Commitments or contingencies

9.1 Significant commitment events

As at December 31, 2018, the Company did not need to disclose important commitments.

9.2 Contingencies

As at December 31, 2018, there was a commercial acceptance bill with endorsement and not yet due at the balance sheet date, amounting to RMB1,606,000.00.

10、 Post balance sheet events

At the beginning of 2018, the company's associate company Chongqing Jianshe Hanon Heat Management system Co., Ltd (hereinafter referred to as Jianshe Hanon) was established, with an initial shareholding rate of 25.36%. On March 31, 2019, the Company held its 15th meeting of the eighth Board of Directors to consider and pass the "Bill on the purchase of shares and related transactions in Chongqing Jianshe Hanon Automotive Heat Management system Co., Ltd.". On April 8, 2019, the Company signed the "Equity transfer Agreement" with Chongqing Jianshe Electrical and Mechanical Co., Ltd. to purchase 24.64% of the Jianshe Hanon owned by Chongqing Jianshe Electrical and Mechanical Co., Ltd for 102,743,300 Yuan. On April 11, 2019, the company

approved the implementation of the first interim general meeting of shareholders in 2019. April 18, 2019, the Company has paid this share transfer price of 102,743,300 Yuan. After the completion of this transaction, the Company and HANON respectively hold 50% stake in Jianshe Hanon.

According to the "share transfer Agreement", the period from the base date of the evaluation of this share transfer (November 30, 2018) to the date on which the shares are actually completed for delivery shall be a transitional period for the transfer of shares, The losses and losses generated by Jianshe Hanon during the transition period shall be enjoyed or borne by the Company.

11、 Other significant events

As at 31 December 2018, there were no other significant matters to be disclosed by the Company.

12、 Notes to the main items of financial statements of parent company

12.1 Accounts receivable

(1) Classification of Accounts receivable

Category	2018.12.31				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis					
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	3,427,697.09	99.82	1,726,944.58	50.38	1,700,752.51
Including: aging analysis portfolio	3,427,697.09	99.82	1,726,944.58	50.38	1,700,752.51
Accounts receivable with insignificant single amount and provision for bad debt made on an individual basis	6,153.00	0.18	6,153.00	100.00	
Total	3,433,850.09	100.00	1,733,097.58		1,700,752.51

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Category	2017.12.31				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	

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Category	2017.12.31				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and provision for bad debt made on an individual basis					
Accounts receivable with provision for bad debt made on a portfolio with similar risk credit characteristics basis	2,077,327.98	99.70	1,726,944.58	83.13	350,383.40
Including: aging analysis portfolio	2,077,327.98	99.70	1,726,944.58	83.13	350,383.40
Accounts receivable with insignificant single amount and provision for bad debt made on an individual basis	6,153.00	0.30	6,153.00	100.00	
Total	2,083,480.98	100.00	1,733,097.58		350,383.40

Accounts receivable with provision for bad debts made using the aging analysis method among those portfolios::

Aging	2018.12.31			
	Amount	Proportion (%)	Provision for bad debts	Proportion (%)
1-6 months (including 6 months)	1,700,752.51	49.62		0.00
6-12 months				
1-2 years (including 1 year)				
2-3 years (including 2 years)				
3-4 years (including 3 years)				
4 - 5 years (including 4 years)				
Over 5 years (including 5 years)	1,726,944.58	50.38	1,726,944.58	100.00
Total	3,427,697.09	100.00	1,726,944.58	

&

Aging	2017.12.31			
	Amount	Proportion (%)	Provision for bad debts	Proportion (%)
1-6 months (including 6 months)	350,383.40	16.87		0.00
6-12 months				
1-2 years (including 1 year)				
2-3 years (including 2 years)				

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3-4 years (including 3 years)				
4 - 5 years (including 4 years)				
Over 5 years (including 5 years)	1,726,944.58	83.13	1,726,944.58	100.00
Total	2,077,327.98	100.00	1,726,944.58	

(2) Bad debt reserves

Item	2018.01.01	Increase in current period	Decrease in current period		2018.12.31
			switch back	write-off	
Bad-debt for account receivables	1,733,097.58				1,733,097.58

(3) Top five accounts receivable by the credit balance as at December 31, 2018

Company Name	Amount of ending balance	Aging	Proportion of total accounts receivable %	Amount of ending balance for bad debts
Chongqing Yamaha Motorcycle Co., Ltd.	921,721.51	Within 6 months	26.84	
Chongqing Jianshe Hanon Automobile Heat Management system Co., Ltd.	757,737.00	Within 6 months	22.07	
Chongqing Huida trade GmbH	183,478.00	Over 5 years	5.34	183,478.00
China Aerospace Science and Technology Corporation long March Machinery Factory	395,296.04	Over 5 years	11.51	395,296.04
Wuhan Longchang Company Wujiao Market Department	473,539.96	Over 5 years	13.79	473,539.96
Total	2,731,772.51		79.55	1,052,314.00

12.2 Other receivables

(1) Classification of other receivables

Category	2018.12.31				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and provision for bad debt made on an individual basis					

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Category	2018.12.31				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with provision for bad debt made on a portfolio with similar risk credit characteristics basis	4,836,914.12	93.05	4,269,187.88	88.26	567,726.24
Including: aging analysis portfolio	4,836,914.12	93.05	4,269,187.88	88.26	567,726.24
Other receivables with insignificant single amount and provision for bad debt made on an individual basis	361,125.35	6.95	361,125.35	100.00	
Total	5,198,039.47	100.00	4,630,313.23		567,726.24

&

Category	2017.12.31				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with provision for bad debt made on a portfolio with similar risk credit characteristics basis	10,185,072.66	96.58	4,317,906.08	42.39	5,867,166.58
Including: aging analysis portfolio	10,185,072.66	96.58	4,317,906.08	42.39	5,867,166.58
Other receivables with insignificant single amount and provision for bad debt made on an individual basis	361,125.35	3.42	361,125.35	100.00	
Total	10,546,198.01	100.00	4,679,031.43		5,867,166.58

Other receivables with provision for bad debts made using the aging analysis method among those portfolios:

Aging	2018.12.31			
	Amount	Proportion (%)	Provision for bad debts	Proportion (%)
1-6 months (including 6 months)	473,095.88	9.78		0.00
6-12 months				
1-2 years (including 1 year)	74,563.85	1.54	7,456.39	10.00
2-3 years (including 2 years)				
3-4 years (including 3 years)	55,045.80	1.14	27,522.90	50.00
4 - 5 years (including 4 years)				
Over 5 years (including 5 years)	4,234,208.59	87.54	4,234,208.59	100.00
Total	4,836,914.12	100.00	4,269,187.88	

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Aging	2017.12.31			
	Amount	Proportion (%)	Provision for bad debts	Proportion (%)
1-6 months (including 6 months)	5,223,980.76	51.29		0.00
6-12 months				5.00
1-2 years (including 1 year)	671,837.51	6.60	67,183.75	10.00
2-3 years (including 2 years)	55,045.80	0.54	16,513.74	30.00
3-4 years (including 3 years)				
4 - 5 years (including 4 years)				
Over 5 years (including 5 years)	4,234,208.59	41.57	4,234,208.59	100.00
Total	10,185,072.66	100.00	4,317,906.08	

(2) Bad debt reserves

Item	2018.01.01	Increase in current period	Decrease in current period		2018.12.31
			switch back	write-off	
Bad-debt for other receivables	4,679,031.43		48,718.20		4,630,313.23

(2) Top five other receivables by credit balance as at December 31, 2018

The top five other receivables by the credit balance as at December 31, 2018 total RMB 4,323,153.39, accounting for 83.17% of the total amount of the final balance of the accounts receivable, and the sum of the corresponding bad debt preparation closing balance was 4,323,153.39 yuan.

12.3 Long-term equity investments

(1) Classification of long-term equity investment

Item	2018.12.31			2017.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	160,000,000.00		50,000,000.00	168,160,000.00		168,160,000.00

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Item	2018.12.31			2017.12.31		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in associates and joint ventures	187,208,081.45		187,208,081.45	84,591,794.06		84,591,794.06
Total	347,208,081.45		347,208,081.45	252,751,794.06		252,751,794.06

(2) Investments in subsidiaries

Investee	2018.01.01	Increase in 2017	Decrease in 2017	2018.12.31
Chongqing Jianshe Automobile A/C Co., Ltd.	160,000,000.00			160,000,000.00
Less: provision for long-term investment impairment	8,160,000.00		8,160,000.00	
Total				
	168,160,000.00		8,160,000.00	160,000,000.00

(3) Investments in associates and joint ventures

Investee	2018.01.01	Increases/decreases in the current year				
		Additional investment	Decrease in investment	profits and losses on investments recognized under the equity method	Other comprehensive income	Changes in other equity
Joint ventures						
Chongqing Pingshan TK Carburettor Co., Ltd.	84,591,794.06			2,831,666.51		
Associate company						
Chongqing Jianshe Hanon Heat Management system Co., Ltd.		106,500,000.00		-3,215,379.12		
Total	84,591,794.06	106,500,000.00		-383,712.61		

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Investee	Increases/decreases in the current year			Balance as at December 31, 2017	Balance as At December 31, 2017 of Provision for impairment
	Declaration of cash dividends or profits	Provision for impairment	Other		

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Investee	Increases/decreases in the current year			Balance as at December 31, 2017	Balance as At December 31, 2017 of Provision for impairment
	Declaration of cash dividends or profits	Provision for impairment	Other		
Joint ventures					
Chongqing Pingshan TK Carburettor Co., Ltd.	3,500,000.00			83,923,460.57	
Associate company					
Chongqing Jianshe Hanon Heat Management system Co., Ltd.				103,284,620.88	
Total	3,500,000.00			187,208,081.45	

12.4 Operating income and operating costs

(1) Operating income and costs are as follows:

Item	Year 2018		Year 2017	
	Income	Cost	Income	Cost
Primary businesses	714,348,121.82	713,563,700.86	641,107,916.08	598,371,529.79
Other businesses	25,288,373.36	2,225,328.28	25,309,650.46	9,632,765.88
Total	739,636,495.18	715,789,029.14	666,417,566.54	608,004,295.67

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

Product Name	Year 2018		Year 2017	
	Income	Cost	Income	Cost
Parts of Vehicle air conditioning	714,348,121.82	713,563,700.86	641,107,916.08	598,371,529.79
Total	714,348,121.82	713,563,700.86	641,107,916.08	598,371,529.79

12.5 Investment income

Item	Year 2018	Year 2017
Long-term equity investment income calculated by cost method		

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Long-term equity investment income calculated by equity method	-383,712.61	3,483,081.75
Investment income from disposal of long-term equity investment	53,040,000.00	
Investment income from financial assets measured at fair value through current profit and loss		
Investment income from disposal of financial assets measured at fair value through current profit and loss		
Investment income from holding of held-to-maturity investments		
Investment income from holding of available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets	68,000.00	
Total	52,724,287.39	3,483,081.75

13、 Supplementary information

13.1 Detailed statement of current non-recurring profit and loss

Item	Amount	Remark
Profits or losses from disposal of non-current assets	784,500.48	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	1,960,750.00	
Payment for use of state funds received from non-financial institutions recorded in current profits and losses		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing		
Gains or losses from non-monetary asset exchange		
Gains or losses from entrusting the investments or management of asset		
Impairment provision for force majeure such as natural calamities		
Profits or losses from debt restructuring		
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses from transactions with obvious unfair transaction price		

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Year-to-date net profits or losses of subsidiaries arising from business combination under common control		
Profits or losses arising from contingencies not related to the company's normal business		
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets		
Disposal of transactional financial assets, transactional financial liabilities and return on investments available for sale		
Reversal of the impairment provision for receivables subject to separate impairment test		
Profits or losses from entrusted loans		
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenditure except for the above items	-429,537.06	
Other profits or losses which can be deemed as non-recurring profits or losses		
Total non-recurrent gains and losses	2,315,713.42	
Less: income tax impact of non-recurrent gains and losses	251,064.39	
Net non-recurrent gains and losses	2,064,649.03	
Less: net effect of non-recurrent gains and losses attributable to minority shareholders	596,064.17	
Non-recurring gains and losses attributable to common shareholders of the company	1,468,584.86	

13.2 Rate of return on net assets and earnings per share:

Profit during the reporting period	Weighted average rate of return on net assets (%)	Earnings per share (Yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	3.66	0.088	0.088
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit and loss	3.15	0.076	0.076

Chongqing Jianshe Vehicle System Co., Ltd.

April 23, 2019

XII. Documents Available for Inspection

- I. Annual Report carrying personal signature and seal of the Chairman of the Board;
- II. Financial Statements with signatures of the legal representative, the financial officer, and accounting manager.
- III. Original copy of the Auditors' Report with the seal of the CPA and signed by the certified
(ZXCGHSKZ[2019]No.302010)
- IV. All of the originals of the Company's documents and public notices publicized by the presses designated by China Securities Regulatory Commission in the report period;
- V. Statement on special audition on appropriation of capital by controlling shareholder and related parties of Chongqing Jianshe Vehicle System Co., Ltd.(ZXCGHSZZ[2019]No.302015).
- VI. Auditing Report on Internal Control for Chongqing Jianshe Vehicle System Co., Ltd.
(ZXCGHSZZ[2019]No.302014).
- VII. Special review report on the situation of deposit and loan of Chongqing Jianshe Mechanical & Electric Co., Ltd from the Military Equipment Finance Co., Ltd. (ZXCGHSZZ[2019]No.302016).